THE REZIDOR HOTEL GROUP

ANNUAL REPORT 07

THE REZIDOR HOTEL GROUP

2007: Summary of the Year

- Revenue increased by 11.0% to MEUR 785.2 (707.3) due to improved market conditions, a successful growth strategy and an active management of the hotel portfolio.
- Total RevPAR, for leased and managed hotels, went up by 6.7% to EUR 76.5 (71.7), and occupancy was 69.7% (69.1). Like-for-like RevPAR rose by 8.9% to EUR 79.6 (73.1), and occupancy was 70.6% (69.4).
- RevPAR grew above market average in all geographic segments.
- EBITDA improved by 41.8% to MEUR 86.5 (61.0 before IPO costs). The improvement was driven by increased demand, strong operational performance with good cost control, resulting in an increase of 240 bps to 11.0% in EBITDA margin (8.6 before IPO costs).
- Profit after tax increased by 58% to MEUR 45.7 (29.0). Earnings per share amounted to EUR 0.31 (0.19) and equity per share was EUR 1.35 (1.18).
- The Board is proposing a dividend of EUR 0.10 (0.06) per share, corresponding to 32.6% (31.1) of profit after tax (32.5% as per March 12, 2008, after share buy-back in 2008).
- 2007 was a record year with 53 new contracts signed.
- Rezidor is on target to add 20,000 new rooms to operations between 2007 and 2009.

FINANCIAL HIGHLIGHTS

TEUR	2007	2006	2005	2004[1]	2003[1]
Operating revenue	785,241	707,319	587,046	498,728	389,964
EBIT	63,223	34,705	30,503	5,795	-24,650
Financial items, net	658	-2,248	487	-1,619	-3,078
Net income after tax	45,716	28,969	23,219	3,855	-32,593
Equity[2]	201,477	176,380	149,587	68,184	66,526
Balance sheet total	412,598	402,623	354,251	323,785	291,611
Proposed dividend	14,844[3]	9,000	-	4,173[4]	3,438[4]
Total investments	45,825	32,617	34,605	54,900	59,280
Key indicators, %					
EBITDAR Margin	35.7	33.8	31.2	28.6	21.2
EBITDA Margin	11.0	8.6[5]	7.4	3.6	-3.0
EBITDA, Growth	41.9	39.6[5]	141.6	255.9	-148.3
Return on capital employed	27.1	18.1	12.2	0.6	-14.6

1. For the financial years 2003–2004 the parent company was Rezidor SAS Hospitality A/S.
2. Including minority interest.
3. Board of Directors has proposed a dividend of EUR 0.10 per share, corresponding to 32.6% of profit after tax based on the number of shares outstanding December 31, 2007 (32.5% as per March 12, 2008, after share buy-back in 2008 until that date).
4. Group Contribution paid to SAS in 2003–2004.
5. Before IPO related costs.

We intend to continue to grow fast, while lowering overall risk

Yet another year of growth! I have now been able to say that for fourteen consecutive years, and for eleven of those years, I have been able to fortify the statement by saying "record growth". I am very happy to present 2007 as yet another year of record growth!

Rezidor Hotel Group is one of the fastest growing hotel companies in the world and has been so for some time. During 2007, we signed 53 new contracts, corresponding to a total of 8,937 rooms, and we opened 5,027 rooms for business. This is record growth. We have shifted into a higher gear, especially when it comes to contracts signed. It is also with great pleasure that we notice that more than 60% of the hotel property owners have chosen Rezidor as partner for more than one of their hotels.

We have committed to open 20,000 new rooms during the three-year period from 2007 to 2009. By year-end 2007, we had contracted 95% of this capacity and I'm very confident that we will deliver on our growth target.

The importance of growth

Profitable and sustainable growth is close to a religion in our company. We are missionaries of creative hospitality and we want to convert a continuously larger number of properties to fly our flags and engage a growing body of new guests to start enjoying our hospitality products.

Why is growth so important to us? Mainly because there is a huge potential out there: profitable business opportunities that are far too good to not go after. The hotel industry in EMEA (Europe, the Middle East and Africa) is changing fast, transforming into a more mature commerce where scale is important and strong brands take a growing share of business. Mature and emerging markets offer slightly different business opportunities, but they have one thing in common – hard work is the only way to turn opportunity into reality. We also believe that growing our top line is the most efficient way to build a strong bottom line in the long term. In our industry economies of scale are important and that adds another rationale to growth. Finally, growth is important to us because we are expansive people who are always hungry for more. This is the culture that we have built. Others may lie back, but we continue to push forward.

No guts, no glory

As we all know, doing business involves risk. Optimising opportunity and controlling risk is what successful business is all about, and also, deciding on the right level at which to find the balance to support your overall strategy. At Rezidor, we have been fairly risk prone over the years, pioneering into new emerging markets and innovating our industry with a number of bold service initiatives, such as free in-room Internet.

We have also focused heavily on developing the Radisson SAS brand and its RevPAR performance relative to competition in local markets. To breakthrough with our major brand outside our initial Nordic home markets, we decided to re-engineer the brand through spectacular properties that could quickly capture a share of mind and heart on top of a growing share of market. We now see this "new breed" strategy starting to pay off with the fastest growing brand recognition for an upscale brand in Europe. Plus an improvement in RevPAR relative to competition in local markets to match!

Furthermore, the freshest inventory in the industry helps us to secure rising guest satisfaction scores, that, we expect, will translate into strong RevPAR premiums in the years to come. We are extremely proud that Radisson SAS was awarded with the J.D. Powers Award for Best Guest Satisfaction 2007 in the upper upscale hotel segment in Europe – and equally proud, perhaps even more so, that our new volume Park Inn achieved the same award in the economy segment, only five years after its launch. This is very impressive indeed!

By focusing on primarily growing the Park Inn brand,we have already shifted growth onto a lower risk level, regardless of entering a weaker business cycle or not. It has taken us fourteen years to grow the Radisson SAS brand to 200+ properties, but only five years to take Park Inn to its first 100. We have now established a powerful growth machine in the mid-market. Historic data confirms that the mid-market and economy segments are more resilient to a weakening economy than the upscale segments.

It is also our strategy to grow Park Inn mainly through conversions and management and franchise agreements, to reduce risk even further.

To sum it up: In the years to come, it is our strategy to continue growing fast, while lowering overall risk.

We promise, we deliver

RevPAR, revenue per available room, has become the key operational performance indicator in our industry. As a function of room rate and occupancy, RevPAR generally ramps up in good times, like those we have enjoyed for a couple of years now. The opposite is usually the case in less good times, when demand softens, affecting occupancy as well as rates.

In 2007, like-for-like RevPAR continued to show strong growth, with various geographic markets increasing their RevPAR by 8.9% on an average. RevPAR growth was basically rate driven. Rezidor's RevPAR growth rates exceeded the growth rates for the market in general, in all geographic segments.

Business volume in the whole Rezidor system, including leased, managed and franchised hotels, increased by 16 % to approximately MEUR 2,000 (1,729). This is our "top top line", and it reflects system-wide growth. However, total statutory operating revenue in Rezidor increased by 11% to MEUR 785.2 (707.3). This growth reflects a growing share of management and franchise contracts – contract types that impact less on revenue than lease contracts. We are exposed to 100% by the lease business performance, but substantially less by the other two. This is one effect of our strategy to continuing growing fast, while at the same time, reducing overall risk.

Apart from our growth target, we have targeted to improve our EBITDA margin to 12% over a business cycle. In 2007, we closed in on this target by performing with an 10.6% (8.6) adjusted EBITDA margin.

The big challenge for the coming years is managing to grow the top and the bottom line simultaneously and in such a way that the EBITDA margin continues to improve – especially with the prospect of entering a weakening cycle.

With the very dedicated and focused management team that we have at Rezidor, and with more than 25,000 highly committed people, I'm confident that we will deliver.

So, now we intend to focus on what we do best – growing our business, and making property owners and guests happy. By doing so, we will also get happy shareholders.

Brussels in March

Kurt Ritter
President and CEO

CORPORATE GOVERNANCE REPORT

Responsibility for the management and control of Rezidor Hotel Group AB is shared among the Board of Directors and the Chief Executice Officer. This is done in accordance with the Swedish Companies Act, along with other legislation, rules and regulations governing listed companies, including the Swedish Code of Corporate Governance, the Articles of Association and the Board's own internal control instruments.

The Company's shares have been traded on the Nordic List of Stockholmsbörsen (the "Exchange") since November 28th 2006 (the "Listing"). The Swedish Code of Corporate Governance is included in the listing requirements of the Exchange. The Code also prescribes that the Annual Report should be supplemented by this Corporate Governance Report, to describe, in a general way, how the Company applied the Code during the fiscal year 2007.

We hereby submit the Corporate Governance Report for year 2007. This Corporate Governance Report has not been reviewed by our auditors.

Annual General Meeting

Shareholders can exercise their right to decide on the Company's business at General Meetings of Shareholders, which is Rezidor Hotel Group AB's highest decision-making body. These meetings will be held in Stockholm. Rezidor's second Annual General Meeting ("AGM") as a listed company will be held in Stockholm on April 23rd, 2008. The notice of the AGM is required to be published not earlier than six weeks, but not later than four weeks, before the date of the AGM.

Rezidor's 2007 Annual General Meeting

Rezidor Hotel Group AB's AGM in 2007 was held at the Radisson SAS Royal Viking Hotel in Stockholm on May 4th, 2007. The AGM was attended by 121 shareholders, including proxies, representing 92,449,612 shares and votes, comprising 61.66% of the total number of shares and votes of the Company. The seven members of the Board of Directors who were proposed for re-election attended the AGM, as well as the Chief Executive Officer and key executives and the Company's auditor. The two new candidates proposed for election were also attending the AGM.

The following important decisions were made at the 2007 AGM:

- election of Mr. Dick Lundquist, attorney at law, as chairman of the AGM
- the annual accounts and the auditor's report, the consolidated accounts and the consolidated auditor's report for the financial year 2006 were deemed to have been duly presented
- approval of the dividend to the shareholders, EUR 0.06 per share
- Board members and the CEO were discharged from the liability for the 2006 fiscal year
- Mr. Göte Dahlin, Mr. Urban Jansson, Mrs. Marilyn Carlson Nelson, Dr. Harald Einsmann, Mrs. Ulla Litzén, Mrs. Trudy Rautio, Mr. Barry Wilson, Mr. Jay Witzel and Mr. Benny Zakrisson were elected as ordinary members of the Board until the end of the next AGM
- it was resolved to appoint Mr. Urban Jansson as the Chairman of the Board
- it was resolved that the remuneration of the Chairman of the Board shall amount to EUR 65,000 and of each of the other directors appointed by the AGM to, EUR 36,000 and of each Chairman of the Audit Committee and Compensation Committee to EUR 5,000
- it was resolved to approve the Board's proposal regarding the principles of remuneration and other terms of employment for key management
- it was resolved to approve the proposed changes of the Articles of Association and increase of share capital through a bonus issue
- it was resolved to approve the Board's proposal on a long term share related incentive programme for key management
- authorisation of the Board to decide on the purchase and transfer of the Company's own shares to give the Board wider freedom of action in the work with the Company's capital structure and to secure costs associated with the long term incentive plan
- it was resolved to introduce a nomination procedure for the Nominating Committee in accordance with the presented proposal

The AGM was held in Swedish. Due to Rezidor's international ownership and in order to allow non-Swedish speaking shareholders to participate, the meeting was simultaneously interpreted to English and all of the information materials for the meeting were also available in English.

The minutes from the 2007 AGM have been made available on Rezidor's corporate website in both Swedish and English language versions. All requisite documents prior to the 2008 AGM, such as the report on the work of the Nominating Committee and all proposals in their full versions, will be published in Swedish and in English on the website in advance of the AGM.

Decisions at the AGM usually require a simple majority vote. However, for certain items of business taken up at the AGM, the Swedish Companies Act requires that a proposal be approved by a higher percentage of the shares and votes represented at the AGM.

Nominating Committee

The mission

The responsibility of the Nominating Committee is to nominate the persons to be elected by the AGM as members of our Board of Directors. The Nominating Committee makes recommendations for the election of members to the Board of Directors and recommendations regarding the allocation of remuneration to the Chairman and other members of our Board of Directors and the allocation of remuneration in respect of committee work, if any. Such recommendations are presented at the AGM. The Nominating Committee also makes recommendations regarding the appointment of auditors, when applicable, and remuneration of the auditors. The Nominating Committee shall also make a recommendation regarding the procedure to be used in appointing members of the Nominating Committee for the next AGM.

Members

In accordance with the resolution of the AGM on May 4th, 2007 the nomination procedure for the Nominating Committee for the AGM 2008 was established. Accordingly, the Chairman of the Board of Directors contacted a representative of the largest shareholder, the Carlson Companies, plus two of the other largest shareholders. Each was offered the opportunity to appoint one representative of the Nominating Committee. The names of the committee members and the shareholders they represented were published in a press release and on the Rezidor website on October 23rd, 2007. The Nominating Committee for the AGM on April 23rd, 2008 consists of Mr. William Van Brunt representing the Carlson Companies (41.7%), Mr. Brian Meyer representing Fir Tree Funds (6.6% according to a statement dated October 16th, 2007) and Mr. Peter Rudman representing Nordea Investment Funds (5.6%). The members of the Nominating Committee have decided to appoint Mr. William Van Brunt to chair the committee. The press release also communicated the possibility for the shareholders to submit proposals to the Nominating Committee. As of December 31st, 2007 no proposals have been made. The Nominating Committee had one meeting in 2007, attended by all members, and during which minutes were taken. The Chairman of the Board also attended this meeting and updated the committee on the work of the Board of Directors. The Nominating Committee's proposals and a report on how the Committee has conducted its work will be announced in connection with the notice to the AGM on April 23rd, 2008.

Representatives for the Nominating Committee for the 2008 AGM	Represents	Position
William Van Brunt	Carlson Companies	■
Brian Meyer	Fir Tree Funds	■
Peter Rudman	Nordea Investment Funds	■

■ Chairman ■ Member

Rezidor's 10 largest shareholders on December 31st, 2007[1)]	Shares	Shares %
Group Carlson	62,617,914	41.74
Group SSB	9,214,159	6.14
Group Nordea	8,397,733	5.60
Bear, Sterns & co (parts relate to Fir Tree Funds)	8,143,500	5.43
State of New Jersey pens. fund	6,500,000	4.33
Group Robur	6,361,541	4.24
Group JP Morgan	3,222,497	2.15
Group Morgan Stanley	2,441,954	1.63
Investors Bank & Trust Co/Treaty	2,411,133	1.61
Ram One	2,350,000	1.57

1. Source: VPC (Nordic Central Securities Depository)

The Board of Directors

Under the Swedish Companies Act, the Board of Directors is ultimately responsible for the organisation and the management of a company. The Articles of Association provide that the Board of Directors shall be elected by the shareholders and consist of not less than three - and not more than fifteen - members. Further, under the Swedish Companies Act, the Chief Executive Officer and at least half of the members of the Board of Directors of a company must be residents of a country within the European Economic Area, unless the Swedish Companies Registration Office grants an exemption.

Mission and Responsibilities

Each year, the Board of Directors establishes a formal work plan clarifying the Board's responsibilities. The work plan regulates the internal division of duties between the Board and its committees, including the role of the Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as Board work on accounting, auditing matters and financial reporting. In addition, the Board of Directors has established separate formal work plans for the Audit Committee, the Compensation Committee and the Finance Committee.

The work plan also governs how the Board will receive information and documentation as the basis for its work to facilitate the making of well-founded decisions. The Board has also issued instructions for the Chief Executive Officer, as well for the financial reporting to the Board. Moreover it has adopted other special steering documents, including a Finance Policy, a Communication and Investor Relations Policy and a Code of Business Ethics.

The responsibilities of the Board include monitoring the work of the Chief Executive Officer through ongoing reviews throughout the year. The Board is further responsible for ensuring that Rezidor's organisation, management and guidelines for the administration of the Company's interests are structured appropriately and that there is satisfactory internal control. The responsibilities of the Board also include setting strategies and targets, establishing special control instruments, deciding on larger acquisitions through business combinations and divestments of operations, deciding on other large investments, deciding on deposits and loans in accordance with the Finance Policy and issuing financial reports, as well as evaluating the management of operations and planning managerial succession.

Apart from the activities of the Audit, Compensation and Finance Committees, there has been no allocation of work among the directors.

The Board shall be assisted by a Secretary of the Board, who is not a member of the Board. The General Counsel of Rezidor, Ms. Marianne Ruhngård, was the Secretary at all Board meetings during 2007.

Activities of the Board 2007

According to current rules of procedures adopted by the Board, the Board must convene at least four times a year, in addition to the statutory Board meeting, and otherwise as necessary. In 2007 the Board held 11 meetings. Four of the Board meetings are coordinated with the dates of the presentation of the external financial reports. Additionally, in 2007, the Board attended a two-day meeting on strategic issues. Audit related matters have been addressed as a special item during a Board meeting at least once per year and in conjunction therewith; the Board meet with the company auditor without the Chief Executive Officer or any other member of management being present. During 2007 the Board has been working in accordance with the described working procedures. The main activities were as follows:

- Keeping informed about the financial position of the Company and the group
- Adopting a business plan
- Evaluating internal control
- Discussing and approving of certain hotel projects meeting defined criteria
- Development strategy and monitoring of growth target fulfilment
- Brand strategies
- Investor relations matters, communication policy & press communications
- Design and implementation of a share based long term incentive plan for key management
- Adopting a sales and marketing plan
- Deciding upon the purchase of the Company's own shares

The Board liaises with the auditors regarding plans for the audit procedure and reviews what measures to take based on the auditors' reporting. Major business areas are given an opportunity to give an in-depth presentation of their operations at a Board meeting at least once a year.

The Chairman of the Board

At the Annual General Meeting of shareholders held on May 4th, 2007 Mr. Urban Jansson was elected Chairman of the Board of Directors. At the constituent meeting held by the Board of Directors immediately after the AGM, the Board resolved to elect Mrs. Marilyn Carlson Nelson as Deputy Chairman.

It is the responsibility of the Chairman to monitor operations, in consultation with the Chief Executive Officer, and ensure that other Board members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman is responsible for evaluating the Board's work, including the work in the Board committees, with regard to working procedures, competences and the working climate. This evaluation is then shared with the Nominating Committee. The Board's Compensation Committee participates in evaluation and development questions regarding the Group's Senior Executives.

Members of the Board of Directors

Pursuant to our articles of association, our Board of Directors shall be elected at the AGM and serve for a term expiring at the next AGM. The members of the Board of Directors may be removed from office at any time by a General Meeting of the shareholders, and vacancies on the Board may only be filled by a resolution of shareholders.

At present, the Board of Directors is composed of nine directors, including the Chairman and Vice Chairman. As part of the Board's efforts to increase the efficiency and depth of the Board's work on certain issues the Board has established three committees: the Audit Committee, the Compensation Committee and the Finance Committee. Each committees work and areas of responsibility is described in further detail under the respective heading in this report. The following table presents the names of the current members, their current position, their participation in the Board's committees and their attendance at Board meetings during 2007.

Attendance of the Bord of Directors	Board of Directors	Audit Committee	Compensation Committee	Finance Committee	Attendance at Board meetings
Urban Jansson	■	■	■		100%
Marilyn Carlson Nelson	■			■	91%
Göte Dahlin	■	■		■	100%
Harald Einsmann	■		■		100%
Ulla Litzén	■	■	■		100%
Trudy Rautio	■	■		■	100%
Barry W. Wilson	■	■		■	100%
Jay S. Witzel	■		■	■	91%
Benny Zakrisson	■		■	■	91%

■ Chairman ■ Vice Chairman ■ Member

Independence of Board members

None of the members of the Board of Directors are employed by Rezidor or any other company within the Group. Based on the current version of the Swedish Code of Corporate Governance, the following assessment of the independency of the members of the Board is made. Of the members of our Board of Directors, Mr. Urban Jansson, Mr. Göte Dahlin, Dr. Harald Einsmann, Mrs. Ulla Litzén, Mr Barry W. Wilson and Mr. Benny Zakrisson are independent Directors in relation to the Company and the Management. Due to extensive business relations between Carlson Companies and Rezidor, Mrs. Marilyn Carlson Nelson, Mr. Jay Witzel and Mrs. Trudy Rautio are not independent Directors in relation to the Company and the Management. Furthermore Mrs. Marilyn Carlson Nelson, Mr. Jay Witzel, Mrs. Trudy Rautio and Dr. Harald Einsmann are to be considered dependent of our main shareholders, as they are related to our owner Carlson Companies which holds 41.7% of the shares of Rezidor.

The following table presents inter alia the names of the current members, their current position, the year of their election, their shareholdings and whether or not they can be considered independent.

Board member	Elected	Position	Born	Nationality	Share-holding 1)	Independent of the company and its management	Independent of the company's major owners
Urban Jansson	2006	■	1945	Swedish	20,000	Yes	Yes
Marilyn Carlson Nelson	2006	■	1939	American	-	No	No
Göte Dahlin	2007	■	1941	Swedish	10,000	Yes	Yes
Harald Einsmann	2006	■	1934	German	18,780	Yes	No
Ulla Litzén	2006	■	1956	Swedish	10,000	Yes	Yes
Trudy Rautio	2005	■	1952	American	-	No	No
Barry W. Wilson	2007	■	1944	British	20,000	Yes	Yes
Jay S. Witzel	2005	■	1947	American	-	No	No
Benny Zakrisson	2005	■	1959	Swedish	10,000	Yes	Yes

1. Per February, 2008

■ Chairman ■ Vice Chairman ■ Member

Labour unions representatives

Currently there are no employee representatives nominated as Board members.

Audit Committee

The Board of Directors elects the Chairman and members of the Audit Committee. The members possess competence and experience in the areas of accounting, auditing and/or risk management. No decision-making power has been bestowed on the Audit Committee. The instructions to the Audit Committee have been approved by the Board of Directors.

The Audit Committee will convene at least once a year and otherwise when the Chairman of the Board of Directors considers it suitable. Up until May 4th 2007, the Audit Committee consisted of Mrs. Monica Caneman as Chairman, Mrs. Trudy Rautio, Mr. Urban Jansson and Mr. Benny Zakrisson. On May 4th, 2007 the Board decided at its statutory Board meeting that the Audit Committee should comprise of Mrs. Trudy Rautio, Mr. Barry Wilson, Mr. Göte Dahlin, Mr. Urban Jansson and Mrs. Ulla Litzén. Mrs. Ulla Litzén was elected as Chairman. During 2007, the Audit Committee held five meetings during which minutes were taken. All members of the Audit Committee had 100% attendance at Audit Committee meetings during 2007. The members also continuously discussed issues as needed. The auditors, Deloitte AB, participated in four out of the five meetings that were held during 2007.

The Audit Committee is responsible for ensuring the quality of the financial and operational reporting. The Audit Committee also evaluates the procedures for internal control and management of financial and operational risks. The committee meets with the auditors at regular intervals in order to inform itself of the objectives and scope for the external audit, it evaluates the external auditor's work and performance, including the extent of the auditors possible non-audit related work for Rezidor, and, when required, it assists the Nomination Committee in preparing proposals for election of auditors and the remuneration of the auditing work. Other than the Chairman, who is paid TEUR 5, there is no remuneration for the members of the Audit Committee.

Compensation Committee

The Compensation Committee will consist of at least three members of the Board of Directors who may not be employees. Up until May 4th 2007, the Compensation Committee comprised of Mr. Gunnar Reitan as Chairman, Mr. Urban Jansson and Mr. Jay Witzel and Mrs. Ulla Litzén. On May 4th, 2007 the Board decided at its statutory Board meeting that the Compensation Committee should comprise of Dr. Harald Einsmann, Mr. Urban Jansson, Mrs. Ulla Litzén, Mr. Jay Witzel and Mr. Benny Zakrisson. Mr. Benny Zakrisson was elected as Chairman. The Code requires that the members of the Compensation Committee should be independent in relation to the Company and the Management. Of the current members, Mr. Jay Witzel is not independent but the Board of Directors has considered his extensive knowledge of market practice in the hotel industry to be a valuable contribution to the Compensation Committee's work. No decision-making power has been bestowed on the Compensation Committee. The Compensation Committee will convene at least twice a year - or as often as the Board of Directors, the Chairman or any member - so requires. During 2007, the Compensation Committee held three meetings during which minutes were taken. Except for Dr. Einsmann who was absent at one meeting all members of the Compensation Committee had 100% attendance at Compensation Committee meetings during 2007. In addition, members of the Compensation Committee have had informal contacts about compensation issues throughout the course of the year.

The Compensation Committee is responsible for preparing material concerning compensation and other employment benefits for the Management and key officers of the group, for final resolution by our Board of Directors. The Compensation Committee also participates in the preparation of proposals for the adoption of any share- or option-based incentive programmes within the Group as well as the preparation of the evaluation of the CEO and his direct reports. The instructions to the Compensation Committee have been approved by the Board of Directors. Other than the Chairman, who is paid TEUR 5, there is no remuneration for the members of the Compensation Committee.

Finance Committee

At the statutory Board meeting on May 4th, 2007 the Board decided to establish an additional committee, the Finance Committee which will consist of at least three members of the Board of Directors. On May 4th, 2007 the Board decided that the Finance Committee should comprise of Mrs. Marilyn Carlson Nelson, Mrs. Trudy Rautio, Mr. Barry Wilson, Mr. Göte Dahlin, Mr. Benny Zakrisson and Mr. Jay Witzel. Mr. Jay Witzel was elected as Chairman. The Finance Committee analyses financial risks and also works with operational risks, insurance, compliance and security issues. No decision making power has been bestowed on the Finance Committee. The instructions to the Finance Committee have been approved by the Board of Directors. There is no remuneration for the chairman nor for the members of the Finance Committee. During 2007, the Finance Committee held one meeting during which minutes were taken. All members of the Finance Committee attended that meeting. In addition, members of the Finance Committee have had informal contacts about risk and compliance issues throughout the course of the year.

Remuneration of the Board of Directors

The amount of remuneration granted to the Board of Directors, including the Chairman, is determined by a resolution at the AGM.

Compensation for the Board's work of 2007 was taken by a resolution at the AGM of shareholders on May 4th, 2007. The annual fee to the Chairman should be TEUR 65 and the annual fee to other Board members should be TEUR 36. In addition, the respective Chairman of the Audit Committee and the Compensation Committee is paid an additional TEUR 5. The members of the Board are not entitled to any benefits upon ceasing to serve as a member of the Board.

Remuneration of the Board of Directors, EUR	Board of Directors	Audit Committee	Compensation Committee	Finance Committe	Board of Directors fee	Audit Committee fee	Compensation Committee fee	Total fee
Urban Jansson	■	□	□		65,000			65,000
Marilyn Carlson Nelson	■			□	36,000			36,000
Göte Dahlin	□	□		□	36,000			36,000
Harald Einsmann	□		□		36,000			36,000
Ulla Litzén	□	■	□		36,000	5,000		41,000
Trudy Rautio	□	□		□	36,000			36,000
Barry W. Wilson	□	□		□	36,000			36,000
Jay S. Witzel	□			■	36,000			36,000
Benny Zakrisson	□		■	□	36,000		5,000	41,000

■ Chairman ■ Vice Chairman □ Member

The Executive Committee

In consultation with the Chairman of the Board, the Chief Executive Officer prepares necessary information and basic documentation on the basis of which, the Board can make well-founded decisions. He presents matters and motivates proposed decisions, as well as reporting to the Board on the development of the Company. The Chief Executive Officer is responsible for leading the work conducted by the Executive Committee and renders decisions in consultation with the other members of the Executive Committee, which consists of a total of eleven persons (including the Chief Executive Officer). See *Management Presentation*.

The following table sets out the names of the members of our Executive Committee, the year of employment, appointment to the Executive Committee, as applicable, their current positions and their shareholdings as of February 2008.

Member	Year of Appointment	Year of Employment	Position	Born	Nationality	Shareholding[1)]
Kurt Ritter	1989	1976	President & Chief Executive Officer	1947	Swiss	104,100
Knut Kleiven	1994	1986	Deputy President & Chief Financial Officer	1954	Norwegian	70,000
Gordon McKinnon	2002	2002	Executive Vice President, Brands	1960	Scottish	-
Puneet Chhatwal	2007	2002	Senior Vice President & Chief Development Officer	1964	German	4,254
Thorsten Kirschke	2006	1995	Senior Vice President & Chief Operating Officer Radisson & Regent	1964	German	12,459
Jacques Dubois	2006	1996	Senior Vice President & Chief Operating Officer Park Inn & Country Inn	1956	Canadian American	-
Olivier Jacquin	2006	2003	Senior Vice President, Sales, Marketing & Distribution	1966	French	-
Marianne Ruhngård	2006	2000	Senior Vice President & General Counsel, Secretary of the Board	1960	Swedish	-
Beathe-Jeanette Lunde	2006	1986	Senior Vice President People Development & Radisson SAS Franchise Operations	1962	Norwegian	10,000
Per Blixt	2006	2006	Senior Vice President Investor Relations & Corporate Communications	1959	Swedish	12,500
Eugène P. E. Staal	2007	2006	Vice President Technical Development	1964	Dutch	4,000

1. Per February, 2008

Remuneration of the Executive Committee

The remuneration granted to the Chief Executive Officer and the other members of the Executive Committee consists of a fixed salary, a variable bonus based on the outcome of financial performance objectives, a pension and other benefits. Details on the compensation to the CEO and the other members of the Executive Committee can be found in *Note 10*, but a summary is presented in the table below.

Remuneration TEUR	Salaries and bonuses	Pension	Housing and company car	Total[1)]
Kurt Ritter (CEO)	1,190	307	139	1,636
The Executive Committee (inclu. CEO) (11 persons)	5,721	613	606	6,940

1. The remuneration numbers exclude social security costs

Share-related Incentive Programme

On May 4th, 2007, the Annual General Meeting approved the proposal for a long-term equity settled performance-based incentive programme ("the performance based share programme") to be offered to approximately 25 executives within the Rezidor Hotel Group AB. The purpose of the programme is to offer a remuneration package to ensure that remuneration within the Group helps align executives with shareholder interests; that the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programme in a cost efficient and flexible manner, the Board of Directors was authorised by the AGM 2007 to decide on acquisitions or sale of its own shares on the Stock Exchange.

The programme was launched on June 15th, 2007 with a vesting period of three years with allotment of Rezidor shares and cash payments by May 31, 2010 and contains two different award elements; a bonus based award and a savings based award. As of December 31st, 2007, 26 executives were enrolled in the programme.

The "bonus based award" entitles the participants to a certain number of shares, equal in value to the participant's 2006 annual pre-tax bonus payout. Rezidor shares are awarded at no cost for the participant and the maximum number of shares that may be awarded under the bonus-based award - after the full vesting period - is 129,600.

The "savings based award" is a matching share award equal to that number of Rezidor shares a participant purchases and holds for a 3-year savings period, up to a value of 25% of the participant's 2007 salary. Shares are awarded at no cost for the participant and the maximum number of savings based shares that can be awarded, after the full vesting period, is 119,935 shares.

All 11 members of the Executive Committee participated in the programme entitling them to a maximum total of 151,563 shares. Included therein, the CEO of Rezidor is entitled to a maximum of 43,336 shares. In addition, 15 other members of the management participated in the programme, entitling them to 97,972 shares. The award is dependent on certain performance criteria, including growth in earnings per share and total shareholder return relative to a defined peer group.

The cost for the performance based share programme, calculated in accordance with IFRS 2, from the grant date until the end of December 2007 amounted to TEUR 235. Above that, costs of TEUR 51 for social security charges related to the programme have been recognised.

Financial Reporting

The Board monitors the quality of financial reporting through instructions to the Chief Executive Officer and reporting instructions regarding the reporting via the Audit Committee. The Audit Committee reviews all financial statements published by the Company. The Board as a whole reviews and approves of the Company's quarterly reports and year-end report prepared by the management. The Board is also responsible for the Company's financial statements being prepared in compliance with legislation, applicable accounting standards and other requirements for listed companies.

The Chief Executive Officer and the Chief Financial Officer, must review and assure the quality of all financial reporting including financial statements, interim reports and the annual financial statements, press releases with financial content and presentation material issued to the media, owners and financial institutions.

With respect to the communication with the auditors, the auditors are present at the Board Meeting where the Company's year-end Financial Report is approved. In addition, the Board has met with the Company's auditors to review their audit of the Company for the financial year 2007. The Board has also met with the Company's auditors without the Chief Executive Officer or other members of the Company's Executive Committee or management being present.

Auditors

Auditors in Swedish limited companies are elected by the AGM and tasked with scrutinising the Company's financial reporting and management of the Company by the Board and the Chief Executive Officer. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years. Since the appointment at the AGM 2005, and up until the AGM 2009, the Group's statutory auditor is Deloitte AB with Mr. Peter Gustafsson as the responsible partner. Deloitte is part of Deloitte Touche Tomatsu, with global operations in auditing and other consulting services. Mr. Gustafsson (born 1956) is a member of FAR-SRS, the Swedish professional institute for authorised public accountants and approved public accountants. Mr. Peter Gustafsson has been an authorised public accountant since 1986. In addition to the Rezidor Hotel Group AB, Peter Gustafsson has audit engagements with SAAB Automobile, Teleca Technology, Ekman, Nexus, SAS AB, Akademiska Hus, Port of Gothenburg and Förvaltnings AB Framtiden. Peter Gustafsson was previously an auditor at Elanders, Connex Transport and Song Networks, Ports of Stockholm, among others.

The auditors follow an audit plan that incorporates the comments and concerns of the Board, and report their observations to the Board during the course of the audit and in conjunction with the establishment of the 2007 Annual Report in 2008. The auditor attended four out of five meetings of the Audit Committee during the year. On one occasion the Board met with the Company's auditor without the Chief Executive Officer or anyone else from the Company management present. Deloitte submits an audit report regarding Rezidor Hotel Group AB, the Group and an overwhelming majority of subsidiaries. During the year 2007, the auditors have had consulting assignments outside the audit, mainly concerning issues related to the interpretation of IFRS and ad hoc tax advice.

Compensation

The auditors receive a fee based on a current account for their work in accordance with a decision of the Annual General Meeting. For information about the auditors' fee in 2007, see *Note 39*.

THE BOARD OF DIRECTORS — A PRESENTATION

Urban Jansson

Chairman of the Board (since 2006)
Nationality: Swedish
Born: 1945
Education: Higher Bank degree (Skandinaviska Banken)
Shareholding: 20,000

Urban Jansson is the Chairman of our Board of Directors. Mr. Jansson is the Chairman of the Boards of aDirectors of AB Elspiraler (Tylö), Global Health Partner Plc, HMS Networks AB, Jetpak Group AB, and the Vice Chairman of the Board of Directors of Ahlstrom Corporation. He is also a member of the Boards of Directors of SEB AB, Addtech AB, Beckers AB, Clas Ohlsson AB, Höganäs AB, Ferd A/S and CapMan Plc. Mr. Jansson has been a member of the listing Committee of the Stockholm Stock Exchange since 1999.

Marilyn Carlson Nelson

Vice Chairman of the Board (since 2006)
Nationality: American
Born: 1939
Education: Bachelor of Arts degree from Smith College
Shareholding: -

Mrs. Carlson Nelson is Chairman of Carlson, a global hotel, cruise, restaurant and marketing company. She serves on the Exxon Mobil Corporation and the Mayo Clinic Foundation Boards of Directors. In addition, she is Chairman of the U.S. Travel and Tourism advisory Board. She is also a member of the World Travel and Tourism Council; the Business Roundtable; the steering committee of the Aviation, Travel & Tourism Governors of the World Economic Forum; the International Business Council of the World Economic Forum; and is co-founder of and an advisory Board member of the Women Leaders Program of the World Economic Forum. Mrs. Nelson is a past national Chairman of the Travel Industry Association of America, and she was a delegate to the White House Conference on Tourism.

Jay S. Witzel

Board member (since 2005)
Nationality: American
Born: 1947
Education: Degrees in Economics and Business Administration
Shareholding: -

Mr. Witzel is the President and Chief Executive Officer of Carlson Hotels Worldwide Inc. and is an officer and/or Director of various subsidiaries in the Carlson Group. He is also a member of the Board Directors of the American Hotel & Lodging Association ("AH&LA") and the AH&LA Educational Institute.

Trudy Rautio

Board member (since 2005)
Nationality: American
Born: 1952
Education: Masters in Business Administration degree from University of St. Thomas
Shareholding: -

Ms. Rautio is the Executive Vice President and Chief Financial Officer of Carlson Companies, and is an officer of various subsidiaries within Carlson. Prior to her appointment as the Executive Vice President and Chief Financial Officer in 2005, Ms. Rautio held various other positions in Carlson from 1997 to 2005. She is currently a member of the Boards of Directors of Securian (Minnesota Life Insurance Company), HIRED and Carlson Wagonlit Travel.

Benny Zakrisson

Board member (since 2005)
Nationality: Swedish
Born: 1959
Education: Master of Laws Degree (LL.M). from University of Stockholm
Shareholding: 10,000

Mr. Zakrisson is Executive Vice President, Structural Affairs & Strategy of SAS AB and member of SAS Group Management. Mr. Zakrisson is the Chairman of the Board of Directors of SAS Cargo Group AS and SAS Ground Services AB. Mr. Zakrisson is also a member of the Boards of Directors of airBaltic, Blue 1, Estonian Air, Spanair and Widerø.

Göte Dahlin

Board member (since 2007)
Nationality: Swedish
Born: 1941
Education: B.S. in Mathematics and Physics from the University of Stockholm, Sweden
Shareholding: 10,000

Mr. Dahlin is Chairman of the Board for Veidekke ASA and Vice Chairman of the Board of RBS Nordisk Renting AB. He is also a member of the Board of Directors for Fabege AB and Svensk Inredning Viking AB. His previous experience has seen him act as a Board member for AP Fastigheter AB, Merita Fastigheter Oy, Avantor ASA and Oslo Areal ASA. Up until his retirement in 2001, Mr. Dahlin was CEO of the real estate holding company, Nordisk Renting AB that owned a property portfolio valued at approximately SEK 20 billion and which included, amongst others, 12 Radisson SAS Hotels.

Harald Einsmann

Board member (since 2006)
Nationality: German
Born: 1934
Education: Doctor of Philosophy degree in Economics, Business Administration and Law
Shareholding: 18,780

Dr. Einsmann is currently a member of the Boards of Directors of Tesco PLC, Checkpoint Systems, Inc., Harman International and Carlson Companies. During the past five years, Dr. Einsmann has served as a member of the Boards of Directors of Stora Enso Corporation, EMI Group plc and British American Tobacco plc.

Ulla Litzén

Board member (since 2006)
Nationality: Swedish
Born: 1956
Education: Master of Science degree in Business Administration from the Stockholm School of Economics and a Masters in Business Administration degree from Massachusetts Institute of Technology
Shareholding: 10,000

Ms. Litzén is currently a member of the Boards of Directors of Alfa LAval AB, Atlas Copco AB, Boliden AB and AB SKF. Ms. Litzén was Managing Director and member of the Management Group of Investor AB from 1996 to 2001 and President of W Capital Management AB, wholly owned by the Wallenberg Fondations, from 2001 to 2005.

Barry W. Wilson

Board member (since 2007)
Nationality: British
Born: 1944
Education: B.A. (Hons), M.A. from Cambridge University, England and an M.B.A. from the Wharton School of Business, University of Pennsylvania
Shareholding: 20,000

Barry W. Wilson is one of the newest members to join the Board of Directors. He has served as President International, Medtronic Inc, President of Lederle International, prior to its merger with Wyeth, and President of Bristol Myers Squibb Europe. He had nine international assignments with Pfizer. Mr. Wilson serves on several Boards and advises Private Equity and Venture Capital organisations.

THE EXECUTIVE COMMITTEE AND AREA VICE PRESIDENTS — A PRESENTATION

EXECUTIVE COMMITTEE

Kurt Ritter

President and Chief Executive Officer (since 1989)
Nationality: Swiss
Born: 1947
Education: Ecole Hôtelière de Lausanne in Switzerland and INSEAD Advanced Management Programme at Fontainebleau in France.
Shareholding: 104,100

Mr. Ritter joined us in 1976 as the General Manager of SAS Hotel, Luleå in Sweden, and since then has held various Executive Management positions in business development and operations. Prior to joining us, Mr. Ritter started his executive career at Bellevue Palace Hotel in Bern, Switzerland and has also held several executive positions at Ramada International Hotels in Belgium, France, Germany and Sweden, where he became the youngest General Manager at the age of 27. Mr. Ritter was awarded an Honorary Doctorate of Business Administration in Hospitality by Johnson & Wales University, Prudence, USA in 1997 and he was named Corporate Hotelier of the World in 2002. In 2005, he also received the Lifetime Achievement Award at the International Hotels Investment Conference.

Knut Kleiven

Deputy President and Chief Financial Officer (since 2005)
Nationality: Norwegian
Born: 1954
Education: Exams in Philosophy, Psychology and Law from University of Oslo, Norway.
Shareholding: 70,000

Mr. Kleiven joined Rezidor in 1986 as the Group Accounting Manager and soon became the Group's Operational and Corporate Controller. In 1994, Mr. Kleiven was appointed as Rezidor's Senior Vice President and Chief Financial Officer. Mr. Kleiven was then promoted to Deputy President and Chief Financial Officer of Rezidor, a role which actively supports the President and Chief Executive Officer in the strategic development of the company and also leads the company's focus on investments, participations, joint ventures, investment funds, etc. Prior to joining Rezidor, Mr. Kleiven held the position of Internal Auditor for the SAS Group.

Gordon McKinnon

Executive Vice President of Brands (since 2006)
Nationality: Scottish
Born: 1960
Shareholding: -

Mr. McKinnon joined Rezidor in 2002 as the Vice President of Brands & Concept Development. He was one of the founding team members of Malmaison Hotels, Bars and Brasseries, and served as the Managing Director (Board member position) of the Malmaison Brand Company. Prior to joining Malmaison in 1999, Mr. McKinnon has held several leadership positions in marketing and communication companies in the United Kingdom.

Puneet Chhatwal

Senior Vice President and Chief Development Officer (since 2007)
Nationality: German
Born: 1964
Education: Masters degree in International Hospitality Management from IMHI (Essec), Paris.
Fellow of the Institute of Hospitality (FIH)
Shareholding: 4,254

Mr. Chhatwal joined Rezidor in 2002 as Director of Business Development and was promoted to Vice President Business Development in 2004. Mr. Chhatwal started his career as a Management Trainee with the India Tourism Development Corporation and held several management positions within the hotels division. He later moved to France and thereafter to Germany, where he worked in Hotel Consulting, Project Development and Acquisitions. From 1998 to 2002, Mr. Chhatwal served as Director of Development for EMEA region at Carlson Hotels Worldwide.

Thorsten Kirschke

Senior Vice President and Chief Operating Officer Radisson SAS and The Regent (since 2006)
Nationality: German
Born: 1964
Education: MBA degree in Hospitality Industry from Cornell Essec University in France
Shareholding: 12,459

Mr. Kirschke joined Rezidor in 1995 in Corporate Food & Beverage and has since then held various managerial positions in operations and in all areas of Rezidor's master franchise agreement around the globe, including Russia, China, Middle East and Scandinavia. Since 2002, Mr. Kirschke has served in the position of Area Vice President of Germany, Austria, Switzerland, Benelux, South East Europe, Switzerland and Italy.

Jacques Dubois

Senior Vice President and Chief Operating Officer Park Inn and Country Inn (since 2006)
Nationality: Canadian/American
Born: 1956
Shareholding: -

Mr. Dubois joined Rezidor in 1996 as Regional Director of Operations, and, since 1998, has held the positions of Vice President Sales, Vice President Revenue & Channel Management, Vice President Distribution & CRM, and Senior Vice President Marketing, Distribution & CRM. Prior to joining Rezidor, Mr. Dubois was a District Director of the Carlson Companies under the Radisson brand.

Olivier Jacquin

Deputy President and Chief Financial Officer (since 2005)
Senior Vice President of Sales, Marketing and Distribution (since 2006)
Nationality: French
Born: 1966
Education: Sales and Marketing Degree from Institut Supérieur Européen de Gestion in Paris, Graduate of l'Ecole de Gestion Commerce de Toulouse & INSEAD AMP Fontainebleau
Shareholding: -

Mr. Jacquin joined Rezidor in 2003 as Senior Vice President of Sales, prior to which, he was the Global Sales Director of Europcar International, Director of Sales for Concorde Hotels Group and Director of Sales & Marketing for Concorde La Fayette hotel in Paris. Prior to that, Mr. Jacquin held a variety of positions in operations in Africa & the Caribbean.

Marianne Ruhngård

Senior Vice President and General Counsel (since 2000) and Secretary to the Board (since 2006)
Nationality: Swedish
Born: 1960
Education: Master of Laws Degree (LL.M) from University of Uppsala. Diplomas in English, Russian and Natural Sciences from University of Uppsala, in European Community Law from University of Lund and a postgraduate diploma in EC Competition Law from King's College in London.
Shareholding: -

Ms. Ruhngård joined Rezidor in 2000 and has since held the position as Vice President and General Counsel. Prior to joining the company, Ms. Ruhngård was employed from August 1992 to March 2000 by PLM AB in Sweden, where she held the position of Associate General Counsel. Prior to August 1992 Ms. Ruhngård practised as a court clerk at the Uppsala County Administrative Court and as a Junior Judge at the Administrative Court of Appeal in Stockholm.

Beathe-Jeanette Lunde

Senior Vice President of People Development and Radisson SAS Franchise Operations (since 2006)
Nationality: Norwegian
Born: 1962
Education: Hospitality Degree from the University in Stavanger, Norway and a post-graduate diploma in Business Administration at Heriott Watt University in Edinburgh.
Shareholding: 10,000

Mrs. Lunde joined Rezidor in 1986 during the pre-opening of the Radisson SAS Royal Hotel, Stavanger. She held several hotel Department Head positions and became the General Manager, after which was promoted to Vice President Human Resources, Vice President Franchise Services and her current role as Senior Vice President. In addition to her responsibility to the Head of HR and Franchise Operations responsibility the Vice President Corporate Safety & Security and Vice President Responsible Business also report to Mrs Lunde. Prior to joining Rezidor, Mrs. Lunde was employed by Conoco Norway Inc. and the Norwegian Industry Association for Oil Companies.

Per Blixt

Senior Vice President Investor Relations & Corporate Communication (since 2006)
Nationality: Swedish
Born: 1959
Education: Studies in Communication and Law, University of Lund, Sweden.
Board Engagements: Mr. Blixt is currently Chairman of the Board of Directors of Aspekta AB and a member of the Board of Directors of Prognosesenteret AS
Shareholding: 12,500

Mr. Blixt was, prior to joining the Rezidor Group in 2006, Senior VP Corporate Communication/Investor Relations of Observer AB. Mr. Blixt has held a succession of executive posts with various Swedish companies, as well as being the spokesperson for the minister of Industry and Commerce. In addition to his Rezidor responsibilities, he is currently also non-executive Chairman of the Board of Directors of the PR Consultancy Aspekta AB, in Sweden, and a member of the Board of Directors of Prognosesenteret AS, an independent marketing consultancy headquartered in Norway.

Eugène P. E. Staal

Vice President Technical Development (since 2006)
Nationality: Dutch
Born: 1964
Education: Bachelor Degree in Hotel Administration from the Hoge Hotelschool in Maastricht, The Netherlands
Shareholding: 4,000

Mr. Staal joined Rezidor in 2006 and was appointed Vice President Technical Development. Before joining Rezidor, Mr. Staal held the position of Director of Technical Services – EMEA & CIS for the Hyatt International Hotels & Resorts. During his post with Hyatt International from 1988 to 2006, Mr. Staal held various managerial positions in the US, Asia and Europe.

AREA VICE PRESIDENTS

We have structured our operational responsibility according to 5 regions, where the AVPs have Regional and/or District Directors reporting to them.

Thorsten Kirschke

Acting Area Vice President UK and Ireland and France
Year of employment: 1995
Year of appointment: 2002

Christian Gartmann

Area Vice President Nordic, Tunisia and Poland
Year of employment: 1967
Year of appointment: 2003

Jörg Schiffmann

Area Vice President Germany, Switzerland, Austria, Italy and Southeast Europe
Year of employment: 2002
Year of appointment: 2007

Michel Stalport

Area Vice President Russia, other CIS countries, Baltics, Turkey and China
Year of employment: 1993
Year of appointment: 2006

Jean-Marc Busato

Area Vice President, Middle East and Africa
Year of employment: 2002
Year of appointment: 2002

Internal Control

The purpose of this report is to give shareholders and other stakeholders a better view and understanding of how internal control over financial reporting at Rezidor Hotel Group AB is organised.

Internal control over financial reporting is a process that involves the Board and, in particular, the Audit Committee appointed by the Board, company management and personnel. It is designed to provide assurance of reliability in external reporting.

This report has been prepared in accordance with the Swedish Code of Corporate Governance and the guidelines compiled by FAR-SRS and the Confederation of Swedish Enterprise. It is, therefore, limited to internal control over financial reporting. In accordance with the statement from the Council for Swedish Corporate Governance in September 2006, this internal control report is restricted to a description of how the internal control is organised and makes no statement on how well it functioned during the fiscal year 2007.

Rezidor Hotel Group AB applies the COSO framework as a base for the internal control structure.

The Board annually evaluates the need for, and organisation of, an internal audit process. The current structure of the process for 2007 and 2008 has been approved by the Board. The process is managed from the Rezidor corporate office in Brussels with internal audit training and support by the external auditors. Accounting and control policies and procedures are also prepared, updated and distributed from the Rezidor corporate office.

This report supplements the Annual Report. It has not been reviewed by the company's auditors.

The internal control over financial reporting is described below in five areas that jointly form the basis of a sound control structure.

Control Environment

The control environment forms the basis of internal control. The control environment includes the culture that the company communicates and operates from in a number of areas. The company values include reliability and openness. It is important that all actions, internal as well as external, reflect these basic values. The company's Code of Business Ethics has been distributed to all employees and describes the required attitudes in various situations. Compliance with the Code of Business Ethics is followed up by regular visits to the hotels by Area Vice Presidents, Regional and District Directors, Regional Human Resources Managers and Head Office Human Resources Managers. In addition, the *General Managers* must certify that he/she is not engaged in any conflict of interest. The whistleblower procedure, which is in the process of being implemented in 2008, gives the employees the possibility to report on issues related to the Code of Business Ethics.

The company's Board of Directors has appointed an Audit Committee with the objective of ensuring the quality of the company's financial and operational reporting.

In addition, the Audit Committee evaluates the procedures for internal control and the management of financial and operational risks.

The Board has also issued specific instructions for the CEO.

The company has created a framework that describes the compulsory internal control policies applicable to all brands, all legal entities and all managed hotels within the Group. This document is the core of the Group's financial management system, and it outlines the procedures for the planning, delegation and follow-up of internal control. The document is also a tool for information and education.

One of the principal requirements of internal control is the necessity of written documentation to evidence compliance with the compulsory policies.

Another principal purpose is to establish responsibilities and authority within the hotels and across all levels of the Group. This is achieved through job descriptions for the hotel *General Managers* and Financial Controllers and regional and corporate reviews and analysis of the individual hotels' performance on a monthly basis.

The policy document and other guidelines are accessible on the intranet and are continuously updated to comply with accounting and audit regulations.

The company is also committed to competence and ensures that employees, including those in finance and accounting functions, receive the appropriate training. Other control measures in effect are specific accounting procedures, a human resources manual, quality performance checks, mystery shoppers (quality performance review) and hotel reviews performed regularly by regional operational and financial management. In addition, a specific mystery shopper programme is in place for hotels in high-risk countries as defined by the Audit Committee. For new hotel contract partners, a system is in place to make background checks.

Risk Assessment

Company management performs an annual risk assessment with regard to financial reporting. The external auditors provide feedback and may suggest additional considerations for the risk assessment. The risk assessment has identified a number of critical processes such as revenue, purchasing, payroll, financial reporting, IT, related party transactions, cash handling procedures, stock and inventory, receivables, bank relations and processes, legal requirements regarding operational licensing and insurance. Within these processes, the internal audits cover - as applicable - segregation of duties, authorisation for payment, contract handling, cost control, registration of revenues and follow-up routines. The annual plan for internal control is developed based on the risk assessment. The management of risks which are not included in the annual plan for internal control are monitored by the Audit Committee.

The risk assessment can be adjusted during the year to ensure that changes are managed in the process.

The Audit Committee and the Board of Directors analyse and approve the previous year's result from the internal audit and the internal audit plan for the following year.

Control Activities

Controls have been implemented throughout the organisation to ensure that risks are managed as intended by the Board, including financial reporting risk, IT risks and fraud risks.

Managers and financial department employees in the hotels perform controls as part of their daily business to comply with central, as well as local, policies and guidelines.

Regular internal audits are performed to evaluate whether controls are operating as intended. These audits are scheduled and performed based on the company's formal risk assessment.

Action plans are implemented and followed up to improve control activities that are either lacking or found to be ineffective.

The company has established specific anti-fraud programmes and controls, and these procedures are well known throughout the company.

The specific internal audits of hotels and administrative units are primarily aimed at internal control within operation and administration with a focus on processes that impact financial reporting and risk of irregularities, improper favouritism of another party at the company's expense, and the risk of losses.

The teams for the internal audits consist of independent persons of the audited units, supported by the external auditors.

Information and Communication

Employees' individual responsibilities for maintaining internal control have been clearly communicated in the Group. Every manager is responsible for ensuring that employees have received and understood the relevant information needed to perform their tasks.

Accounting principles and procedures for operational and financial reporting are known by those responsible for applying them, and updates are communicated regularly. *General Managers*, Regional Directors and Area Vice Presidents report operations and financial information on a monthly basis to the Executive Committee.

Management receives the operational and financial information they require in a timely manner, and the company has procedures for adapting to changing information needs as the competitive and/or regulatory environment evolves.

The information systems are continuously evaluated, and the company has established strategic plans related to future upgrades and information system needs.

The results from the internal audits are communicated throughout the organisation in order to benchmark and improve internal control procedures.

The yearly audit plans and results of the audits are submitted periodically to the Executive Committee of the Group and to the Audit Committee.

Rezidor Hotel Group AB's goal is that internal control policies are known and followed in the Group. Policies and guidelines regarding the financial process are communicated to all affected parties in the Group through direct distribution via electronic mail and via the Group's intranet, where all policies and guidelines are available.

Regulations related to a public company's external information to investors and stakeholders are known by those responsible for applying them.

To ensure that the submission of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange - as well as an investor relations policy - that have been adopted by the Board of Directors of the Group. These policies state what, in what form and how information is to be dealt with.

A system, with the support of an external company, allow employees to anonymously (turn whistleblower) alert corporate management and the Audit Committee on ethical, financial and other issues in the organisation has been put in place beginning of 2008.

Monitoring

Regular internal meetings are used on different levels in the organisation for management and employees.

The Executive Committee and the Board monitor the company's operations and financial reporting on a continuous basis.

All recommendations and/or action plans from external auditors, internal audits and other internal control activities are reviewed by the Audit Committee and the Board, and the company - as well as the individual hotels and administrative business units - respond to such recommendations and/or action plans in a timely manner.

The resources and authority of those responsible for performing internal control reviews are adequate, considering the size and complexity of the organisation. Those responsible for performing internal control reviews adhere to the professional standards established by the Institute of Internal Auditors.

THE REZIDOR SHARE

The Rezidor Share

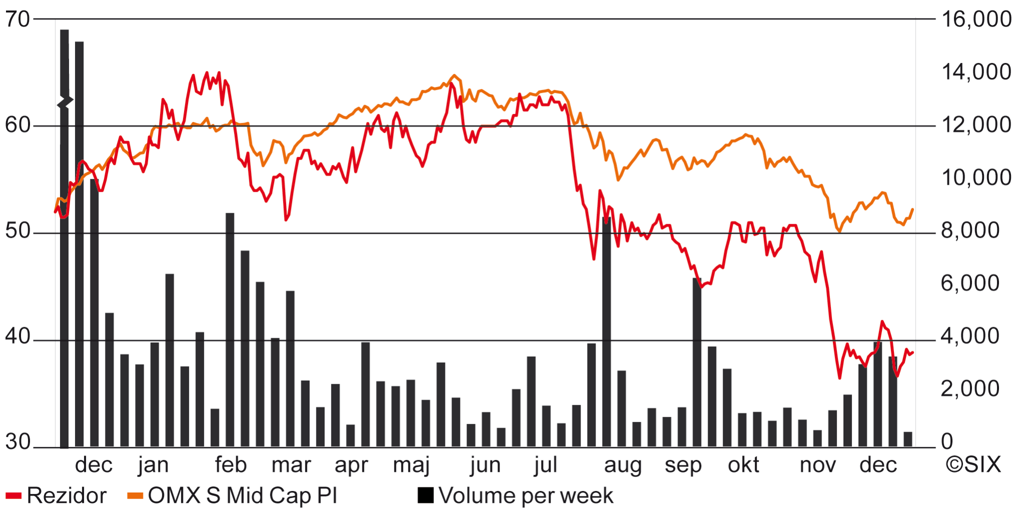
Rezidor Hotel Group AB was listed on the Stockholm Stock Exchange's Nordic list on November 28th, 2006. The initial share price was determined through a book-building process among institutional investors to SEK 52 per share. Rezidor is quoted in the Mid Cap segment and is included in the Consumer Discretionary sector.

At the time of the listing, SAS Group sold most of its shareholding in the company and thereby decreased its holding from 75% to 6.7%. The Carlson Companies, that previously had an ownership of 25%, purchased an additional 10% from SAS Group in connection with the listing, at IPO price. On May 25th, 2007, SAS Group announced the sale of its remaining 6.7% stake in Rezidor to Carlson Companies. On 31 st December 2007, the Carlson Companies was the largest shareholder in Rezidor with 41.7% of the share capital. No other shareholder held more then 10% of the shares.

Share Development

Even though the hotel market showed a continued strong growth throughout 2007, the share price of most international hotel companies performed poorly during the year. This was mainly due to the market in general, accelerated by fears of a U.S. recession that could spread to other global economies.

Share development
Euro



The graph sets forth the development of Rezidor's share price during the period from November 28th, 2006 to December 28th, 2007. Following the initial public offering, the share price rose to an all-time high of SEK 65 on February 7th, 2007. This was followed by a downturn to a low of SEK 51.25 on March 14th, 2007. From this date, the share price strengthened until the second half of 2007 when there was a renewed downward turn. The share price development has been in line with that of the hotel sector.

Rezidor's shares closed on December 28th, 2007 at SEK 38.9, 25% below the issue price of SEK 52.

In comparison, the OMX Stockholm Mid Cap index was flat, showing a growth of 0.5% during the period from November 28th, 2006 to December 28th, 2007 and the Dow Jones STOXX 600 Travel & Leisure decreased by 16.5% in 2007.

Turnover[1)]

During 2007, a total of 145 million Rezidor shares were traded on the Nordic Exchange, equivalent to approximately 96.4% of outstanding shares. The shares were sold at a total value of SEK 7,869 million. On average 578,633 Rezidor shares were sold per trading day during the fiscal year.

Dividend Policy

The Board's dividend policy is that approximately one third of the annual after-tax income should be distributed to the shareholders. The size of future dividends will be determined according to Rezidor's long-term growth, as well as its financial position in general. The Board of Directors suggestion regarding dividend for 2007 amounts to EUR 0.10 (0.06) per share, corresponding to 32.6% (31.1) of profit after tax.

Share Capital

No new shares were issued in connection with the listing on the Stockholm Stock Exchange. Therefore, no new capital was brought into Rezidor.

The total amount of shares outstanding, excluding own shares held by the company, at December 31st, 2007 was 148,977,040. 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.

Neither the articles of association, nor any law, stipulate restrictions in the right to transfer shares from one owner to another. Nor is the company aware of any agreements between different shareholders that can impose such a restriction.

At December 31st, 2006 the share capital amounted to EUR 126,584, corresponding to 150,002,040 shares. At the AGM on May 4 th, 2007, it was decided to increase the share capital through a bonus issue of EUR 9,873,416, resulting in a share capital of EUR 10,000,000. The increase of the share capital was made through a similar decrease of non-restricted equity. The number of shares remains the same after the bonus issue.

Share Related Incentive Programme

On May 4th, 2007, the AGM approved a long-term equity settled performance-based incentive programme to be offered to approximately 25 executives within the Group. The purpose of the programme is to offer a remuneration package to ensure that remuneration within the Group helps align executives with shareholder interests, that the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programme, the Board of Directors was authorised by the AGM to decide on acquisitions of own shares on the stock exchange. The performance based share programme 2007 was based on no more than a total of 1,250,000 shares.

The programme was launched on June 15th, 2007, with a vesting period up to May 1st, 2010, and contains two different award elements; a bonus based award and a savings based award. The award is dependent on certain performance criteria, including growth in earnings per share and total shareholder return relative to a defined peer group.

Share Buy Back

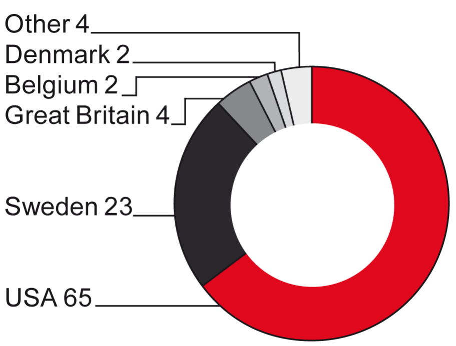
At the AGM on 4th, May 2007, the Board of Directors was authorised to decide on acquisitions of the company's own shares on the Stockholm Stock Exchange until the AGM of 2008. The purpose of the authorisation is to use these shares in the share-based incentive programme approved at the same meeting and to give the Rezidor Hotel Group a more efficient capital structure. Until December 31st 2007, the company had bought back 1,025,000 shares, corresponding to 0.68% of the total shares issued. Rezidor paid an average weighted price of SEK 45 and the total amount paid, including commission, was EUR 4,911,463.

1. Source: OMX AB (publ)

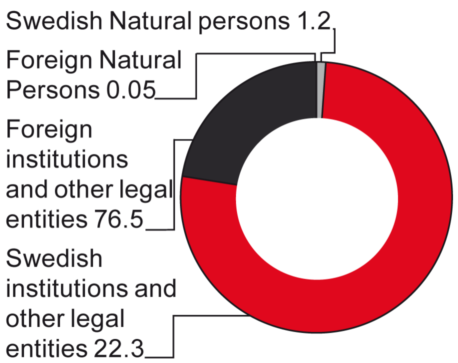
Key data per share	2007
Market capitalisation per Dec 28th, MSEK	5,835
No. of shares traded, million	145
No. of shares at year-end, million	150
Cash flow from the year's operations per share, EUR	0.50
Proposed dividend per share, EUR	0.10
Dividend percent of earnings after tax, %	32.6
Equity per share[1)], EUR	1.35
Market price at year-end, SEK	38.9
Highest market price during the year, SEK	65
Lowest market price during the year, SEK	36.5
Earnings per share[2)], EUR	0.31

1. Based on number of ordinary shares at the end of the period, excluding own shares held by the Company.
2. Before allocation to minority interest.

Share ownership structure by geography 2007, %



Share ownership structure by category 2007, %



THE LARGEST SHAREHOLDERS IN REZIDOR HOTEL GROUP AB AS OF 28 DEC. 2007

	Shares	Holdings %
Group Carlson	62,617,914	41.74
Group Nordea	8,397,733	5.60
Bear, Sterns & CO., W9	8,143,500	5.43
Group SSB	8,058,509	5.37
State of New Jersey Com Pens Fund D	6,500,000	4.33
Group Robur	6,361,541	4.24
Group Jp Morgan	3,222,497	2.15
Group Morgan Stanley	2,441,954	1.63
Investors Bank and Trust Co/Treaty	2,411,133	1.61
Ram One	2,350,000	1.57

Source: VPC (Nordic Central Securities Depository)

Largest shareholders by country, as of 28 Dec. 2007	Holdings (%)
USA	64.78%
Sweden	23.47%
Great Britain	4.29%
Belgium	2.38%
Denmark	1.66%
Other	3.42%
Total	**100.0%**

Source: VPC (Nordic Central Securities Depository)

Share information	
Ticker	REZT
ISIN code	SE0001857533
Trading lot	200
Segment	MidCap
Industry	Hotels, Resorts & Cruise Lines
Sector	Consumer Discretionary
Sector Id	SX253010

SHARE OWNERSHIP STRUCTURE BY SIZE, AS OF 28 DEC. 2007

	Number of shareholders	Number of shares	% of share capital	% of all shareholders
1-500	1,230	277,029	0.18%	51.4%
501–1,000	479	385,543	0.26%	20.0%
1,001–10,000	456	1,689,792	1.13%	19.0%
10,001–50,000	107	2,643,971	1.76%	4.5%
50,001–100,000	29	2,119,055	1.41%	1.2%
100,001–	93	142,886,650	95.26%	3.9%
Total	**2,394**	**150,002,040**	**100.00%**	**100.0%**

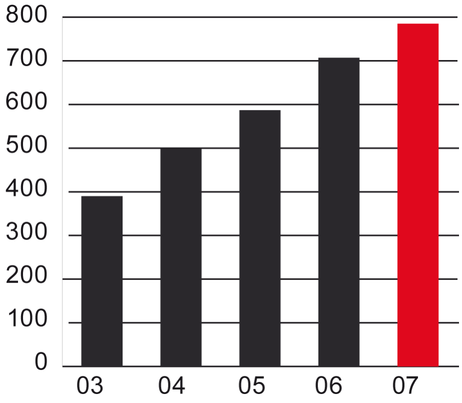
Source: VPC (Nordic Central Securities Depository)

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President and Chief Executive Officer of the Rezidor Hotel Group AB, corporate registration number 556674-0964, hereby submit the Annual Report and Consolidated Financial Statements for the financial year 2007.

Operations

Operating revenue, 2002-2007 MEUR



The Rezidor Hotel Group is one of the fastest growing hotel companies in the world. The hotels in the portfolio are principally operated under two key brands, Radisson SAS and Park Inn, plus three development brands, Regent, Hotel Missoni and Country Inn.

As of December 31st 2007, Rezidor had 237 hotels in operation and 85 hotels under development, mainly located in EMEA (Europe, the Middle East and Africa). This corresponds to 65,840 rooms of which, 16,544 were under development. The aim is to grow by adding 20,000 new hotel rooms in operation during the three-year period from 2007 through 2009.

Rezidor develops and licenses the Radisson, Park Inn, Regent and Country Inn brands in the EMEA area under Master Franchise Agreements with Carlson Companies, a leading U.S. travel and hospitality company. Rezidor benefits from Carlson's global brand infrastructure, reservation system and other business initiatives. The licenses from Carlson are in effect until 2052, including Rezidor's extension options. In addition, Rezidor has a world wide licence agreement with fashion house Missoni for the development of hotels under the Missoni brand name.

Rezidor operates a carefully diversified portfolio of brands covering most of the hotel market segments: luxury, lifestyle, first-class full service, and mid-market full service. Of the key brands, Radisson SAS is a first-class, full service brand, while Park Inn is a mid-market, full service brand. Of the development brands, Regent is a traditional luxury brand, Hotel Missoni is a developed lifestyle brand and Country Inn is to be developed into a limited service brand.

Rezidor is focusing on hotel management. Currently, all hotels in Rezidor's portfolio are either operated by Rezidor itself under a lease or a management agreement, or by a separate operator using one of the Rezidor brands under a franchise agreement. Of the 237 hotels in operation as of December 31, 2007, 65 were leased, 104 were under management agreements and 68 under franchise agreements.

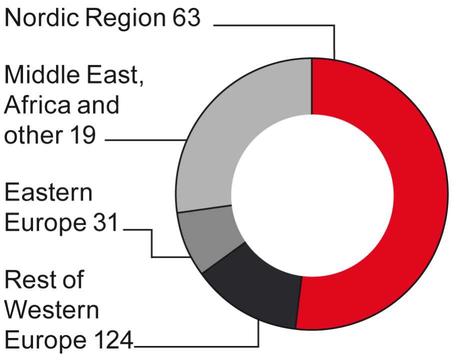
Hotel inventory as of Dec 31st, 2007	**Rezidor total**	**Radisson SAS**	**Park Inn**	**Country Inn**	**Regent**	**Missoni/ Lifestyle**	**Unbranded**
Number of hotels	322	201	109	3	5	3	1
Number of hotels in operation	237	158	73	3	2	-	1
Number of rooms	65,840	44,873	19,188	169	1,117	422	71
Number of rooms trading	49,296	35,364	13,288	169	404	-	71
Countries	48	41	17	3	2	2	1
Occupancy, % [1)]	69.7	71.3	64.4	-	-	-	-
RevPar, EUR [1)]	76.5	84.2	47.8	-	-	-	-

Including hotels in operation and under development, except indicated otherwise.
1. Including leased and managed hotels in operation.

Important Developments during 2007

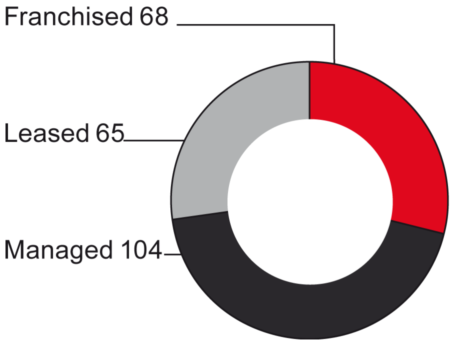
Global Market Development[1)]

Number of Hotels in operation, per region
2007

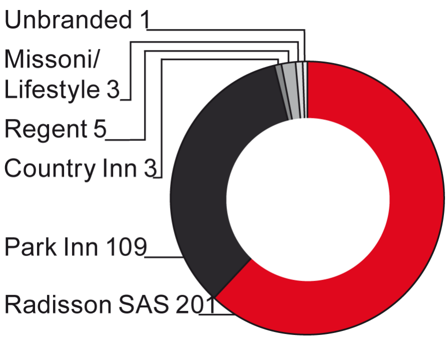


Download in Excel (xls)

Number of hotels in operation, per contract type
2007



Number of hotels in operation and under development, by brand
2007



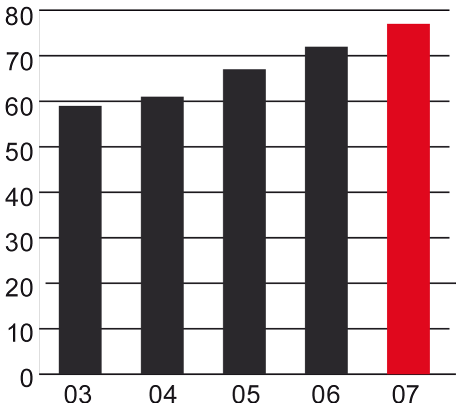
2007 was a good year for the hotel industry. RevPAR for the first-class and the mid-market hotels in Europe grew by 6.1% and 6.7% respectively (both mainly driven by average house rate, AHR). In the Middle East, RevPAR for the first-class and the mid-market hotels had a growth rate of 7.4% (mainly driven by occupancy) and 3.2% respectively (driven by occupancy). The growth in the Middle East was negatively affected by the weakening of the US Dollar versus the Euro.

RevPAR growth rates during 2007 in some of the key cities where Rezidor is present were as follows: Moscow (31.5%), Warsaw (13.4%), Stockholm (12.8%), Vienna (10.3%), Paris (10.2%), Brussels (10.0%), London (9.7%), St. Petersburg (8.0%), Copenhagen (4.0%), Berlin (3.1%), Amsterdam (2.3%), and Frankfurt (-2.5%). RevPAR in several Middle Eastern cities showed positive growth rates – Muscat (39.9%), Riyadh (22.9%), Sharm El-Sheikh (19.1%), UAE Regional (15.8%), Manama (9.1%), Dubai City Centre (8.9%), Jeddah (8.8%) and Kuwait (-7.9%).

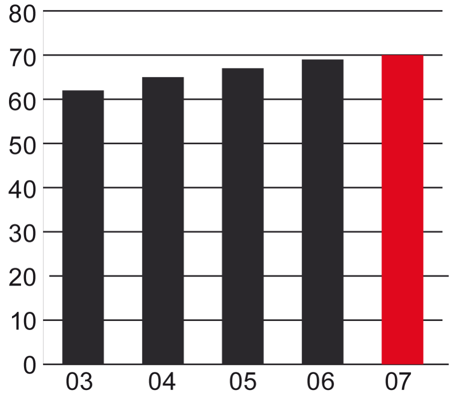
1) Source: HotelBenchmark™ by Deloitte, growth rates are Euro based.

Financial Development

Revenue per available room, 2003-2007
EUR



Occupancy, 2003-2007
%



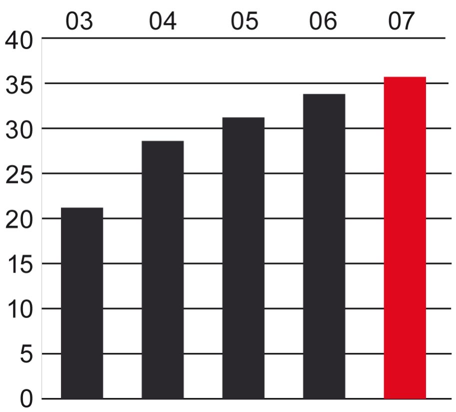
Like-for-like RevPAR continued to show strong growth in 2007. All of Rezidor's geographic segments marked an increase in like-for-like RevPAR, ranging from 8% to 11%. Rezidor continued to strengthen its presence in the mid-market segment through the Park Inn brand. The growth of Park Inn lowered the overall RevPAR average, as well as the growth rate. Despite an increasing share of mid-market hotels, Rezidor witnessed a good overall RevPAR growth, with the Middle East, Africa & Other region leading all the geographic segments with 18% RevPAR growth.

Income Statement for the period 2007

Total Revenue grew by MEUR 77.9, of which rooms revenue contributed MEUR 45.8. Share of rooms' revenue increased to 63.4% (62.4) of total hotel revenue. A majority of the increase in rooms' revenue came from Norway and Sweden. In Rest of Western Europe, the opening of a new leased hotel, combined with good RevPAR growth, led to higher rooms revenue. The highest increases were noted in France, followed by Germany, the Benelux countries and the UK.

The fee revenue went up by 25.2%, with good contribution from 33 new hotels, approximately 7,300 rooms, since the beginning of 2006. The Rest of Western Europe and Eastern Europe had the largest and nearly equal addition to the fee revenue, followed by the Nordics and the Middle East, Africa & Other. The increase in fee revenue in Rest of Western Europe would have been even higher if we were to exclude a one-off compensation of MEUR 2.5 received in 2006 as compensation for early termination of a managed hotel in France. The relatively modest increase in the fee revenue from the Middle East, Africa and Other was on account of negative currency impact and a reduction in the fee structure related to the hotels that were brought in by the former joint venture partner. Until the end of 2006, the hotels in Middle East were operated by a joint venture in which Rezidor had a 51% share.The joint venture was dissolved effective January 1st 2007, with Rezidor fully buying out the JV partner.

EBITDAR margin, 2003-2007
%



Rate driven RevPAR growth, as well as fee income from newly added managed hotels, led to an increase in EBITDAR margin to 35.7% (33.8). During 2006, hotels in Germany strongly benefited from the Soccer World Cup and had a positive impact on the EBITDAR margin. Despite the absence of such favourable effect this year, Rezidor managed to grow EBITDAR margin.

As a percent of leased hotel revenue, Rental Expense, excluding shortfall payments under management contracts with performance guarantees, showed a slight increase to 28.2% (27.4). Shortfall payments, which are included in the Rental expense line, went down by MEUR 5.6. This reduction was positively impacted by repayment of guarantee payments previously made under a management contract, and amounted to MEUR 1.7. The increase in rent expense was due to a combination of factors including:

1. The addition of 2 new leased hotels (ca 350 rooms) during 2006, which had a full rent impact this year;
2. The addition of a new hotel (ca 200 rooms) in 2007, and increase in rent for a few hotels that were previously under renovation or extension; and
3. Increase in revenue related variable rent in the Nordics; and
4. Increase in rent in the UK, largely related to the Park Inn portfolio, as well as one Radisson SAS hotel.

Share of Income from Associates and Joint Ventures noted an increase on account of Rezidor's share in an arbitration award for damages related to the non-completed sale of the real estate of Park Inn Ekaterinburg. Share of Income from Associates and Joint Ventures was negatively impacted due to full consolidation of the Middle East Joint Venture effective from January 1st 2007, which was previously included in that line item.

Depreciation as a percent of leased hotel revenue was stable at 3.5% (3.5). Gain on sale of shares was a result of the disposal of shares in an operating company holding the lease for a hotel in France, which was converted to a managed property.

The large increase in financial income was mainly due to the capital gain from the sale of shares in RDS Hotelli AS (the owning company of Radisson SAS Hotel Tallinn, Estonia), which amounted to MEUR 3.2. Excluding that amount financial net for the year was relatively stable versus previous year. The variation in the effective tax rate between the years was mainly due to recognition of deferred tax assets in Germany in Q4 06.

FINANCIAL HIGHLIGHTS

TEUR	2007	2006	2005	2004[1)]	2003[1)]
Operating revenue	785,241	707,319	587,046	498,728	389,964
EBIT	63,223	34,705	30,503	5,795	–24,650
Financial items, net	658	–2,248	487	–1,619	–3,078
Net income after tax	45,716	28,969	23,219	3,855	–32,593
Equity[2)]	201,477	176,380	149,587	68,184	66,526
Balance sheet total	412,598	402,623	354,251	323,785	291,611
Proposed dividend	14,844[3)]	9,000	-	4,173[4)]	3,438[4)]
Total investments	45,825	32,617	34,605	54,900	59,280
Key indicators, %					
EBITDAR Margin	35.7	33.8	31.2	28.6	21.2
EBITDA Margin	11.0	8.6[5)]	7.4	3.6	–3.0
EBITDA, Growth	41.9	39.6[5)]	141.6	255.9	–148.3
Return on capital employed	27.1	18.1	12.2	0.6	–14.6

1. For the financial years 2003–2004 the parent company was Rezidor SAS Hospitality A/S.
2. Including minority interest.
3. Board of Directors has proposed a dividend of EUR 0.10 per share, corresponding to 32.6 % of profit after tax based on the number of shares outstanding December 31, 2007 (32.5% as per March 12, 2008, after share buy-back in 2008 until that date).
4. Group Contribution paid to SAS in 2003–2004.
5. Before IPO related costs.

Balance Sheet end of 2007

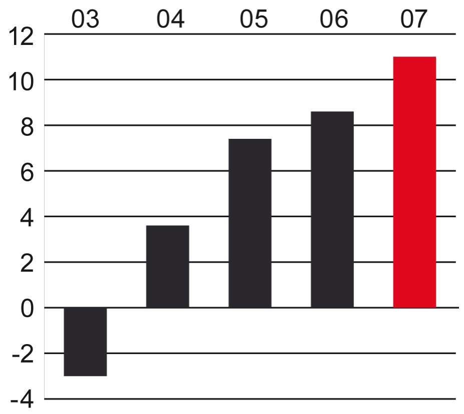
Compared to December 31st 2006, the increase in tangible assets was primarily due to renovation works at several leased hotels. Additionally, investments related to increase in number of rooms and other facilities in three hotels in Norway and one in the UK accounted for part of the change in tangible assets.

The decrease in financial assets (non-current) was mainly due to three factors: the sale of our shares previously held in one of our participations available for sale (i.e. RDS Hotelli AS in Estonia), exchange difference effect related to the translation of foreign entities and the fact that our business in the Middle East is now a fully owned subsidiary and not reported as shares in joint ventures.

Net working capital, excluding cash and cash equivalents, at the end of the period was MEUR -45.8 (-44.9 as of December 31st 2006). Accounts receivables and payables, prepayments to suppliers as well as accrued expenses and prepaid income have increased as a result of Rezidor's expansion and the corresponding increase in EBITDA, but the effects in net working capital offset each other. The reduction of deferred tax assets can be explained by utilisation of deferred tax losses carry forward and the lower tax rates.

Following the decision at the AGM on May 4th 2007, the share capital was increased by MEUR 9.9 through a bonus issue, which reduced other paid in capital with the same amount. The other changes in total equity were mainly due to the impact of four elements: the distribution of dividends to the shareholders amounting to MEUR 9.0, the share buy-back amounting to MEUR 4.9, negative translation differences for the period amounting to MEUR 6.9 and the net profit for the period amounting to MEUR 45.7.

EBITDA margin, 2003-2007
%



Cash Flow for the period 2007

Compared to 31st December 2006, cash flow from operating activities had significantly improved due to the increase of the operating profit.

Movement in cash flow from investing activities was mainly on account of renovation and expansion related investments, which amounted to MEUR 29.4 and MEUR 13.2 respectively. Cash flow from investing activities was positively affected by two factors: the proceeds from the sale of our shares in RDS Hotelli AS (MEUR 8.0), the partial repayment of loans by two of Rezidor's associates.

Net cash flow from financing activities changed mainly due to full repayment of a bank loan of MEUR 16.8 and some of the credit facilities amounting to MEUR 16.0. The payment for the share buy back plan (MEUR 4.9) and the distribution of dividends to shareholders (MEUR 9.0) also account for the change in the cash flow from financing activities.

The total credit facilities available for use amounted to MEUR 136.0, of which MEUR 8.7 were used for bank guarantees. MEUR 31.6 were used as overdrafts, leaving MEUR 95.7 available for use. At the end of December 2007, Rezidor had MEUR 51.4 in cash and cash equivalents, which together with unutilized facilities gives a total available liquidity of MEUR 147.1.

Net interest-bearing assets (including pension assets and retirement benefit obligations) amounted to MEUR 47.7 (15.7 as of December 31 st 2006).

Other Important Developments

During 2007, the goldpointsplus SM loyalty program grew by more than 59% and won a prestigious industry award for the best member communication.

Rezidor's first Capital Market Day was hosted at the Radisson SAS Hotel in Berlin on 6th December. Its aim was to further educate the financial institutions, investor community and the media about the Group and the event was broadcast live on the Rezidor corporate website.

Awards won by Rezidor during 2007;

- Radisson SAS and Park Inn rank highest in guest satisfaction in the 2007 European Guest Satisfaction Index published in October by J.D. Power and Associates. The study awards Radisson SAS the number one position in the upper upscale segment, and places Park Inn at the top of the economy segment.
- Best Hotel Chain in Norway and Best International Hotel Chain by the magazine, Travel News.
- Nordic Business Travel gave Radisson SAS the best hotel chain award, under the auspices of Nordic Business Travel Barometer 2007.

In May, Rezidor's former parent company SAS divested its remaining shareholding (6.7%) in the group to Carlson, which increased Carlson's stake up to 41.7%. No other shareholder held more than 10% of the shares at the end of the year.

Share Capital

At December 31st 2006 the share capital amounted to EUR 126,584, corresponding to 150,002,040 shares. At the AGM on May 4 th2007 it was decided to increase the share capital through a bonus issue of EUR 9,873,416 resulting in a share capital of EUR 10,000,000. The increase of the share capital was made through a similar decrease of non-restricted equity. The number of shares remains the same after the bonus issue.

At the AGM on May 4th 2007 the Board of Directors was authorized until the annual general meeting 2008 to decide on acquisitions of the company's own shares on the Stockholm Stock Exchange, for the purpose of using these shares in the share-based incentive programme approved at the same meeting and to give the Company a more efficient capital structure. Until December 31st 2007 the company had bought back 1,025,000 shares with an aggregated quota value of EUR 68,332, corresponding to 0.68% of the total shares issued. The total amount paid, including commission, is EUR 4,911,463.

The total amount of shares outstanding, excluding own shares held by the company, at December 31st 2007 was 148,977,040. 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.

Neither the articles of association, nor any law, stipulate restrictions in the right to transfer shares from one owner to another. Nor is the company aware of any agreements between different shareholders that can impose such a restriction.

Principles for Compensation of CEO and Key Management

At the AGM on May 4th 2007, the presented proposal from the Board of Directors for determining the principles for compensation to the company key management was approved. In summary, the proposal suggested that compensation shall be made in accordance with market terms. Key management is defined as the company's Executive Committee, which includes 11 persons, of which one is the CEO. The compensation should consist of a balanced mix of basic salary, variable bonus salary, pensions, a stock-based incentive programme for the employees and conditions for termination and termination payments. Issues regarding the terms of employment for the CEO will be prepared by the Board of Directors' Compensation Committee and will be resolved by the Board of Directors. The CEO resolves upon the terms of employment for the other company management after consent from the Compensation Committee. The Board of Directors is authorized to deviate from the principles if certain circumstances are at hand in a specific case. The details of the compensation principles approved at the last general meeting can be studied in *Note 10*.

Note 10 also includes any agreements between the company and employees regulating compensation in case of resignation, termination of employment contract on wrongful grounds or if employment contracts are terminated due to a public takeover. As for the Board of Directors, no such agreements exist. The members of the Board of Directors are elected at the AGM for a period until the end of the next AGM and the articles of association do not include any additional conditions compared to those of the Swedish companies act regarding appointment or dismissal of members of the Board of Directors.

Board's proposal for determining the principles for compensation of CEO and Key Management to be presented to Annual General Meeting April 23, 2008.

The Board of Director's proposal for principles of compensation and other employment terms of the Company's key management is, in essence that the compensation shall be individual and according to international market and is set at a level required to recruit and retain management with appropriate competence and capacity to meet Company objectives. The Rezidor Hotel Group's corporate office is located in Brussels, Belgium, and key management consists of a diverse group of international executives. With key management means the Company's Executive Committee which includes 11 persons, including the CEO.

The compensation shall consist of a balanced mix of basic salary, variable bonus salary, pension, a share-based incentive program for the employees and conditions for termination and termination payments. The total compensation considers inter alia competence, experience, responsibility and performance.

Matters regarding the terms of employment for the CEO will be prepared by the Board of Director's Compensation Committee and will be resolved by the Board of Directors. The CEO resolves upon the terms of employment for the other Company management after consent from the Board's Compensation Committee.

It is proposed that the Board of Directors shall be authorized to deviate from the principles for compensation of the Company key management if certain circumstances are at hand in a specific case.

Remuneration components

Basic Salary

The basic salary is an appropriate portion of the total remuneration package and is reviewed each year and may be adjusted based on personal performance, changes in roles and responsibility, the Company's development and local directives in terms of cost of living.

Pension & Retirement

The Company's retirement age depends on local legislation. The majority of the members of the Executive Committee are paid, in addition to the basic salary, 10% in lieu of participation in a group pension plan, except for the CEO (see below). Some of the Executive Committee members participate in a group pension plan (defined contribution plans or defined benefit plans).

Variable bonus incentive

The Corporate Executive Plan is based on financial performance target, growth target and strategic objectives. Of the annual bonus award, 60% is related to EBITDA, 20% to growth in hotel rooms and 20% to strategic objectives. The maximum variable bonus incentive for the Executive Committee is between 40 and 50% of annual basic salary.

Share-based incentive programs

The Annual General Meeting on May 4th 2007 resolved to approve of a share based long term incentive program (the "LTIP 2007"). The Executive Committee and other key employees (in total about 25 persons) have the possibility at their option to participate in a share-based incentive program. Participants in the programme will be given the opportunity, after a three year qualification period, to without consideration receive an allotment of Rezidor shares ("Performance Shares"). The extent of each senior executive's participation in the programme, and thus also the possibility to receive allotment of Performance Shares at the end of the qualification period of the programme, shall depend on two different parameters; partly on the participant's annual bonus earned for performance during the financial year preceding the Annual General Meeting at which it is resolved to implement the programme ("Bonus based participation"), and partly on the number of shares in the Company and that the participant holds ("Saving Shares"), provided that these are kept during the whole three year qualification period ("Savings based participation"). In addition, allotments of Performance Shares are conditional upon certain financial targets, linked to relative Total Shareholder Return ("TSR") and Earnings per Share ("EPS") as established in detail by the Board of Directors, being achieved during the three year qualification period.

The Board of Directors will propose to the Annual General Meeting to be held on 23 April 2008 the adoption of a share based long term incentive program for 2008 (the "LTIP 2008") which is similar to LTIP 2007, but has the following main differences: There is no Bonus based participation, only a savings based participation. The Performance based award has been staggered insofar as for each Savings Share the CEO and CFO receive three Performance Shares, the other nine members of the Executive Committee receive two Performance Shares and the other participants one Performance Share. In addition, all participants except CEO, CFO, COOs (two persons) and CDO are entitled to receive for each Savings Share (not allocated to LTIP 2007) without consideration the allotment of 0.5 shares of the Company, conditional on continuous employment during the vesting period. Compared with LTIP 2007 which sets the limit at 25%, the LTIP 2008 allows the participants to invest 20% of annual salary except for the CEO, CFO, COOs and CDO who may invest up to 40% of annual salary.

Conditions for termination and termination payments

For members of the Executive Committee the notice period for termination of their agreements is between 3 and 6 months. If their agreements are terminated by the Company, the severance pay would amount to between one and three years annual remuneration.

Other Benefits

Other benefits consist of mainly car and housing benefits, according to the prevailing policy as is revised by the Board's Compensation Committee from time to time.

Remuneration of the CEO

The minimum annual increase in the contracted base salary of the CEO is 5%. According to contract the compensation to the CEO consists of an annual fixed net salary and a variable bonus salary of maximum 50% of the annual net salary based on the financial performance target, growth target and strategic objectives. In case of a temporary incapacity, the CEO is entitled to receive his full salary and other benefits for 26 weeks of any period of 52 weeks when he is unable to perform his duties. In case a temporary incapacity develops into a non-temporary incapacity making the CEO eligible for the fixed payment below, CEO's compensation is maximized to what he would be entitled to receive as a fixed payment. In addition, he is entitled to certain benefits such as housing, car and travel allowances.

CEO participates in a contribution pension scheme to which the Company makes annual contributions in an amount equal to 41% of his annual net salary until the termination of his employment.

CEO's pension age is 62. His employment agreement also includes a fixed payment equal to three years' net salary and TEUR 375 as a compensation for three years' value of housing if he retires on February 28, 2009 or, before such date, is non-temporarily incapacitated to fulfill his duties as a result of death or, sickness or injury.

As regards the CEO's employment agreement, either the Company or CEO may terminate upon six months' written notice. In the case of termination of the agreement by the Company (other than due to gross negligence by CEO) or termination by CEO as a result of gross breach by the Company of the agreement, CEO is entitled to 30 months' salary and value of three years' housing upon termination. He also has the right to this fixed payment if there is a major change in his duties and responsibilities or in the ownership structure of the Company.

Changes in Articles of Association

The articles of association of the Company do not include any additional conditions compared to those of the Swedish companies act regarding changes of the articles of association.

Parent Company

The Parent Company was registered in early 2005 and the primary purpose of the 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 for all hotels in Sweden. The main revenues of the Company are internal fees charged to the hotels in Sweden for the related administrative services provided by the Shared Service Centre. Apart from the costs related to the activities of the Shared Service Centre, the parent company also bears other listing and corporate related costs.

During 2007 the parent company increased the share capital through a bonus issue (without increasing the number of shares) amounting to MEUR 9.9, whereby the share premium reserve (non-restricted equity) was reduced by the same amount. A dividend of MEUR 9.0 was paid and shares for MEUR 4.9 were bought back. The external loan of MEUR 16.8 was repaid.

Risks and uncertainties in the business for the Group are described in the Board of Director's report for the Group. The financial position of the Parent Company is dependant on the financial position and development of the subsidiaries.

Post Balance Sheet Events

Following the authorisation of the Annual General Meeting 2007 to repurchase shares to extent that the company's holding of its own shares following the acquisition at the most reaches one-tenth of all shares in the company. Rezidor's Board of Directors in 2008 decided to use up to MEUR 10 to buy back the company's own shares. Acquisitions in accordance with the authorisation from the Annual General Meeting in 2007, can be done until 30 days before the release of the Q1 results on April 23, 2008. Until March 12, 539,600 shares had been bought back to a total amount of TEUR 1,989.

Dividend

The Board of Directors has proposed a dividend of EUR 0.10 (0.06) per share, corresponding to 32.6 (31.1)% of profit after tax based on the number of shares outstanding December 31, 2007 (32.5% as per March 12, 2008, after share buy-back in 2008 until that date), pending the approval of the Annual General Meeting which will be held in Stockholm on April 23rd 2008. See *Statement of the Board of Directors on the Proposed Dividend*.

Share buy-back

The Board of Directors will propose a new mandate for a share buy-back programme to be decided by the Annual General Meeting on April 23rd, 2008.

Risk Management

Rezidor Hotel Group AB is exposed to operational and financial risks in the day-to-day running of the business. Operational risks occur mainly in running the local businesses, whereas financial risks arise because Rezidor has external financing needs and operates in a number of foreign currencies. To allow local businesses to fully focus on their operations, financial risk management is centralised as far as possible to group management, governed by Rezidor's finance policy.

The objectives of Rezidor's risk management may be summarised as follows:

- ensure that the risks and benefits of new investments and contingent liabilities are in line with Rezidor's finance policy;
- reduce business cycle risks through brand diversity, geographic diversification and by ensuring there is an appropriate mix of leased, managed and franchised hotels;
- carefully evaluate investments in high-risk regions, matching this with premium returns on investments;
- protect brand values through strategic control and operational policies;
- review and assess Rezidor's insurance programmes on an on-going basis.

Operational Risk

As operational risks arise in the local business operations, they are managed through a decentralised approach. Every General Manager has to evaluate and understand the risks associated with the business concerned and take responsibility for operational risk management and risk control. General Managers are supported by a risk management task force. Reporting of claims and follow up on loss adjustments, related to insurance, is the responsibility of the General Managers.

The core of the risk management process is a thorough budget process and an extensive audit programme, covering all aspects and relevant risk factors involved in running hotels in many different legal, economic, political, social and religious environments. Audits are performed at various intervals during the business year and are based on criteria reflecting local market obligations and the standards of the Rezidor brands. Areas covered are, for example, the legal status of agreements, licences, the physical standards of buildings and premises, the technical status concerning water, energy and other supplies, compliance with local laws, rules and norms of relevant aspects as well as Rezidor's standard procedures and quality programmes. Audits are also complemented by research about customer, partner and employee opinions, to obtain third party evaluation. Rezidor's Responsible Business programme also works on an internal audit. Audits are compiled into risk reports to the Executive Committee, which acts accordingly to develop, correct and control the business agenda of General Managers. Risk reports are regularly discussed by the Board of Directors. The Audit Committee appointed by the Board of Directors has issued instructions for the internal control process in the Group. The Group CFO reports to the Audit Committee and obtains its approval of previous years' audit result and the internal audit plan for the following year.

Our risk management task force focuses on the safety and security of guests, employees and properties in the following areas:

- reviewing and refining loss prevention standards, applications, training, practice and auditing;
- reviewing insurance programme requirements;
- defining and developing crisis management and business continuity processes;
- assisting in conducting and reviewing hotel audits and proactively using them as a tool to minimise risk and loss throughout the company;
- keeping the Executive Committee informed on a regular basis and advising it on recommended policy changes in the above four areas;
- keeping Area Vice Presidents and Regional Directors informed on a quarterly basis and advising them on policy changes as they come into effect.

Financial Risks

Disclosures about Market Risk

According to our finance policy, we systematically monitor and evaluate our financial risks, such as foreign exchange, interest rate, credit, liquidity and refinancing risks. Measures aimed at managing and handling these financial risks are implemented within the parameters and guidelines set forth in our finance policy. Our financial risks are handled centrally by our finance team. Operative routines and delegation authorisation with regard to financial risk management are documented in our finance manual.

All business units and hotels compile and report a monthly liquidity forecast overview that is consolidated at group level. The aim is to create an ongoing basis for evaluating our currency exposure and liquidity planning and, by doing so, to provide the prerequisites necessary for managing financial risks and complying with the finance policy.

We may use futures, options, currency swaps, interest rate swaps or forward rate agreements to mitigate potential exposure to currency and interest rate risks. The main principle of our finance policy is to limit interest rate and foreign exchange risks for all business units and hotels. This means that borrowing is primarily carried out in local currencies in order to hedge assets and equity in our subsidiaries. The policy provides for hedging in the reporting currencies of the respective subsidiaries on the basis of a liquidity forecast, with net currency flow hedged externally at the group level.

Interest rate risk

Our main financing risk is related to our ability to control and meet our off-balance sheet commitments under leases with fixed rent payments and management agreements with performance guarantees. Such fixed lease and guaranteed amounts have historically been agreed on a fixed rate basis with indexation as a percentage 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 to 3 times the annual guaranteed result under a contract. All of our liabilities to financial institutions are floating rate loans. In accordance with our finance policy, most of our future on-balance sheet liabilities will also be on a floating rate basis.

Foreign Currency Exchange Rate Risk

Foreign exchange risks consist of transaction exposure and translation exposure. Foreign exchange fluctuations have not had a significant impact on our results for operations or financial condition between the financial periods in the past and we do not expect this to change in the near future.

Transaction Exposure

We generate revenue and incur costs in a number of currencies, and are therefore exposed to currency exchange rate fluctuations. Our most important foreign currencies are the Swedish Krona, the Norwegian Krone, the Danish Krone, the U.S. Dollar and Pound Sterling. Our hotels with a large international customer base, located outside the Nordics and the rest of Western Europe, generally adjust their room rates charged in the local currency to take into account volatile fluctuations in the Euro, our reporting currency, or the U.S. dollar. As a result, our revenue and EBITDA derived from our leased hotels and the fees collected from our managed and franchised hotels are protected from currency transaction exposure through our policy to adjust prices based on fluctuations, except for food and beverage operation where we do not adjust prices. In addition, we limit our currency exposure as far as possible by matching in- and outflows of a certain currency.

Translation Exposure

We present our financial statements in euro. Since certain of our subsidiaries present their financial statements in currencies other than Euro, our Consolidated Financial Statements and Shareholders' Equity are exposed to exchange rate fluctuations. If hedging is not used, this foreign currency exchange rate risk could have a negative impact on our Consolidated Income Statement and Balance Sheet. Although we have several subsidiaries in a number of countries with their balance sheets in different currencies, we are not materially exposed to translation risk as we do not own any real estate, with the exception of certain minority interests in associates. Also, we seek to hedge our balance sheet exposure by having assets and liabilities denominated in the same currency.

Sensitivity Analysis – Room Rate and Occupancy Levels

Any deterioration in the general market conditions normally has a negative impact on the RevPAR of our hotels. As RevPAR is a function of average house rate (AHR) and occupancy, a decline in RevPAR results either from a decrease in room rate or occupancy, or a combination of both. If RevPAR decreases as a result of a decrease in room rate, there are fewer opportunities to save operational costs as the hotel will still have to serve the same level of occupancy. On the other hand, if RevPAR declines as a result of lower occupancy, we are able to adjust our cost structure more effectively through variable cost savings.

A decrease in RevPAR has a bigger impact on our leased hotels as we receive full revenues and are also responsible for the full costs for those hotels. In comparison, a decrease in RevPAR has a more limited impact on income from managed hotels as our fee revenue is defined as a percentage of hotel revenue and operating profit. The impact of a decrease in RevPAR on our franchised hotels is even more limited as we only charge a percentage of room revenue as our royalty fee, which is not linked to the result of those hotels.

With our current business model we estimate that a EUR 1 RevPAR variation would result in a MEUR 5–6 change in our EBITDA.

Insurance

Rezidor has three umbrella insurance policies, under which we have insured ourselves against certain risks and also offer certain insurances under the umbrella insurance to owners of hotel properties, owners of hotel operating companies and franchisees. Rezidor offers property damage insurance for all brands in our portfolio, but mainly for the owners of leased or managed hotel properties. We also insure ourselves against any property damage for the property we are responsible for under the agreements. Rezidor also has business interruption insurance for our property owners and ourselves and we require a mandatory general and products liability insurance under all three contract types and for all the Rezidor brands. In addition, we require crime insurance for hotels under lease and management contracts and for all the Rezidor brands. We also have directors and officers insurance, plus travel and personal insurance for our own personnel.

Litigation

Rezidor is not engaged in any litigation or legal proceedings which, in Rezidor's judgement, may have or have had a material affect on the company's financial position or profitability during 2007. The members of our Board of Directors have no knowledge of any proceedings pending or threatened against Rezidor or any of our subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of our group.

Below is a description of pending material legal proceedings:

In May 2006, Stonehaven Trust Limited ("Stonehaven") submitted a claim against our subsidiary Rezidor Hotels ApS Danmark (previously SAS Hotels A/S Danmark) before the Brussels Commercial Court. Stonehaven is claiming MEUR 35,4 as compensation for the alleged wrongful termination of negotiations in 2001 of a management agreement to be entered into upon finalisation of the acquisition as well as after the completion of the full renovation of a hotel in Bruges, Belgium. The claim is in respect of wasted time, costs and the profit Stonehaven would have obtained from the management agreement had it been entered into. The case is currently pending before the Commercial Court of Brussels. We believe, based on legal advice and opinions provided by our external legal counsel, that the claim is without merit. Accordingly we have not included any provision in our accounts to cover this claim, neither for the costs of defense.

In November 2005, the Radisson SAS hotel in Amman, Jordan was a target of a terrorist bomb attack which killed or injured a number of people and damaged the Radisson SAS hotel building. The hotel owner has received notice of 14 separate claims for compensation in relation to the bomb explosion and the total amount claimed is currently MUSD 34.5. Nine out of the 14 claims are pending in Jordanian courts. The amounts of the claims have not been specified and we have been informed that the courts will appoint an expert for the determination of reasonable damages. The Radisson SAS hotel in Amman was trading under a franchise agreement which was terminated by us per 31 May 2007. The franchisee alleges that we wrongfully terminated the franchise agreement and has threatened to initiate legal proceedings. Per 31 December 2007 no formal claim for compensation originating from the terrorist attack has been made against Rezidor or any of our subsidiaries nor has the franchisee initiated legal proceedings against us for wrongful termination of the franchise agreement. We believe that as we did not operate the hotel, and based on legal advice provided by our external legal counsel, that we are not liable for damages to third parties caused by the terrorist bomb attack. We also believe that we have lawfully terminated the franchise agreement. Accordingly we have not included any provisions in our accounts to cover any of these potential claims, neither for costs for defense.

In April 2000 Rezidor Hotels ApS Danmark was awarded damages with approximately MUSD 5.35 in an arbitration concerning wrongful termination of a management agreement in respect of a resort in Sharm el Sheikh, Egypt. During the enforcement proceedings the hotel owner, an Egyptian partnership, was declared bankrupt. Also on our applications the individual partners and the joint stock company to which the hotel assets were transferred were declared bankrupt. We have initiated debt collection cases against all parties which were partners or has/have had assets formerly owned by the bankrupt partnership. A criminal court in Egypt has sentenced the owners of the partnership to three years imprisonment for fraudulent bankruptcy and appeals are pending at the highest criminal court. In the course of asserting and locating assets we were during 2007 informed that the resort that was the subject of arbitration proceedings was offered for sale by an investment bank on behalf of some of the respondents in the debt collection cases. Our Egyptian external counsel served legal notice on the investment bank, on the bankruptcy trustee and the stock exchange authority that the hotel assets are subject to collection claims. This has lead to a counterclaim being filed against Rezidor Hotels ApS Danmark with MEGP 200 by the joint stock company and its individual shareholders for the damage to their investment/divestment opportunities. Our Egyptian external counsel have advised that we are within our legal rights in making the notifications and that they consider the claims to be without legal merits. Accordingly we have not included any provisions in our accounts to cover this claim, nether for the costs of defense.

In August 2003, Carestel NV and Carestel Motorway Services NV (together "Carestel") initiated legal proceedings against our subsidiaries, The Rezidor Hotel Group NV/SA (previously Rezidor SAS Hospitality NV), Rezidor Hotels ApS Danmark (previously SAS Hotels A/S Danmark) and GH Holding NV, claiming damages for breach of our obligation under Belgian law to negotiate with Carestel in good faith. The claim relates to certain aborted acquisition negotiations held in 2002 and 2003 regarding the proposed acquisition of certain subsidiaries of Carestel that owned a Belgian hotel portfolio. The amount claimed by Carestel is approximately MEUR 9.7, representing legal costs, lost management time, loss of reputation, misuse of confidential information and the difference between the price obtained by Carestel from the sale of the relevant subsidiaries to a third party and the price proposed to be paid by Rezidor SAS Hospitality NV. We have submitted pleadings in defense of the claim and the case is currently pending before the Commercial Court of Brussels. We believe, based on legal advice and opinions provided by our external legal counsel, that the claim is without merit and, in any event, that the amount of the damages claimed is overstated. Accordingly we have not included any provision in our accounts to cover this claim or for the costs of defense.

In 2002, nine persons who suffered from a bacterial infection that lead to legionnaires disease filed claims against our subsidiary SAS Atlantic Hotel A/S in respect of the Radisson SAS Hotel Atlantic AS (now merged with Rezidor Hotels Norway AS) in Stavanger, Norway. The total amount claimed is MNOK 12. The court process is currently on hold pending expert determination of the amount of each claim. We have notified our insurer of the claim who has acknowledged full coverage of the claims. Accordingly we have not included any provision in our accounts to cover this claim.

Change of Control Clauses

Certain lease and management agreements entered into by members of the Group contain change of control clauses in relation to such members or their parents leading to possible changes in commercial terms and/or early termination. However, no contracts are related to the ownership of the ultimate parent company, The Rezidor Hotel Group AB.

Responsible Business

Rezidor Hotel Group's Responsible Business programme was introduced in 2001 and builds on the environmental programme established in the mid 1990s. It is a well established part of the company's operations in all brands across all regions. Rezidor recognises the importance of corporate responsibility as a part of daily operations.

Every hotel has a Responsible Business coordinator to guide and advise employees on how to achieve the programme objectives and all new employees are offered Responsible Business training since 2002. The hotels in Rezidor's portfolio are becoming increasingly resource efficient. For example, approximately 80% of the hotels have installed low energy light bulbs, room key cards used to switch on the power in the room, low energy mini-bars and thermostats to control air conditioning.

Hotel operations are not covered by any environmental permits, however our hotels are provided with an overview of applicable environmental and health & safety legislation through an internet based legal database. Legislative demands mainly concern waste recycling, energy efficiency in buildings, legionella prevention and control of water effluents. Rezidor was not involved in any environmentally related legal disputes or complaints with regard to energy and water and has no known major environmentalrelated debts.

Rezidor is one of the founding members of International Hotel and Restaurant Association's Global Council on Safety Security and Crisis Management and chairs the Executive Committee of the International Business Leader's Tourism Partnership. The Sustainability Report includes a more complete description of Rezidor's Responsible Business programme.

MARKET OVERVIEW

Market Overview[1)]

Travel and Tourism Industry

The travel and tourism industry, when regarded in its entirety, is the largest global revenue-generating industry in the world. According to the World Travel & Tourism Council (WTTC), the contribution of the travel and tourism industry to global gross domestic product was 9.9% in 2007, including both leisure and business travellers, across the globe.

According to research produced by the World Travel & Tourism Council and Oxford Economics, international tourism arrivals increased by nearly 6% in 2007, totalling to nearly 900 million tourists and marking the fourth successive year that arrivals' growth has exceeded its long-standing trend of 4% (source: UNWTO).

Hotel Industry

The hotel industry is subject to cyclicality. Following a prolonged downturn over the three years immediately following September 11 2001, the trading performance of the global markets has improved, as demonstrated by recent hotel performance data in a variety of markets.

Increasing Importance of Brands

Hotel operations may be branded with a nationally or internationally recognised brand, or may operate as independent units. A hotel brand provides a level of recognition through consistent service and product standards that provide guests with a level of familiarity, particularly in markets unknown to the traveller.

Branded hotels are generally operated under franchise agreements, management agreements, lease agreements or operated by a hotel property owner. When a hotel is operated by a third party, the hotel management company controls the hotel's day-to-day operations. In return, the hotel management company will receive fees for providing their services and expertise.

The highest proportion of branded hotels, as compared to independent hotels, is found in North America, where approximately 80% of hotel stock is estimated to be branded with a nationally or internationally recognised brand.

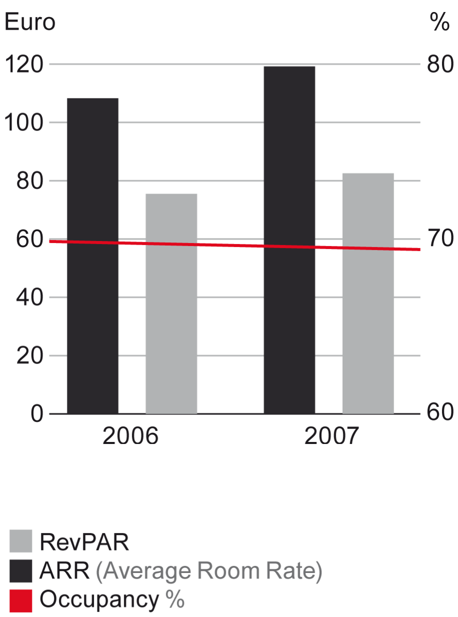
By comparison, branded hotels in Europe account for only 30 to 35% of the total number of hotels. However, the trend is changing with many owners seeking affiliation through a lease agreement, management agreement or franchise agreement. A majority of the new hotel supply in Europe is now branded.

The Nordic Region

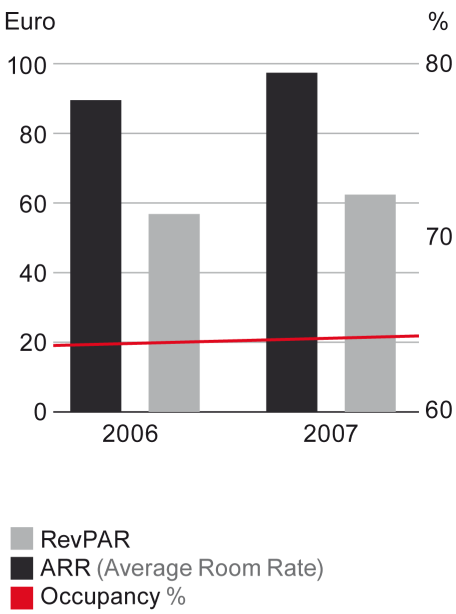
The Nordic Region is considered to be a stable market with strong RevPAR growth. In terms of market profile, the Nordic Region is characterised by a large proportion of midmarket hotels and a high ratio of domestic demand. Another characteristic of the Nordic market is the high proportion of branded hotels.

In 2007, the Nordic Region demonstrated significant AHR growth in both first-class and mid-market hotels. The Nordic market recorded a RevPAR growth of about 9.4% for first-class hotels and 9.8% for mid-market hotels.

Nordic First Class Hotels, 2006-2007



Nordic Mid-Market Hotels 2006-2007



The Nordic region is Rezidor's home market and Radisson SAS has the highest brand recognition.

Rezidor reported a like-for-like RevPAR growth in the Nordic region of 11.2%, which was above the market average. In Norway, Sweden and Denmark, Like-for-like RevPAR grew by 12.7%, 11.7% and 6.3% respectively.

Rest of Western Europe

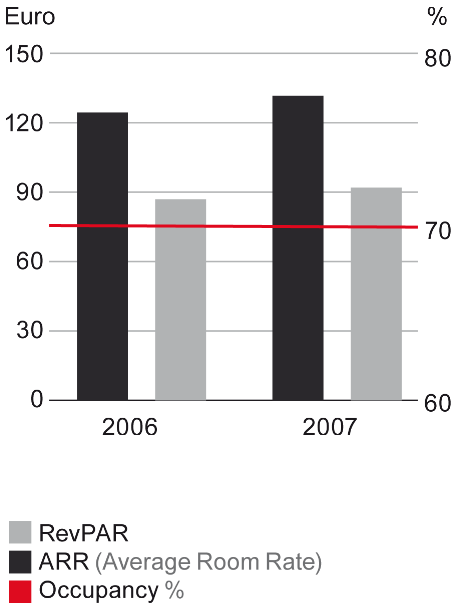
Western Europe is the largest tourism market in the world, as well as the most diversified. The hotel market in Western Europe is typically a mature market with a considerable number of international and domestic hotel operators competing for market share.

Capital cities in Western Europe have seen strong increases in demand in the past 4 years. Growth in supply is constrained due to a lack of available sites and relatively high prices.

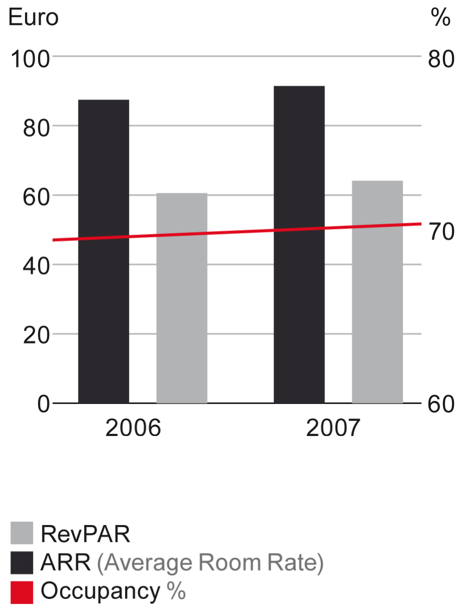
RevPAR growth was negatively impacted in 2007 compared to 2006 when Germany's hosting of the Soccer World Cup had a positive RevPAR effect. Despite the foregoing negative impact, RevPAR in the region marked growth rates of 5.7% and 5.9%, both rate driven, for the first class and mid-market segments respectively. In the first class segment, the UK led the RevPAR growth (6.8%), followed by Benelux (5.6%), and Germany (0.9%). In the mid-market segment, Benelux held the leading position in RevPAR growth (8.9%), followed by the UK (5.5%) and Germany (3.7%).

Rezidor noted a like-for-like RevPAR growth rate of 7.5% in 2007, which was above market average. In France, Benelux, Germany and the UK, like-for-like RevPAR grew by 15.8%, 8.8%, 5.9% and 5.3% respectively.

Rest of Western Europe
First Class Hotels
2006-2007



Rest of Western Europe
Mid-Market Hotels
2006-2007



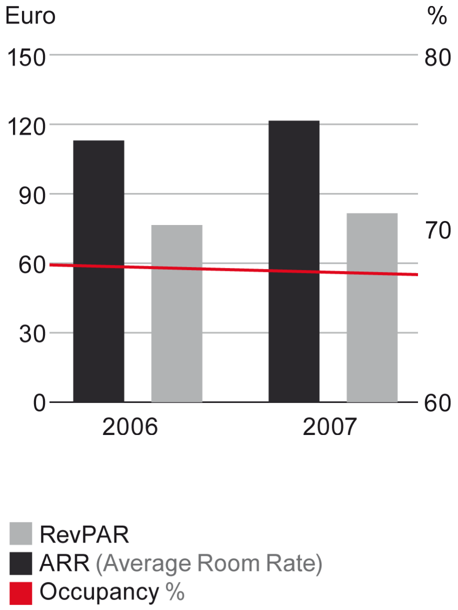
Eastern Europe including the CIS countries

Eastern Europe is considered to be an emerging market that enjoys positive fast growth in terms of both supply and demand. The positive trend in the Eastern Europe, Russia and other CIS countries tourism market is largely due to increasing political and economic stability, aided by the enlargement of the European Union. A major factor contributing to a strong rise in demand are the “open skies” policies implemented after the accession to the European Union in many Eastern European countries after long periods of stateowned airlines and restricted air access.

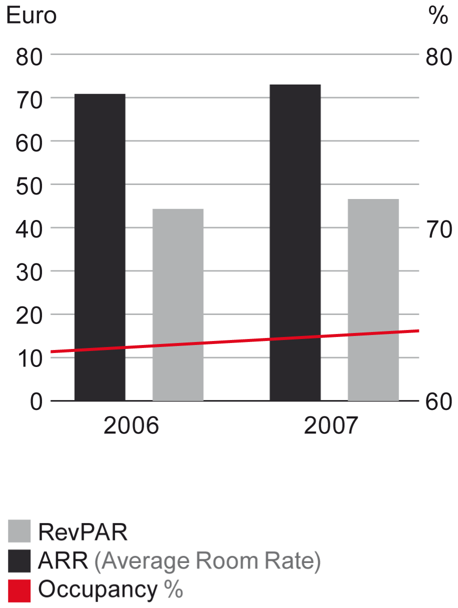
RevPAR for the first class segment (including Russia & the other CIS) saw a growth of 6.6%, driven by rate. RevPAR for the mid-market segment (excluding Russia & the other CIS) had a growth of 5.1%, driven by both rate and occupancy.

Rezidor is the leading hotel management group in Russia and CIS. Rezidor noted a like-for-like RevPAR growth rate of 8.4% in 2007, which was above market average.

Eastern Europe (incl Russia)
First Class Hotels
2006-2007



Eastern Europe (incl Russia)
Mid-Market Hotels
2006-2007



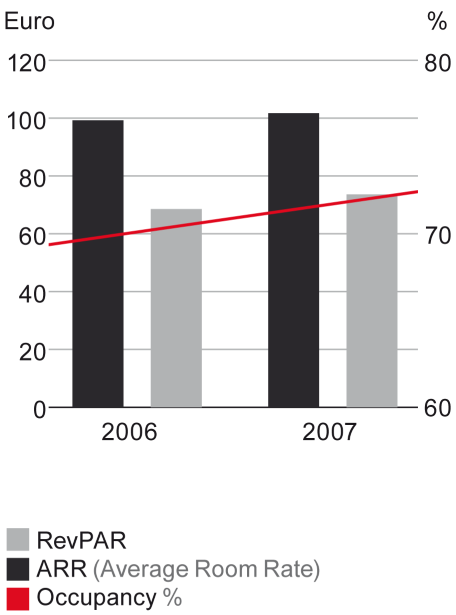
The Middle East, Africa & Other

Average levels of occupancy and AHR in the Middle East have largely been on the increase in most markets since 2004, due to recovery in demand following a decline in the level of political instability in the region. With local economies surging and high accommodation demand, occupancy and RevPAR have risen strongly in the last few years.

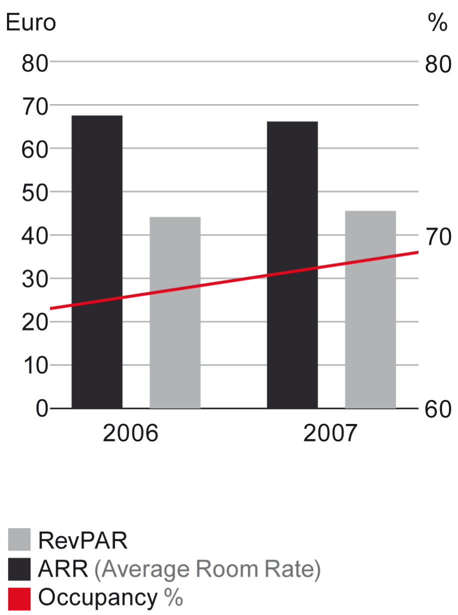
Euro denominated RevPAR in the Middle East was negatively affected due to weakening of the US Dollar during the period. Despite the currency effects, RevPAR for the first class segment grew by 7.4%, while the mid-market segment increased by 3.2%. Rand denominated RevPAR in South Africa saw very strong increases of 17.3% and 15.6% in the first class and the mid-market segments respectively.

Rezidor noted a healthy like-for-like RevPAR growth rate of 10.4% in 2007, which was above market average.

Middle East First Class Hotels 2006-2007



Middle East Mid-Market Hotels 2006-2007



1. Source. HVS International World Travel & Tourism Council and Deloitte HotelBenchmark Survey

FINANCIAL REPORTS

Financial Reports

FIVE YEAR SUMMARY

MEUR (except stated otherwise)	2007	2006	2005	2004[1]	2003[1]
Income statement					
Revenue	785.2	707.3	587.0	498.7	390.0
EBITDA	86.5	61.0[2]	43.7	18.1	-11.6
EBIT	63.2	34.7	30.5	5.8	-24.7
Financial income & expense, net	0.7	-2.2	0.5	-1.6	-3.1
Profit/loss for the year	45.7	29.0	23.2	3.9	-32.6
Balance sheet					
Balance sheet total	412.6	402.6	354.3	323.8	291.6
Total equity attributable to equity holders of the parent	201.3	176.2	88.9	68.0	66.3
Cash flow					
Cash flow from operating activities	75.7	41.1	27.6	1.1	-12.6
Cash flow from investing activities	-28.9	-18.4	32.3	-27.1	-34.7
Cash flow from financing activities	-46.3	4.9	-60.8	27.7	56.1
Financial key figures					
EBITDAR	280.5	238.8	183.4	142.7	82.5
EBITDAR Margin, %	35.7	33.8	31.2	28.6	21.2
EBITDA	86.5	61.0[2]	43.7	18.1	-11.6
EBITDA Margin, %	11.0	8.6[2]	7.4	3.6	-3.0
Total investments (tangible and intangible investments)	45.8	32.6	34.6	54.9	59.3
Operational key figures					
Number of hotels[3]	237	225	219	190	167
Occupancy[4]	70	69	67	65	62
RevPAR[4]	77	72	67	61	59
Share related key figures[5]					
Weighted average no.of shares	149,836,224	149,979,887	149,942,456	149,942,456	149,942,456
Earnings per share, EUR	0.31	0.19	0.15	0.03	-0.22
Proposed dividend per share, EUR	0.10	0.06	-	-	-

1. In 2003-2004 the parent company for the group was Rezidor SAS Hospitality A/S.
2. Before IPO related costs.
3. Includes leased, managed and franchised hotels in operations.
4. Including managed and leased hotels in operation.
5. Share-related data has been calculated using 150,002,040 Shares for 2005 and 2006 when Rezidor Hotel Group AB (publ) has been our parent company. For the years ended december 31, 2003 and 2004, the share related data has also been calculated using 150,002,040 shares outstanding, although the actual number of shares at those dates was different reflecting the number of shares outstanding in our previous parent company, Rezidor SAS Hospitality A/S. For share-related data in 2003 and 2004, the same number of weighted average number of shares as for 2005 have been used to obtain comparable figures.

CONSOLIDATED STATEMENTS OF OPERATIONS

TEUR (except for share related data)	Notes	Dec 2007	Dec 2006
Revenue	*7, 8, 35*	785,241	707,319
Costs of goods sold for Food & Beverage and other related expenses	*9*	-61,133	-54,806
Personnel cost and contract labour	*10*	-265,800	-246,714
Other operating expenses	*11*	-166,015	-154,646
Insurance of properties and property tax	*11*	-11,754	-12,376
Operating profit before rental expense and share of income in associates and before depreciation and amortisation and gain on sale of shares and of tangible assets (EBITDAR)		**280,539**	**238,777**
Rental expense	*12*	-200,252	-183,092
Share of income in associates and joint ventures	*21,22*	6,219	5,296
IPO related expenses		-	-4,392
Operating profit before depreciation and amortisation and gain on sale of shares and tangible assets (EBITDA)		**86,506**	**56,589**
Depreciation and amortisation expense	*18,19,20*	-24,353	-21,884
Gain on sale of shares and tangible assets	*13*	1,070	-
Operating profit (EBIT)	*8*	**63,223**	**34,705**
Financial income	*14*	5,198	2,111
Financial expense	*14*	-4,540	-4,359
Profit before tax		**63,881**	**32,457**
Income tax	*15*	-18,165	-3,488
Profit for the year		**45,716**	**28,969**
Attributable to:			
Equityholders of the parent		45,716	20,719
Minority interest		-	8,250
Weighted average number of ordinary shares outstanding during the period	*17*	149,836,224	149,979,887
Earnings per share (EUR)[1)]			
Basic and diluted before allocation to minority interest	*17*	0.31	0.19

1. In relation to the exchange of the preference shares, the minority interest earned as of September 30, 2006 (TEUR 8,250) have been subsequently acquired by the parent company and therefore eliminated in equity. In order to present a representative view of the earnings per share, present earnings per share before allocation to minority interest are presented.

Comments to the Consolidated Statements of Operations

Total Revenue grew by MEUR 77.9, of which rooms revenue contributed MEUR 45.8. Share of rooms revenue increased to 63.4% (62.4) of total hotel revenue. A majority of the increase in rooms revenue came from Norway and Sweden. In the Rest of Western Europe, the opening of a new leased hotel combined with good RevPAR growth led to higher rooms revenue. The highest increases were noted in France, followed by Germany, the Benelux and the UK.

The fee revenue went up by 25.2%, with good contribution from 33 new hotels, approximately 7,300 rooms, since the beginning of 2006. The Rest of Western Europe and Eastern Europe had the largest and nearly equal addition to the fee revenue, followed by the Nordics and the Middle East, Africa & Other. The increase in fee revenue in Rest of Western Europe would have been even higher if we were to exclude a one-off compensation of MEUR 2.5 received in 2006 as compensation for early termination of a managed hotel in France. The relatively modest increase in the fee revenue from the Middle East, Africa and Other was on account of negative currency impact and a reduction in the fee structure related to the hotels that were brought in by the former joint venture partner. Until the end of 2006, the hotels in Middle East were operated by a joint venture in which Rezidor had a 51% share.The joint venture was dissolved effective January 1st 2007, with Rezidor fully buying out the JV partner.

Rate driven RevPAR growth as well as fee income from newly added managed hotels led to an increase in EBITDAR margin to 35.7% (33.8). During 2006, hotels in Germany strongly benefited from the Soccer World Cup and had a positive impact on the EBITDAR margin. Despite the absence of such favourable effect this year, Rezidor managed to grow EBITDAR margin.

As a percent of leased hotel revenue, Rental Expense, excluding shortfall payments under management contracts with performance guarantees, noted a slight increase to 28.2% (27.4). Shortfall payments, which are included in the Rental expense line, went down by MEUR 5.6. This reduction was positively impacted by repayment of guarantee payments previously made under a management contract, and amounted to MEUR 1.7. The increase in rent expense was due to a combination of factors including a) The addition of 2 new leased hotels (ca 350 rooms) during 2006, which had a full rent impact this year, b) The addition of a new hotel (ca 200 rooms) in 2007, and increase in rent for a few hotels that were previously under renovation or extension; and c) Increase in revenue related variable rent in the Nordics; and d) Increase in rent in the UK, largely related to the Park Inn portfolio as well as one Radisson SAS hotel.

Share of Income from Associates and Joint Ventures noted an increase on account of Rezidor’s share in an arbitration award for damages related to the non-completed sale of the real estate of Park Inn Ekaterinburg. Share of Income from Associates and Joint Ventures was negatively impacted due to full consolidation of the Middle East Joint Venture effective from January 1st 2007, which was previously included in that line item.

Depreciation as a percent of leased hotel revenue was stable at 3.5% (3.5). Gain on sale of shares was a result of the disposal of shares in an operating company holding the lease for a hotel in France, which was converted to a managed property.

The large increase in financial income was mainly on account of the capital gain from the sale of shares in RDS Hotelli AS (the owning company of Radisson SAS Hotel Tallinn, Estonia), which amounted to MEUR 3.2. Excluding that amount, financial net for the year was relatively stable versus previous year. The variation in the effective tax rate between the years was mainly due to recognition of deferred tax assets in Germany in Q4 06.

CONSOLIDATED BALANCE SHEET STATEMENTS

TEUR	Notes	2007 DEC	2006 DEC
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	*18*	12,628	12,218
Licenses and related rights	*19*	52,446	53,652
Other intangible assets	*19*	12,706	11,312
		77,780	**77,182**
Tangible assets			
Fixed installations in leased properties	*20*	37,896	27,638
Machinery and equipment	*20*	61,121	52,261
Investments in progress	*20*	8,849	7,684
		107,866	**87,583**
Financial assets			
Investments in associated companies	*21*	4,554	4,354
Investments in joint ventures	*22*	3,269	7,963
Other shares and participations	*23*	10,411	15,088
Pension funds, net	*24*	13,679	12,553
Other long-term interest-bearing receivables	*25*	10,416	11,594
Other long-term non-interest-bearing receivables	*25*	1,456	2,488
		43,785	**54,040**
Deferred tax asset	*15*	21,758	26,964
		251,189	**245,769**
Current assets			
Inventories		5,724	5,297
Accounts receivable	*26*	56,059	51,309
Current tax assets	*15*	281	995
Other current interest-bearing receivables	*27*	1,812	2,876
Other current non-interest-bearing receivables	*27*	42,723	41,884
Other short term investments	*28*	3,421	3,518
		110,020	**105,879**
Cash and cash equivalents	*29*	51,389	50,975
		161,409	**156,854**
Total assets		**412,598**	**402,623**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	*30*	10,000	127
Translation reserves		13,635	20,578
Other paid in capital		135,105	153,978
Retained earnings including profit for the year		42,522	1,482
Equity attributable to equity holders of the parent		**201,262**	**176,165**
Minority interest		215	215
Total equity		**201,477**	**176,380**
Non-current liabilities			
Deferred tax liabilities	*15*	25,447	15,749
Retirement benefit obligations	*24*	1,388	1,325
Provisions	*32*	488	330
Other long-term interest-bearing liabilities	*33*	87	57
Other long-term non-interest-bearing liabilities		430	-
		27,840	**17,461**
Current liabilities			
Accounts payable		37,430	35,858
Current tax liabilities	*15*	7,604	10,054
Bank overdraft	*33*	31,573	47,603
Other interest-bearing liabilities to financial institutions	*34*	-	16,814
Other current non-interest-bearing liabilities	*34*	106,674	98,454
		183,281	**208,782**
Total liabilities		**211,121**	**226,243**
Total equity and liabilities		**412,598**	**402,623**
Contingent liabilities	*36*		
Leasing commitments	*37*		
Management contract commitments	*38*		

Comments to the Consolidated Balance Sheet Statements

Compared to 31st December 2006, the increase in tangible assets was primarily due to renovation works at several leased hotels. Additionally, investments related to increase in number of rooms and other facilities in three hotels in Norway and one in the UK accounted for part of the change in tangible assets.

The decrease in financial assets (non-current) was mainly due to three factors: the sale of our shares previously held in one of our participations available for sale (i.e. RDS Hotelli AS in Estonia), exchange difference effect related to the translation of foreign entities and the fact that our business in Middle East is now a fully owned subsidiary and not reported as shares in joint ventures.

Net working capital, excluding cash and cash equivalents, at the end of the period was MEUR -45.8 (-44.9 as at 31st December 06). Accounts receivables and payables, prepayments to suppliers as well as accrued expenses and prepaid income have increased as a result of Rezidor's expansion and the corresponding increase in EBITDA, but the effects in net working capital offset each other. The reduction of deferred tax assets can be explained by utlization of deferred tax losses carry forward and the lower tax rates.

Following the decision at the AGM on 4th May 2007, the share capital was increased by MEUR 9.9 through a bonus issue, which reduced other paid in capital with the same amount. The other changes in total equity were mainly due to the impact of four elements : the distribution of dividends to the shareholders amounting to MEUR 9.0, the share buy-back amounting to MEUR 4.9, negative translation differences of the period amounting to MEUR 6.9 and the net profit for the period amounting to MEUR 45.7.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Other paid in capital	Foreign currency translation reserve	Retained earnings	Equity attributable to equityholders of the parent	Minority interest	Total Equity
Equity as of December 31, 2005	**100**	**87,978**	**19,392**	**-18,598**	**88,872**	**60,715**	**149,587**
Change of accounting for pensions (from defined benefit plan to defined contribution plan)	-	-	-	-1,745	**-1,745**	-	-1,745
Adjusted equity as of January 1, 2006	**100**	**87,978**	**19,392**	**-20,343**	**87,127**	**60,715**	**147,842**
Exchange differences arising on the translation of foreign operations	-	-	1,186	-	**1,186**	-	1,186
Income and expense recognised directly in equity	-	-	1,186	-	**1,186**	-	1,186
Net profit for the period	-	-	-	20,719	**20,719**	8,250	28,969
Total recognised income and expense for the period	-	-	1,186	20,719	**21,905**	8,250	30,155
Other adjustments	-	-	-	-1,644	**-1,644**	-	-1,644
New share issue and exchange of preference shares	27	66,000	-	2,750	**68,777**	-68,750	27
Total transactions with shareholders and other changes in equity	27	66,000	-	1,106	**67,133**	-68,750	-1,617
Equity as of December 31, 2006	**127**	**153,978**	**20,578**	**1,482**	**176,165**	**215**	**176,380**
Exchange differences arising on the translation of foreign operations	-	-	-6,516	-	**-6,516**	-	-6,516
Tax on exchange differences recognised directly in equity	-	-	-427	-	**-427**	-	-427
Income and expense recognised directly in equity	-	-	-6,943	-	**-6,943**	-	-6,943
Net profit for the period	-	-	-	45,716	**45,716**	-	45,716
Total recognised income and expense for the period	-	-	-6,943	45,716	**38,773**	-	38,773
Long-term incentive plan	-	-	-	235	**235**	-	235
Bonus issue	9,873	-9,873	-	-	**-**	-	-
Dividend paid to shareholders	-	-9,000	-	-	**-9,000**		-9,000
Cost of Share buy-back	-	-	-	-4,911	**-4,911**	-	-4,911
Total transactions with shareholders and other changes in equity	9,873	-18,873	-	-4,676	**-13,676**	-	-13,676
Equity as of December 31, 2007	**10,000**	**135,105**	**13,635**	**42,522**	**201,262**	**215**	**201,477**

CONSOLIDATED STATEMENTS OF CASH FLOWS

TEUR	Notes	Dec 2007	Dec 2006
OPERATIONS			
Operating profit (EBIT)		63,223	34,705
Adjustments for non cash items:			
Depreciation and amortisation	*18,19,20*	24,353	21,884
Gain (loss) on sale of shares and tangible assets and disposals	*13*	-1,070	-
Pensions		-1,063	463
Share of income in associated companies and joint ventures	*21,22*	-6,219	-5,296
Exchange differences and other adjustments for non cash items		-5,519	-1,672
Interest received	*14*	2,040	1,544
Interest paid	*14*	-3,048	-3,314
Dividend from associated companies	*21,22*	3,904	2,882
Other financial items	*14*	-1,492	635
Tax paid		-4,997	-9,236
Cash flows from operations before change in working capital		**70,112**	**42,595**
Change in:			
Inventories		-427	-102
Current receivables		-2,446	-10,556
Current liabilities		8,428	9,161
Change in working capital		**5,555**	**-1,497**
Cash flow from operating activities		**75,667**	**41,098**
INVESTMENTS			
Purchase of intangible assets	*19*	-3,259	-3,246
Purchase related to investments in progress	*20*	-19,854	-8,943
Purchase of machinery and equipment	*20*	-15,356	-17,721
Purchase fixed installations	*20*	-7,356	-2,707
Purchase of shares and participations	*16*	1,469	-2,139
Other investments and divestments of financial fixed assets		7,382	16,308
Total investments		**-36,974**	**-18,448**
Disposals of shares			
Proceeds from sale of shares in subsidiaries	*16*	38	-
Proceeds from sale of other shares and participations	*14,23*	8,053	-
Cash flow from investing activities		**-28,883**	**-18,448**
FINANCING			
Credit lines and/or overdraft facilities		-16,030	9,930
New loan		461	16,802
Loan repayment		-16,815	-21,445
Other financial items net		-	-373
Total external financing		**-32,384**	**4,914**
New issue of shares		-	27
Share buy back and long term incentive plan	*30*	-4,911	-
Dividends paid to shareholders		-9,000	-
Cash flow from financing activities		**-46,295**	**4,941**
Cash flow for the year		**489**	**27,591**
Translation difference in cash and cash equivalents		**-75**	**-130**
Cash and cash equivalents, January 1		**50,975**	**23,514**
Cash and cash equivalents, December 31		**51,389**	**50,975**

Interest received, amounting to TEUR 2,041 (1,544) has been reclassified from investing activities to operating activities. The comparative numbers have been changed accordingly.

Comments to the Consolidated Statement of Cash Flows

Compared to 31st December 2006, cash flow from operating activities had significantly improved due to the increase of the operating profit. Movement in cash flow from investing activities was mainly on account of renovation and expansion related investments in tangible fixed assets, which amounted to MEUR 29.4 and MEUR 13.2 respectively. Cash flow from investing activities was positively affected by two factors: the proceeds from the sale of our shares in RDS Hotelli AS (MEUR 8.0) and the partial repayment of loans by two of Rezidor's associates. Net cash flow from financing activities changed mainly due to full repayment of a bank loan of MEUR 16.8 and some of the credit facilities amounting to MEUR 16.0. The payment for the share buy back plan (MEUR 4.9) and the distribution of dividends to shareholders (MEUR 9.0) also account for the change in the cash flow from financing activities. The total credit facilities available for use amounted to MEUR 136.0, of which MEUR 8.7 were used for bank guarantees. MEUR 31.6 were used as overdrafts, leaving MEUR 95.7 available for use. At the end of December 07, Rezidor had MEUR 51.4 in cash and cash equivalents, which together with unitlised facilities gives a total available liquidity of MEUR 147.1. Net interest-bearing assets (including pension assets and retirement benefit obligations) amounted to MEUR 47.7 (15.7 as of December 31, 2006).

NOTES
TO THE GROUP ACCOUNTS

Note 1

General information

Rezidor Hotel Group AB (publ) (former Rezidor SAS Hospitality Group AB), called Rezidor or the Company, is a limited company incorporated in Sweden. its registered office and principal place of business is in Sweden (Stockholm). Address: Hemvärnsgatan 15, p.o. Box 6061, 171 06 Solna, Sweden. The corporate head office is based in Brussels, Belgium. Rezidor is an international hospitality company which currently has 322 hotels in operation or under development in 48 countries. Rezidor now operates Radisson SAS Hotels & Resorts, Regent International Hotels Park inn and Country inns & Suites along with the goldpoints plus^{SM} loyalty program for frequent hotel guests. Further information of the activities of the Company is described in *Note 8*.

The Annual Report as of December 31, 2007 was approved by the Board of directors of Rezidor Hotel Group AB (publ) on March 7, 2008. The Annual Report is subject to approval by the Annual General Meeting on April 23, 2008.

Note 2

Adoption of new and revised international financial reporting standards

In the current year, the Group has adopted all of the new and revised Standards and interpretations issued by the international Accounting Standards Board (the iASB) and the international Financial Reporting interpretations Committee (IFRIC) of the iASB that are relevant to its operations and effective for accounting periods beginning on January 1st 2007 and which were endorsed by the European Commission prior to the release of these financial statements. The amendments and pronouncement, which are presented below, have not had a material effect on the reported results of operations and financial condition.

IFRS STANDARD AND IFRIC INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2007

IFRS 7 – Financial Instruments, Disclosures
Amendment to IAS 1 Presentation of Financial Statements
IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 10 Interim Financial Reporting and Impairment
IFRIC 11 Group and Treasury Share Transactions

The following standards and Interpretations were effective for annual periods beginning on January 1, 2007, but not relevant to the Group:

IFRS 4 Insurance Contracts
IFRIC 8 Scope of IFRS 2

Recent accounting pronouncements

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

IFRS Standard and IFRIC interpretations	Effective for annual period beginning on or after
Change in IAS 23 Borrowing Costs – Financial Instruments,	January 1, 2009 (not yet endorsed by EU)
IFRS 8 Operating Segments	January 1, 2009
IFRIC 12 Service Concession Arrangements	January 1, 2008
IFRIC 13 Customer Loyalty Programmes	July 1, 2008
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset	January 1, 2008

The Company anticipates that the adoption of these Standards and interpretations in future periods will have no material impact on the financial statements for the Group.

Note 3

Accounting principles

The Annual Report has been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by EU and the Swedish Annual Accounts Act. In addition, RR30 Suplementary Rules for Groups, was applied, issuedby the Swedish Financial Accounting Standards Council.

The financial statements have been prepared on the historical cost basis. Except for the valuation of certain financial instruments or as described below.

Reporting currency

EUR is the functional currency of the primary economic environment in which the group operates and consequently the financial statements are presented with EUR as the reporting currency. Any difference between the rates is recognised directly in the statement of shareholders equity.

General provision on recognition and measurement

Assets are recognised in the balance sheet if 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 if 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.

In the 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 that 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 looses control over the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those 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 since such transactions are considered common control transactions and should not have an impact on the consolidated balance sheet.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority 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 purchase method. The cost of the 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, plus any costs directly attributable to the business combination. 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 on acquisition is recognised as an asset being the excess of the cost of the business combination over the Group's interest in 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 minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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 requires 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 these 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.

This share of income represents our 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 this 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 as 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 Groups 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 on 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 "Gains (loss) from sale of shares and tangible fixed 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 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. On consolidation, the reporting entities' income statements are translated using the monthly average rates and balance sheets are translated using the rates at the balance sheet date. Any difference between the rates is recognised directly in the statement of shareholders' equity.

The main exchange rates affecting the financial statements are:

One EUR equals		Year-end rate december 31		Average rate January 1–december 31	
Country	**Currency**	**2007**	**2006**	**2007**	**2006**
Denmark	DKK	7.46	7.46	7.45	7.46
Sweden	SEK	9.43	9.05	9.25	9.28
Norway	NOK	7.94	8.27	8.01	8.03
UK	GBP	0.73	0.67	0.68	0.68

Income statement

Revenue

Revenue consists mainly of fees from the hotel activities, including management and franchise fees, and sales done in owned and leased hotels. Fee revenue (which is normally a percentage of hotels revenue and/or profits) is recognised in the income statement based on the underlying contract agreements, while revenue from sales in the hotels are included in the income statement when the services have been rendered. 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.

Interest income is accrued on a time basis, by reference to the principal out-standing 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 program (named as goldpoints plus^{SM}) is used by the Company to provide customers with incentives to buy room nights. Each time a customer buys room nights, the company grants the customer award credits (described as 'points'). The customer can redeem the award credits for awards such as free room nights or trade to awards in other loyalty programmes. Members enjoy discounts on various services such as food and beverages.

Until the 28 October 2007, Rezidor was the legal counterparty in these transactions, The company then recognised the original revenue in full and, concurrently, a provision for the estimated future costs of supplying the goods or services. On 28 October, Carlson Group took over the responsibility for the goldpoints plus^{SM} program. Rezidor is liable three years for points awarded before that date. Each time a customer redeems his points, the provision is reduced. Points rewarded after the date of the transfer of the loyalty program to the Carlson Group, are invoiced the hotels from the Carlson Group and invoiced from the hotels to the Carlson Group when the customer redeems the points.

Cost of goods sold

Cost of goods sold relates mainly to cost of goods in restaurants (Food & Beverage) 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 our 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 staff employed by the legal entities of the company.

Other operating expenses

Other operating expenses include royalty fees to Carlson and marketing expenses but also 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, rental and licences, maintenance contracts and insurance property taxes.

Rental expenses

Rental expense include the rental costs paid and to be paid to the lessors of the hotels. 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 12*).

Financial income and expenses

Financial income and expenses items include interest income and expenses, realised and unrealised foreign exchange gains and losses on securities and shares.

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 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 acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Balance sheet

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorate on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets

Acquired intangible assets in the form of rights are measured at cost less accumulated amortisation. These rights are amortised on a straight line basis over the term of the agreement. Other intangible assets primarily relates to the contractual rights relating to the Carlson agreement which is being amortised over the length of the contract. The contract expires in 2052. All other intangible assets relating to leased properties are amortised over the rental period.

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 assets' estimated useful lives:

Fixed installations and technical improvements	10.0%
Guest room Furniture, Fixture and equipment (FF&E)	15.0%
Other Furniture, Fixtures & equipment and machinery	20.0%

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 lower of recoverable amount if the recoverable 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 that those assets have suffered an impairment loss. 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, estimated 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.

Inventories

Inventories are measured at the lower of cost (using the FIFO principle) and net realizable value. Cost of goods for resale, raw materials and consumables consist of purchase price plus handling cost.

Financial instruments

Financial assets and financial liabilities are stated at amortised cost or fair value depending on their initial categorisation under IAS 39.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at settlement date.

Other shares and participations
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 directly in equity, 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. For 2005, these investments were accounted for in accordance with the fair value option.

Receivables
Receivables are classified as loans and receivables and measured at amortised cost, usually equalling nominal value, less provisions for bad debts.

Other short-term investments
Other short term investments comprise cash on restricted accounts and are measured at nominal value.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, 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.

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, usually equalling nominal value.

Provisions
Provisions for obligations related to lease contracts and management contracts are made if a contract is considered 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 obligation 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 Group calculates its pension obligations for the defined benefit pension plans based on estimated future final salary. An estimate of funded assets is made at the balance sheet date. Pension costs for the year comprise the present value of pensions earned during the year, plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of deviations from estimates and plan amendments is added to this total for certain pension plans. Cumulative actuarial deviations from estimates of up to 10% of the greater of pension obligations and pension assets are included in the so-called corridor and are not amortised. When the accumulated actuarial deviations from estimates exceeds this 10% limit, the excess amount is amortised over the average remaining employment period of the participants in the plan.

Share-based payment transactions
During the first quarter of 2005, the SAS group concluded an agreement with the U.S.-based Carlson Hotels Worldwide. Under this agreement Carlson Hotels acquired 25% in Rezidor in exchange for improved commercial terms in the parties' Master Franchise Agreement (MFA). The value of the transaction was measured at fair value of the equity instrument granted at the date of the exchange.

Fair value at grant date for the long-term equity-settled incentive program, in which the participants of the plan 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. The current program has two performance criteria: one related to earnings per share (EPS), a so called non-market condition, and one related to the share price and dividend (TSR), a so called 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. For market conditions no such assessment is made after the initial recognition at grant date. The additional social security costs are reported as a liability, revalued at each balance sheet date in accordance with URA 46, 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 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 the 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 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 at average monthly rates, which essentially reflect the rates at the date of payment. Cash at year end is translated at the rates at the balance sheet date.

Note 4

Financial Risk Management

According to our finance policy, we systematically monitor and evaluate our financial risks, such as foreign exchange, interest rate, credit, liquidity and refinancing risks. Measures aimed at managing and handling these financial risks are implemented within the parameters and guidelines set forth in our finance policy. Our financial risks are handled at the corporate level. Operating routines and delegation authorisation with regard to financial risk management are documented in the finance manual.

All business units and hotels report cash flow overview in order to manage financial risks and to comply with the finance policy.

The Group may use futures, options, currency swaps, interest rate swaps or forward rate agreements to mitigate potential exposure to currency and interest rate risks.

The main principle of our finance policy is to limit interest rate and foreign exchange risks of all business units and hotels. This means that borrowing will be primarily done in local currencies in order to hedge assets and equity in our subsidiaries. Hedging is effected in the reporting currencies of the respective subsidiaries on the basis of a liquidity forecast. The net currency flow is then hedged externally at the group level.

Interest rate risk

The main financing risk is related to our ability to control and meet our 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. All of our liabilities to financial institutions are floating rate loans. in accordance with our finance policy, most of our future on-balance sheet liabilities will also be on a floating rate basis.

Cash flow risk

All of our liabilities to financial institutions are floating rate loans. In accordance with our finance policy, most of our future on-balance sheet liabilities will also be on a floating rate basis. Only a smaller part of the interest-bearing receivables at year-end had floating rates. The effect on financial net in the income statement of a change in market interest rates with 100 basis points, would be approximately MEUR 0.3, based on the loans and receivables outstanding on December 31, 2007. The effect of changes in market rates on cash and cash equivalents were not considered in this simulation as the impact form market rate changes on bank account interest rates is considered limited.

Fair value risk

Some of the interest-bearing receivables have fixed interest rates. Since all interest-bearing receivables are measured at amortised cost, there is no impact from changes in market interest rates on the carrying values of these receivables and consequently no impact on the income statement or equity.

Currency risk

Transaction exposure

The Company generates revenue and incurs costs in a number of currencies, and are therefore exposed to currency exchange rate fluctuations. The most important foreign currencies are the Swedish Krona, the Norwegian Krone, the Danish Krone, the U.S. Dollar and Pound Sterling. The hotels with a large international customer base, located outside the Nordics and the rest of Western Europe, generally adjust their room rates charged in the local currency to take into account volatile fluctuations in the euro, our reporting currency, or the U.S. Dollar. As a result, the revenue and EBITDA derived from our leased hotels and the fees collected from our managed and franchised hotels are protected from foreign currency transaction exposure through our policy to adjust prices based on fluctuations, except for food and beverage where we do not adjust prices.

Translation exposure

The Company presents its financial statements in Euro. Since certain of our foreign operations have a functional currency other than euro, the consolidated financial statements and shareholders' equity are exposed to exchange rate fluctuations. If hedging is not used, this foreign currency exchange rate risk could have a negative impact on our consolidated balance sheet. Although we have several subsidiaries in a number of countries with their balance sheets in different currencies, we are not materially exposed to translation risk as we do not own any real estate, with the exception of certain minority interests in associates. If the Euro would appreciate or depreciate by 5% against all other currencies in the Group, the effect on the consolidated equity would be approximately MEUR 15.7, based on the situation at year-end 2007. In addition to the balance sheet exposure, the consolidated income statement is also exposed to exchange rate fluctuations, coming from the translation of foreign operations into Euro.

Credit risks

Credit risks related to financial assets equal the values included in the balance sheet. In some cases Rezidor has granted loans to hotel owners in early stages of new projects. Based on market conditions, interest rates, repayment schedules and security arrangements have been agreed upon. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, TEUR 126,298 as at December 31, 2007, represents the Group's maximum credit exposure. No collaterals are held as security for these assets.

Liquidity risks

It is the policy of Rezidor that the raising of capital and placement of excess liquidity is managed centrally. Furthermore 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 remaining maturity for financial liabilities at year end was as follows:

TEUR	As of Dec.31	As of Dec.31
Mature within 1 year	**2007**	**2006**
Accounts payables	37,430	35,858
Bank overdraft	31,573	47,603
Other interest-bearing liabilities to financial institutions	-	16,814
	69,003	100,275
TEUR		
Mature after 1 year		
Other long-term interest-bearing liabilities	87	57
Other long-term non-interest-bearing liabilities	430	-
	517	57

To meet the obligations associated with financial liabilities, the Company at year-end had cash and cash equivalents of TEUR 51,389 (50,975) together with unutilised credit facilities of TEUR 95,713 (13,358), giving a total available liquidity of TEUR 147,102 (64,333). A split of the bank overdraft utulisation on December 31, can be studied in the table below.

TEUR	As of Dec.31	As of Dec.31
Split of bank overdraft	**2007**	**2006**
Bank overdraft facilities granted	135,967	100,846
Utilisation of bank overdraft in guarantees	-8,681	-39,885
Utilisation of bank overdraft in cash	-31,573	-47,603
	95,713	13,358

Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted markets prices;
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

Other shares and participations (*Note 23*), classified as available-for-sale investments with changes in fair value recognised directly in equity, are measured at cost in accordance with IAS 39 as at December 31, 2007 because their fair value cannot be reliably measured. The fair value cannot be reliably measured as there is no active market, there is no reliable transaction data for similar objects available and the nature of these investments could make future cash flows projections difficult, for example when the hotels in these entities are in their ramp-up phase. 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	As of Dec.31
Loans and receivables	**2007**	**2006**
Other long-term interest-bearing receivables	10,416	11,594
Other long-term non-interest-bearing receivables	1,456	2,488
Accounts receivables	56,059	51,309
Other current interest-bearing receivables	1,812	2,876
Other current non-interest-bearing receivables	42,723	41,884
Other short-term investments	3,421	3,518
	115,887	113,669
Available-for-sale financial assets		
Other shares and participations	10,411	15,088
	10,411	15,088
Financial liabilities measured at amortised cost		
Other long-term interest-bearing liabilities	87	57
Other long-term non-interest-bearing liabilities	430	-
Accounts payables	37,430	35,858
Bank overdraft	31,573	47,603
Other interest-bearing liabilities to financial institutions	-	16,814
	69,520	100,332

Capital Structure

The Group defines its capital as equity stated in the balance sheet including minority interest. At the end of 2007, the Group's capital was TEUR 201,477 (176,380). The objective is to have an efficient capital structure, considering both the financing needs of the Group and the shareholder's return. In order to maintain or adapt the capital structure, dividends may be adjusted, shares may be bought back or new shares may be issued.

Financial risk management – Parent Company

The parent Company applies the Group Finance policy.

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 Rezidor Groups' reported earnings and financial position.

In reporting goodwill, other intangible assets and tangible fixed assets, an assessment is made of the useful economic life and an assessment is made at least once a year to determine whether impairment exists.

Deferred tax is recognised for all temporary differences between stated and taxable income and for deferred tax receivables attributable to unutilised loss carry-forwards. The valuation of loss carry-forwards and ability to utilise tax loss carry-forwards is based on estimates of future taxable income.

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.

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.

Moreover, in the process of applying the entity's accounting policies, which are described here above in *Note 3*, management has made following judgments that have a significant effect on the amounts recognised in the financial statements.

For amortising the intangible assets:

Following the Master Franchise Agreements with Carlson, the brands of the Group have been valued and thus classified as intangible asset. This intangible asset is amortised on a linear basis throughout its useful life which is the lifetime of the Master Franchise Agreements with Carlson.

Note 6

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date 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.

For general impairment testing:

At each balance sheet date (closing date), a review is conducted assess 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.

The method used for testing assets in use is to apply the discounted cash flow technique (DCF) using the internal discount rate (Weighted Average Cost of Capital) which is recalculated regularly and per region. The cash flows discounted are based on long range plans. If the net present value of these long range plans 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.

For assessment of onerous contracts in management and lease agreements:

The same method as for impairment is applied to test if management contracts or lease agreements are onerous and, if applicable, a provision is recorded.

For assessment of the off-balance sheet commitments:

For the leasing commitments, the Company estimates that the future leasing expense would entail payment of at least the annual fixed rent under the lease agreements (*see Note 37*).

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 38*), the annual costs are just a small part of the maximum commitment.

Note 7

Revenue

OPERATING REVENUE PER AREA OF OPERATION

TEUR	2007	2006
Total operating revenue	**785,241**	**707,319**
Rooms revenue	439,092	393,328
F&B Revenue	231,866	213,931
Other hotel revenue	21,801	23,402
Hotel revenue	**692,759**	**630,661**
Fees revenue	78,464	62,672
Other revenue	14,017	13,986
Total revenue	**785,241**	**707,319**
Fees Specified		
Management	28,029	25,427
Incentive	22,284	14,392
Franchise	5,015	5,833
Other	23,137	17,021
	78,464	**62,672**

- The line item ‘Other hotel revenue’ consists of complementary hotel revenue such as revenue from parking, pool, laundry, gym.
- The line item ‘Other Revenue’ consists of complementary Group revenue such as administration revenue.

Note 8

Segment Disclosures

Information is provided for geographical markets and operating structures. For management and reporting purposes, the Group is mainly organized into a mix:

- of geographical markets (or regions);
- and of different types of contractual agreements (or operating structures) (see below).

These regions and these types of contractual agreements are the basis on which the Group reports respectively its primary segment and its secondary segment. The Rezidor Group’s principal geographical markets or regions, in which the Group operates its business, representing the primary segment consists of:

- **The ‘Nordic Region’** including Denmark, Finland, Iceland, Norway and Sweden;
- **The ‘Rest of Western Europe’** including Austria, Belgium, France, Germany, Ireland, Italy, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom;
- **‘Eastern Europe’** including Azerbaijan, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Turkey, Ukraine, and Uzbekistan; and
- **‘Middle east, Africa and Other’** including Bahrain, China, Egypt, Jordan, Kuwait, Lebanon, Oman, Saudi Arabia, South Africa, Tunisia and the United Arab Emirates.

The Rezidor Group’s types of contractual arrangements, in which the Rezidor hotels are operated, representing the secondary segment consists of:

- **‘Leased’** contractual arrangements:

  Under our lease agreements, Rezidor leases hotel buildings from property owners is entitled to the benefits and carries the risks associated with operating the hotel. The company derives revenue primarily from room sales and food and beverage 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 37*). Under some lease agreements, the company also reimburses the owner of the hotel property for property taxes and property insurance.Under our 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 room revenue, while for Regent and Missoni branded hotels marketing fees are based on total revenue, and reservation fees 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 38*. 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 authorise a third-party hotel operator or property owner to operate its hotel under one of the brands in its portfolio. Accordingly, under such agreements, the company neither owns, leases nor manages the hotel. We derive revenue from a brand royalty or licensing fee which, under most of our franchise agreements, is based on a percentage of total room revenue generated by a hotel. In addition, the company 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. Currently, franchise agreement for the Regent or Missoni brands are not allowed.

○ **'Other'** relationships including the share of income from associates:

Revenue, EBITDA, EBIT are disclosed within a primary geographical segment and also within a second operating structure segment.

For 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 segmental disclosure is made after elimination of intra-group and intra-segment transactions (i.e. internal fees).

The line item 'leased' represents, per region, the net operational contribution of leased hotels per region.

The line item 'Managed' represents, per region, the fees from managed hotels less related marketing costs, Royalty fees and reservation fees.

The line item 'Franchised' represents, per region, the fees from franchised hotels less related marketing costs, Royalty fees and reservation fees.

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 tangible assets (for EBIT).

For EBITDA and EBIT:

The line item 'Central costs' represents corporate and regional costs (excluding the marketing costs which are allocated to the operational units—i.e., Leased, Managed, Franchised). Total assets and capital expenditure (investments) are disclosed within the primary geographical segment and secondary segment (operating structure). 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 which are Radisson SAS and Park Inn.
The number of hotels and rooms in operation is segmented by geographic market and by operating structure.

SEGMENTATION - REVENUE[1)]

	Nordic Region		Rest of Western Europe		Eastern Europe		Middle East, Africa and other		Total			
TEUR	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**%**	**Dec. 31,**	**%**
For the year ended	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**		**2006**	
Leased	326,990	290,845	365,770	339,809	-	-	-	-	692,760	88.2%	630,654	89.2%
Managed	7,798	4,508	26,584	22,259	21,904	16,282	11,288	9,117	67,574	8.6%	52,166	7.4%
Franchised	6,335	6,134	4,009	2,995	461	1,054	85	330	10,890	1.4%	10,513	1.5%
Other	12,374	12,315	1,643	1,671	-	-	-	-	14,017	1.8%	13,986	1.9%
Total	353,497	313,802	398,006	366,734	22,365	17,336	11,373	9,447	785,241	100.0%	707,319	100.0%

SEGMENTATION - EBITDA

TEUR	Nordic Region	Rest of Western Europe	Eastern Europe	Middle East, Africa and other	Central costs	Total
For the year ended	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**
Leased	52,655	11,339	-	-	-	63,994
Managed	6,285	19,346	16,794	8,453	-	50,878
Franchised	4,032	1,960	209	72	-	6,273
Other[1)]	2,332	200	1,700	2,040	-	6,135
Central costs	-	-	-	-	-40,774	-40,774
IPO	-	-	-	-	-	-
Total	65,304	32,708	18,703	10,565	-40,774	86,506

For the year ended	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**
Leased	37,967	11,376	-	-	-	49,343
Managed	3,138	10,557	11,120	6,728	-	31,543
Franchised	2,932	1,205	506	300	-	4,943
Other[1)]	3,129	200	59	4,808	-	8,196
Central costs	-	-	-	-	-33,044	-33,044
IPO	-	-	-	-	-4,392	-4,392
Total	47,166	23,338	11,685	11,836	-37,436	56,589

SEGMENTATION - EBIT

Operating profit (EBIT)

TEUR	Nordic Region	Rest of Western Europe	Eastern Europe	Middle East, Africa and other	Central costs	Total
For the year ended	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**	**Dec. 31, 2007**
Leased	40,178	2,276	-	-	-	42,454
Managed	6,216	19,150	16,623	8,342	-	50,331
Franchised	3,932	1,872	199	71	-	6,074
Other[2)]	1,348	49	1,700	2,040	-	5,137
Central costs	-	-	-	-	-40,773	-40,773
IPO	-	-	-	-	-	-
Total	51,674	23,347	18,522	10,453	-40,773	63,223

For the year ended	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**	**Dec. 31, 2006**
Leased	25,814	4,035	-	-	-	29,849
Managed	3,060	10,337	10,946	6,681	-	31,024
Franchised	2,814	1,132	500	292	-	4,738
Other[2)]	2,555	-892	59	4,808	-	6,530
Central costs	-	-	-	-	-33,044	-33,044
IPO	-	-	-	-	-4,392	-4,392
Total	34,243	14,612	11,505	11,781	-37,436	34,705

1. Other also includes share of income in associates
2. Other also includes share of income in associates and gain (loss) on sale of shares and tangible assets.

SHARE OF INCOME AND GAIN (LOSS) ON SALE OF SHARES AND TANGIBLE ASSETS

	Nordic Region		Rest of Western Europe		Eastern Europe		Middle East, Africa and other		Total	
TEUR	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**	**Dec. 31,**
For the year ended	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Share of income in associates	2,479	2,641	-	-	1,700	59	2,040	2,595	6,219	5,295
Gain (loss) on sale of shares and tangible assets	-	-	1,070	-	-	-	-	-	1,070	-
Total	2,479	2,641	1,070	-	1,700	59	2,040	2,595	7,289	5,295

SEGMENTATION - BALANCE SHEET

TEUR	Nordic Region Dec. 31, 2007	Nordic Region Dec. 31, 2006	Rest of Western Europe Dec. 31, 2007	Rest of Western Europe Dec. 31, 2006	Eastern Europe Dec. 31, 2007	Eastern Europe Dec.31 2006 ,	Middle East, Africa and Other Dec. 31, 2007	Middle East, Africa and Other Dec. 31, 2006	Total Dec. 31, 2007	Total Dec. 31, 2006
Assets	193,478	195,048	174,782	159,587	20,082	19,239	24,256	28,749	412,598	402,623
Leased	128,210	177,526	174,294	145,731	19,988	-	24,255	-	346,747	323,257
Managed	3,080	10,050	8,706	10,391	18,774	18,814	23,375	26,765	53,935	66,020
Franchised	4,578	5,441	4,382	3,465	563	249	26	386	9,549	9,541
Other	2,365	2,031	-	-	-	176	-	1,598	2,365	3,805
Liabilities	220,423	222,966	-26,301	-8,073	-166	3,831	17,165	7,518	211,121	226,243

SEGMENTATION - INVESTMENTS [1)]

TEUR	Nordic Region Dec. 31, 2007	Nordic Region Dec. 31, 2006	Rest of Western Europe Dec. 31, 2007	Rest of Western Europe Dec. 31, 2006	Eastern Europe Dec. 31, 2007	Eastern Europe Dec.31 2006 ,	Middle East, Africa and Other Dec. 31, 2007	Middle East, Africa and Other Dec. 31, 2006	Total Dec. 31, 2007	Total Dec. 31, 2006
Leased	22,681	11,493	23,144	21,124	-	-	-	-	45,825	32,617
Managed	-	-	-	-	-	-	-	-	-	-
Franchised	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	**22,681**	**11,493**	**23,144**	**21,124**	**-**	**-**	**-**	**-**	**45,825**	**32,617**

1. Excluding cash flow attributable to financial assets.

SEGMENTATION - SIGNIFICANT NON-CASH EXPENSES

TEUR	Nordic Region Dec. 31, 2007	Nordic Region Dec. 31, 2006	Rest of Western Europe Dec. 31, 2007	Rest of Western Europe Dec. 31, 2006	Eastern Europe Dec. 31, 2007	Eastern Europe Dec.31 2006 ,	Middle East, Africa and Other Dec. 31, 2007	Middle East, Africa and Other Dec. 31, 2006	Total Dec. 31, 2007	Total Dec. 31, 2006
Depreciation and amortisation	14,352	13,697	9,920	8,187	64	-	16	-	24,353	21,884

SEGMENTATION - REVPAR AND OCCUPANCY [1)]

	Radisson SAS Dec. 31, 2007	Radisson SAS Dec. 31, 2006	Park Inn Dec. 31, 2007	Park Inn Dec. 31, 2006	Rezidor Dec. 31, 2007	Rezidor Dec. 31, 2006
RevPAR, EUR	84.2	77.3	47.8	45.4	76.5	71.7
Occupancy,%	71.3%	70.6%	64.4%	63.7%	69.7%	69.1%

1. REVPAR (REVenue Per Available Room) – is calculated as Rooms revenue in relation to the number of rooms available.
   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 December 31, 2007 - In operation	Nordic Region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Leased	23	6,129	42	8,678	-	-	-	-	65	14,807
Managed	7	2,064	51	8,480	27	7,444	19	4,870	104	22,858
Franchised	33	5,139	31	5,714	4	778	-	-	68	11,631
Total Rezidor	**63**	**13,332**	**124**	**22,872**	**31**	**8,222**	**19**	**4,870**	**237**	**49,296**

As of December 31, 2006 - In operation	Nordic Region		Rest of Western Europe		Eastern Europe		Middle East, Africa and Other		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Leased	22	5,812	41	8,415	-	-	-	-	63	14,227
Managed	7	2,042	41	7,099	27	5,722	19	4,551	91	19,414
Franchised	41	6,032	25	4,797	4	711	1	282	71	11,822
Total Rezidor	**70**	**13,886**	**107**	**20,311**	**31**	**6,433**	**20**	**4,833**	**225**	**45,463**

Note 9

Cost of Goods Sold for Food & Beverage and Other Related Expenses

TEUR	2007	2006
Cost of Food	37,346	35,701
Cost of Beverage	13,081	12,332
Cost of other income	5,837	2,881
Cost of other goods sold	3,896	3,014
Cost of tel, fax, internet	974	879
Total	**61,133**	**54,806**

Note 10

Payroll Cost, Number of Employees, Etc

PAYROLL COST

		As of Dec. 31
TEUR	2007	2006
Salaries	191,836	181,479
Social security	32,967	30,628
Pension costs	3,557	2,921
Sub-total	**228,360**	**215,028**
Other personnel costs (other benefits in kind)	37,440	31,686
Total	**265,800**	**246,714**

These costs are included in the line personnel cost and contract labour in the income statement.

The split of these costs per country is as follows:

For the Year Ended December 31,	Salaries		Social Security		Pension costs		Subtotal		Other personnel costs		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Denmark	13,423	11,657	722	524	627	249	14,772	12,430	2,317	2,325	17,089	14,755
Norway	59,248	55,571	8,239	7,780	1,191	986	68,677	64,337	4,501	3,923	73,178	68,260
Sweden	16,636	15,631	6,472	5,856	935	533	24,042	22,020	2,553	2,381	26,596	24,401
United Kingdom	34,666	34,011	1,890	1,619	87	209	36,643	35,839	1,890	1,323	38,533	37,162
Germany	26,175	25,360	5,123	5,361	1	-	31,299	30,721	8,623	7,720	39,922	38,441
France	13,181	10,733	4,424	3,388	-	-	17,605	14,121	2,040	1,378	19,646	15,499
Belgium	19,816	20,638	5,007	5,034	562	944	25,385	26,616	13,031	11,097	38,416	37,713
Other	8,692	7,878	1,090	1,066	153	-	9,937	8,944	2,485	1,539	12,421	10,483
Total	**191,836**	**181,479**	**32,967**	**30,628**	**3,557**	**2,921**	**228,360**	**215,028**	**37,440**	**31,686**	**265,800**	**246,714**

The average number of employees in Rezidor's companies during 2007 was 5,572 (5,447) and is split as follows:

	As of Dec. 31			
	2007		2006	
	Men	Women	Men	Women
Denmark	151	118	145	105
Norway	566	779	572	756
Sweden	201	336	189	317
United Kingdom	608	767	686	710
Germany	436	588	497	523
France	238	251	224	209
Belgium	176	125	171	125
Other	109	123	115	103
Totals	**2,485**	**3,087**	**2,599**	**2,848**
Total men and women		**5,572**		**5,447**

	As of Dec. 31			
	2007		2006	
	Men	Women	Men	Women
Members of the Board of Directors[1)]	6	3	5	4
Executive Committee (including CEO)	9	2	8	2

1. These numbers of members relate only to the members of the Board of Directors of the Parent Company.

Remuneration[1)] - Executive Committee (including CEO) and Board of Directors

	For the Year Ended December 31	
TEUR	2007	2006
Remuneration to the external members of the Board of Directors		
Urban Jansson	65	29
Ulla Litzén	41	25
Marilyn Carlson Nelson	35	21
Benny Zakrisson	41	25
Harald Einsman	38	14
Trudy Rautio	38	25
Jay S. Witzel	35	25
Barry W. Wilson	24	-
Göte Dahlin	24	-
Monica Caneman	11	25
Gunnar Reitan	14	23
Leo Renaghan	-	22
	366	234

1. TEUR 242 of the total remuneration to members of the Board of Directors in 2007 is attributable to the remuneration approved on the Annual General Meeting on May 4, 2007 for the period beginning after that Meeting and ending on the next Annual General Meeting on April 23, 2008.

REMUNERATION[1)] - EXECUTIVE COMMITTEE (INCLUDING CEO) AND BOARD OF DIRECTORS

	As of Dec. 31	
TEUR	2006	2005
Salaries and bonuses to Executive Committee	5,721	4,099
Pension costs to Executive Committee:		
Defined contribution plan	677	488
Defined benefit plan	37	41
Housing and company cars for the Executive Committee	606	425
Phantom share plan for the CEO and CFO	-	2,766

1. The remuneration numbers exclude social security costs, except for the figure that relates to phantom share plan for the CEO and CFO, which includes social security cost of TEUR 394.

The bonus of the Executive Committee was subject to accruals for each year. The basis for the annual bonus scheme for the Executive Committee is the consolidated profitability of Rezidor, the company growth target and strategic objectives. These bonuses are based on percentages that are not fixed as they vary in relation to the level of achievement, and are capped to between 40 to 50% of annual salary. The related bonus costs represent the best estimate made at the balance sheet dates. The final bonus payment is dependent on certain factors that will finally be known at a date subsequent of the release of the financial statements. Therefore, bonuses accrued in a specific year may be adjusted in subsequent periods as a result of the final parameters (like the final profitability of the company) deviating from the assumptions made at the balance sheet dates. The CEO and the CFO had individual bonus arrangements through an incentive plan which was established in 2002 under the form of a phantom share plan for the period 2003–2007. Prior to the termination of this plan in September 2006, no payments were made under the plan. In connection with the termination, the CEO received a one-time compensation of CHF 1.1 million (net of social security and other employer payments) and the CFO EUR 0.6 million (net of social security and other employer payments) in October 2006. For both of them, the total related amount including taxes and social security costs is TEUR 2,766. For members of the Executive Committee (excl. the CEO) the notice period for termination of their agreement is between 3 and 6 months. If their agreements are terminated by Rezidor, the severance pay would amount to between one and three years annual remuneration.

The remuneration for the CEO is as follows:

REMUNERATION CEO

	As of Dec. 31	
TEUR	2007	2006
Salaries[1)]	1,018	593
Bonuses (including phantom share plan - see below)	172	982
Pension	377	183
Housing and company cars	139	114

1. The figure for 2006 is lower than for 2007 due to a one-off retroactive adjustment in 2006 amounting to TEUR (205) and a one-off payment in 2007 for accumulated vacation pay for previous years.

This remuneration of the CEO is mainly paid by 'The Rezidor Hotel Group S.A.' (Belgium), but due to a dual agreement, the CEO also receives another remuneration from Rezidor Hotel Group AB (Sweden) amounting to TEUR 107 (37). See also *Note 3* hereafter in the Parent Company Accounts. These figures are excluding social costs. The minimum annual increase in the contracted base salary of the CEO is 5%. The remuneration of the Chief Executive Officer Mr Ritter, under the service contract, consists of an annual net salary of CHF 905,520 (842,344) and a bonus of maximum of 50% of his annual base salary based on pre-set targets for the consolidated profitability of Rezidor, the company growth target and strategic objectives. In case of a temporary incapacity, Mr. Ritter is entitled to receive his full salary and other benefits for 26 weeks of any period of 52 weeks when he is unable to perform his duties. In case a temporary incapacity develops into a non-temporary incapacity making Mr. Ritter eligible for the fixed payment below, Mr. Ritter's compensation is maximized to what he would be entitled to receive as a fixed payment. In addition, he is entitled to certain benefits such as housing, car and travel allowances. Either Rezidor or Mr. Ritter may terminate the agreement upon six months' written notice. In the case of termination of the agreement by the company (other than due to gross negligence by Mr. Ritter) or termination by Mr. Ritter as a result of gross breach by us of the agreement, Mr. Ritter is entitled to 30 months' salary and value of three years' housing upon termination. He also has the right to this fixed payment if there is a major change in his duties and responsibilities or in the ownership structure of our company. Mr. Ritter participates in a contribution pension scheme to which we make annual contributions in an amount equal to 41% of his annual net salary until the termination of his employment. Mr. Ritter's pension age is 62. His employment agreement also includes a fixed payment equal to three years' net salary and TEUR 375 as a compensation for three years' value of housing if he retires on February 28, 2009 or, before such date, is non-temporarily incapacitated to fulfill his duties as a result of death, sickness or injury.

Share-based long-term incentive program

In addition to the remuneration outlined above, the CEO and the executive committee participate in a long-term equity settled incentive program. The details of this incentive program are described in *Note 31*.

Note 11

Other operating Expenses and Insurance of Properties and Property Tax

OTHER OPERATING EXPENSES

TEUR	2007	2006
Royalty fees and other costs to Carlson	8,292	7,223
Energy costs	23,304	22,407
Supplies	19,558	17,789
Marketing expenses	31,780	30,278
External fees	11,133	12,268
Laundry and dry cleaning	13,049	10,930
Contract services	4,054	4,166
Administration costs	9,978	6,454
Communication, travel and transport	8,526	7,852
Insurance costs	909	599
Operating equipment	2,747	2,606
Rentals and licences	3,303	3,538
Property operating expenses	6,596	5,841
Maintenance contracts	5,537	5,137
Other expenses	17,249	17,559
Total	**166,015**	**154,646**

INSURANCE OF PROPERTIES AND PROPERTY TAX

TEUR	2007	2006
Property & Miscellaneous taxes	10,072	10,385
Building insurance	1,682	1,991
Total	**11,754**	**12,376**

Note 12

RENTAL EXPENSE

TEUR	2007	2006
Fixed rent[1)]	161,120	144,139
Variable rent[2)]	34,230	28,743
Guarantee payments[3)]	4,902	10,210
Total	**200,252**	**183,092**

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 payments (or shortfalls payments) 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 13

Gain on Sale of Shares and Tangible Assets

Gain on sale of shares and tangible assets are split as follows:

TEUR	2007	2006
Sales price of shares[1)]	38	-
Net assets of sold entity	-1,032	-
Net gain on sales of shares	**1,070**	**-**
Total net gain on sale of shares and tangible assets	**1,070**	**-**

1. The gain on sale of shares in 2007 is related to the disposal of the shares in a company holding the lease for a hotel in Bordeaux, France, which was converted into a managed property.

Note 14

FINANCIAL ITEMS

TEUR	2007	2006
Interest income received from SAS	-	230
Interest income from external financial institutions	1,497	1,314
Other financial income	3,701[1)]	153
Foreign currency exchange gains	-	414
Financial income	**5,198**	**2,111**
Interest expense paid to SAS	3	781
Interest expense to external financial institutions	2,929	2,533
Other financial expense	684[1)]	1,045
Foreign currency exchange losses	927	-
Financial expense	**4,540**	**4,359**
Financial income and expenses, net	**658**	**-2,248**

TEUR 3,157 in 2007 consists of the capital gain on sale of shares in RDS Hotelli AS, classified as available-for-sale financial assets. The Proceeds from the sale were TEUR 8,053.

1. Interest income from other loans and receivables, amounting to TEUR 544 in 2007, is included in Other financial income. Interest expense from other loans and payables, amounting to TEUR 148 in 2007, is included in Other financial expense.

Note 15

Income Taxes

INCOME TAX RECOGNISED IN PROFIT OR LOSS

	As of Dec.31	
	2007	**2006**
Tax expense/(income) comprises:		
Current tax expense/(income)	10,103	14,580
Adjustments recognised in the current year in relation to the current tax of prior years	-5,547	1,341
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	8,352	-12,433
Effect of changes in tax rates and laws	4,886	-
Write-downs of deferred tax assets	371	-
	13,609	-12,433
Total tax expense/(income)	**18,165**	**3,488**
The total charge for the year can be reconciled to the accounting profit as follows:		
Profit from continuing operations	63,881	32,457
Income tax expense calculated at the local tax rate	16,202	9,671
Effect of revenue that is exempt from taxation	-4,173	-3,377
Effect of expenses that are not deductible in determining taxable profit	3,405	3,852
Effect of changes in the expected manner of recovery of assets	-527	-
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	709	914
Effect of previously unrecognized deferred tax attributable to tax losses, tax credits or temporary differences of prior years	-2,019	-9,197
Effect on deferred tax balances due to the change in income tax rate	4,886	-
Write-downs of deferred tax assets	371	-
Effect of withholding taxes	2,824	284
Other	2,034	-
	23,712	2,147
Adjustments recognised in the current year related to the current tax of prior years	-5,547	1,341
Income tax expense recognized in profit or loss	**18,165**	**3,488**
Deferred tax		
Arising on income and expense taken directly to equity :		
Translation of foreign operations	427	-
	427	-

DEFERRED TAX BALANCES

Deferred tax assets/(liabilities) arise from the following :

2007	Opening balance	Charged to income	Charged to Equity	Acquisitions / disposal	Exchange differences	Changes in tax rates	Closing balance
Temporary differences							
Property, plant & equipment	240	-4,237	-	-	-597	24	-4,570
Intangible assets	-7,067	-2,053	-	-	-107	8	-9,219
Provisions	-	1	-	-	-	-	1
Doubtful debts	654	-77	-	-	-	-73	504
Untaxed reserves	-3,156	1,025	-	-	104	-	-2,027
Pensions	-3,344	-17	-	-	30	-	-3,331
Other liabilities	-2,179	-1,886	-	-	230	-2	-3,837
Long term non-interest-bearing receivables	-3	-858	-	-	-1	-4	-866
Other current non-interest-bearing liabilities	3,872	-4,083	-	-	15	-	-196
Other	-	-65	-427	-	-	78	-414
	-10,983	**-12,250**	**-427**	**-**	**-326**	**31**	**-23,955**
Unused tax losses and credits							
Tax losses	22,198	3,527	-	-546	4	-4,917	20,266
	22,198	3,527	-	-546	4	-4,917	20,266
	11,215	**-8,723**	**-427**	**-546**	**-322**	**-4,886**	**-3,689**

2006	Opening balance	Charged to income	Charged to Equity	Acquisitions / disposals	Exchange differences	Changes in tax rates	Closing balance
Temporary differences							
Property, plant & equipment	332	-92	-	-	-	-	240
Intangible assets	-3,638	-3,429	-	-	-	-	-7,067
Doubtful debts	1,378	-724	-	-	-	-	654
Untaxed reserves	-4,642	1,485	-	-	-	-	-3,156
Pensions	-1,783	-1,561	-	-	-	-	-3,344
Other liabilities	-3,579	1,400	-	-	-	-	-2,179
Long term non-interest-bearing receivables	-661	658	-	-	-	-	-3
Other current non-interest-bearing liabilities	-1,627	5,499	-	-	-	-	3,872
	-14,220	**3,236**	**-**	**-**	**-**	**-**	**-10,984**
Unused tax losses and credits							
Tax losses	13,001	9,197	-	-	-	-	22,198
	13,001	9,197	-	-	-	-	22,198
	-1,219	12,433	-	-	-	-	11,215

DEFERRED TAX BALANCES ARE PRESENTED IN THE BALANCE SHEET AS FOLLOWS:

	As of Sep. 31, 2007	As of Dec. 31, 2006
Deferred tax assets	21,758	26,964
Deferred tax liabilities	-25,447	-15,749
	-3,689	**11,215**

UNRECOGNISED DEFERRED TAX ASSETS

The following deferred tax assets have not been recognised at the balance sheet date:		
Tax losses - revenue	13,955	19,882
Temporary differences	2,382	2,857
	16,337	**22,739**

The unrecognised tax losses have no time limit.

UNRECOGNISED TAXABLE TEMPORARY DIFFERENCES ASSOCIATED WITH INVESTMENTS AND INTERESTS

Temporary differences in relation to investments in subsidiaries, associates and joint ventures for which deferred tax assets and liabilities have not been recognised are attributable to the following :		
Shares in subsidiaries	-13,843	-51,421
Shares in associates and joint ventures	119	937
	-13,724	-50,484

Deferred tax assets attributable to tax losses carry forward are recognised to the extent it is probable that future taxable profits will be available against which the unused tax losses can be utilsed. 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 mainly found in Germany, France, Denmark and Sweden.

Note 16

Sold and acquired operation

SHARES IN SUBSIDIARIES

Disposed shares	2007	2006
TEUR		
Fixed assets	22	-
Current assets	2,404	-
Cash and bank	-	-
Long-term intra-group liabilities	-1,812	-
Current liabilities	-1,646	-
Net assets disposed of	**-1,032**	**-**
Capital gain	1,070	-
Sales price	38	-
Cash and bank in disposed operations	-	-
Total cash flow from disposed operations	**38**	**-**

In 2007 all shares in the wholly owned subsidiary holding the lease for a hotel in Bordeaux, France, were sold as the contract was converted into a management contract.

Acquired shares	2007	2006
TEUR		
Fixed assets	21	-
Current assets	3,536	-
Cash and bank	1,469	-
Current liabilities	-1,443	-
Net assets in acquired operations	**3,583**	**-**
Acquired share of net assets (49%)	1,756	-
Acquisition price	**1,756**	**-**
Acquisition price not yet paid	-1,756	-
Cash and bank in 100% of acquired operations	1,469	-
Total cash flow from acquired operations	**1,469**	**-**

The value of the net assets above represents the carrying value. No fair value adjustments have been made and no goodwill was acquired.

As of January 1, 2007 the remaining 49% of the shares in the Middle East joint venture, Rezidor SAS Hotels & Resorts Middle East WLL, were acquired from the joint venture partner. The price was based on the net asset value of the company plus an additional consideration depending on certain factors, where the amounts have not yet been fully established. The additional purchase has therefore not been calculated. The joint venture (though formally 51% owned) was accounted for using the equity method until December 31, 2006. Rezidor's share of net assets were then indirectly recognised in one line on the face of the balance sheet called Investments in joint ventures. The acquisition of the remaining shares of the company lead to a full consolidation of the balance sheet of the company as of January 1, 2007. On December 31, 2007 no consideration had been paid for the shares and the only cash effect at that date was therefore the cash and bank balances in the company January 1, 2007.

SHARES IN ASSOCIATED COMPANIES

Investments in associated companies	2007	2006
Nordrus Holding A/S	-	1,501
Al Quesir	-	640
Exchange differences	-	-2
Total	**-**	**2,139**

Note 17

EARNINGS PER SHARE

EUR	As of Dec. 31 2007	2006
Basic earnings per share before allocation to minority interest[1)]		
From continuing operations	0.31	0.19
From discontinued operations	-	-
Total basic earnings per share	**0.31**	**0.19**

The participants of the incentive plan, approved at the Annual general Meeting on May 4, 2007, are entitled to a certain amount of shares at the end of the vesting period (further described in *Note 31*, Share based payments) if certain performance criteria are met, including growth in earnings per share and total shareholder return relative to a defined peer group. These critera were not met on December 31, 2007 and in accordance with IAS 33 p 55 there was no dilution at year end.

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

TEUR	As of Dec.31 2007	2006
Profit for the year attributable to equity holders of the parent	45,716	20,719
Profit for the year attributable to minority interest	-	8,250
Profit for the year from discontinued operations	-	-
Earnings used in the calculation of basic earnings per share from continuing operations	**45,716**	**28,969**
Weighted average number of ordinary shares for the purposes of basic earnings per share	149,836,224	149,979,887

The basic earnings per share i 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.

Preceding the initial public offering in November 2006, the parent company acquired the preference shares of the subsidiary Rezidor Hotel Holdings AB. The minority interest earned as of September 30, 2006 (TEUR 8,250), attributable to the owners of these preference shares, was thereby acquired and consequently eliminated in equity. In order to present a representative view of earnings per share in 2006, earnings per share are presented before allocation to minority interest for that year.

Note 18

GOODWILL

TEUR	2007	2006
Cost		
Balance at the beginning of the year	15,543	15,511
Derecognised on disposals	-78	-
Effects of foreign currency exchange differences	572	32
Other	-102	-
Balance at end of year	**15,935**	**15,543**
Accumulated impairment losses		
Balance at the beginning of the year	-3,325	-3,321
Effect on foreign currency exchange differences	18	-4
Balance at end of year	**-3,307**	**-3,325**
Carrying amount		
At beginning of year	12,218	12,597
At end of year	**12,628**	**12,218**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The net carrying amount of goodwill was as follows:

CASH GENERATING UNITS (CGU)

		As of Dec. 31
TEUR	**2007**	**2006**
Radisson SAS Hotel, Amsterdam	1,867	1,867
Country Inns & Suites FRG Hotelmgt Gmbh	3,814	3,813
Radisson SAS Hotel, Nice	6,324	6,320
Others	623	218
Total net carrying amount	**12,628**	**12,218**

A correction has been made for a payment made in 2002 related to a geographical extension of the franchise agreement with the Carlson Group. An amount of TEUR 407 has been reclassified to licenses. The comparative numbers have been changed accordingly.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired. The recoverable amounts for all cash generating units have been estimated based on value in use calculations. 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.

Present value of expected cash flows have been estimated using a discount rate based on the weighted average cost of capital (WACC) that reflects current market assessments for the time value of money and the risks specific to the contract.

Changes in selling prices and occupancy and direct costs are based on past practices and expectations of future changes in the market. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management over the related length of each respective contracts normally ranging from 15 to 20 years.

A discount rate of approximately 9.7% has been used when discounting future cash flows. Each individual hotel contract to which goodwill has been allocated 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 figures for 2008–2010, as prepared by Rezidor as part of its overall annual budget process, which are also the base for the long-range projections. 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 justified otherwise by other factors. Such factors include ongoing higher than inflation improvement in market RevPAR, building up of revenues due to renovation works already carried out (such as at Park inn Hotels in France), revenue turnaround and cost restructuring programmes at some of the mid-market hotels, and impact of re-branding of one or more properties.
In light of the foregoing assumptions and expectations and the respective contract valuations, the carrying values of the stated goodwill are not impaired.

Note 19

OTHER INTANGIBLE ASSETS

TEUR	Other Intangible Assets	Licences and related rights	Total
Balance at January 1, 2006	10,046	55,407	**65,453**
Additions	3,246	-	**3,246**
Net foreign currency exchange differences	72	-20	**52**
Other	561	-	**561**
Balance at January 1, 2007	13,925	55,387	**69,312**
Additions	3,259	19	**3,278**
Net foreign currency exchange differences	-610	-	**-610**
Other	-	-	**-**
Balance at December 31, 2007	16,574	55,406	**71,980**
Accumulated amortisation and impairment			
Balance at January 1, 2006	-1,652	-585	**-2,237**
Depreciation according to plan	-507	-1,170	**-1,677**
Other	-445	-	**-445**
Translation adjustments	-9	-	**-9**
Balance at January 1, 2007	-2,613	-1,755	**-4,368**
Depreciation according to plan	-761	-1,178	**-1,939**
Other	-513	-	**-513**
Translation adjustments	19	-27	**-8**
Balance at December 31, 2007	-3,868	-2,960	**-6,828**
Carrying amount			
As at December 31, 2006	11,312	53,632	**64,944**
As at December 31, 2007	12,706	52,446	**65,152**

The carrying amount of contractual rights related to the franchise agreements with the Carlson Group have been separated from Other intangible assets and classified as Licenses. The comparative numbers have been changed accordingly. TEUR 53,245 of the carrying value 2006 of Other intangible assets has been reclassified to Licenses. This amount comes from the value of the renogitiated Carlson contracts in 2005, whereby the Carlson Group received 25% of the shares in Rezidor Group in exchange for new terms in the master franchise agreement. The value of these new terms, TEUR 55,000 at the time of the agreement, is being amortised over the length of the contract. The contract expires in 2052. Above that, a correction has been made for a payment made in 2002 related to a geographical extension of the franchise agreement with the Carlson Group. TEUR 407 of the carrying value 2006 of goodwill has been reclassified to licenses. The comparative numbers have been changed accordingly.

Note 20

TANGIBLE ASSETS

TEUR	Fixed installations	Machinery and equipment	Investments in progress	Total
Cost				
Balance at January 1, 2006	84,152	146,854	8,314	**239,320**
Additions	2,707	17,721	8,942	**29,370**
Disposals	-15	-2,114	-	**-2,129**
Reclassification	6,090	3,400	-9,490	**-**
Net foreign currency exchange differences	-775	-487	-153	**-1,415**
Other reclassifications and adjustments	3,076	-2,201	71	**946**
Balance at January 1, 2007	95,235	163,173	7,684	**266,092**
Additions	7,356	15,356	19,854	**42,566**
Disposals	-478	-2,813	-141	**-3,432**
Reclassification	8,120	9,800	-17,920	**-**
Net foreign currency exchange differences	516	1,341	408	**2,265**
Other reclassifications and adjustments	1,360	-1,721	-1,036	**-1,397**
Balance at December 31, 2007	112,109	185,136	8,849	**306,119**
Accumulated depreciation and impairment				
Balance at January 1, 2006	-62,516	-97,960	-	**-160,476**
Eliminated on disposals of assets	15	1,802	-	**1,817**
Depreciation expense	-5,508	-14,699	-	**-20,207**
Net foreign currency exchange differences	470	867	-	**1,337**
Other reclassifications and adjustments	-58	-922	-	**-980**
Balance at January 1, 2007	**-67,597**	**-110,912**	**-**	**-178,509**
Eliminated on disposals of assets	423	3,046	-	**3,469**
Depreciation expense	-6,241	-16,171	-	**-22,412**
Net foreign currency exchange differences	-628	-1,274	-	**-1,902**
Other reclassifications and adjustments	-170	1,296	-	**1,128**
Balance at December 31, 2007	-74,213	-124,015	-	**-198,226**
Carrying amount				
As at December 31, 2006	27,638	52,261	7,684	**87,583**
As at December 31, 2007	37,896	61,121	8,849	**107,866**

Note 21

INVESTMENTS IN ASSOCIATED COMPANIES

TEUR	Ownership (%) as of Dec.31 2006	Ownership (%) as of Dec.31 2007	Carrying value as of Dec.31,2006	Share of income	Dividend	Re-classifi-cation	Other	Exchange difference	Carrying value as of Dec.31, 2007
Nordrus HotelHolding A/S	26.08%	26.08%	1,721	1,698	-1,153	-	-	-	2,266
Al Quesir Hotel Company S.A.E.	20.00%	20.00%	2,326	364	-	-	-	-451	2,239
Timmendorf mbH & Co beteiligungs KG	18.67%	18.67%	307	-	-	-307	-	-	-
Africa Joint Venture Holding A/S	20.00%	20.00%	-	-	-	-	49	-	49
Total			**4,354**	**2,062**	**-1,153**	**-307**	**49**	**-451**	**4,554**

Reclassification
The shares in Timmendorf mbH & Co Beteiligungs KG have been reclassified as other shares and participations

SUMMARISED FINANCIAL INFORMATION OF ASSOCIATED COMPANIES

	As of and for the Years Ended December 31,	
TEUR	2007	2006
Total assets	29,957	43,429
Total liabilities	13,927	28,947
Net assets	16,030	14,482
Group's share in net assets	4,554	3,564
Revenue	13,450	3,723
Profit after tax	7,241	-1,596
Group's share in net profit	2,062	59

Note 22

Investments in Joint Ventures

INVESTMENTS IN JOINT VENTURES

TEUR	Ownership (%) as of Dec.31, 2006	Ownership (%) as of Dec.31, 2007	Carrying value as of Dec.31, 2006	Share of income	Dividend	Reclassification	Carrying value as of Dec.31, 2007
Casino Denmark A/S	50.00%	50.00%	-	-	-	-	-
Casino Denmark K/S	50.00%	50.00%	2,927	2,478	-2,751		2,654
RHW JV Southern Africa (P) Ltd	50.00%	50.00%	629	190	-	-204	615
Rezidor SAS Hotels & Resorts Middle East WLL	51.00%	100.00%	1,870	-	-	-1,870	-
SAS Royal Hotel Beijing Co Ltd	50.00%	50.00%	2,537	1,486	-	-4,023	-
Total			**7,963**	**4,154**	**-2,751**	**-6,097**	**3,269**

Reclassification TEUR 204 of the carrying value of RHW JV Southern Africa (P) Ltd has been reclassified to short-term non-interest bearing receivables. As from January 1, 2007 Rezidor SAS Hotels & Resorts Middle East WLL is 100% owned and therefore fully consolidated as a subsidiary. The carrying value of the investment is consequently eliminated in the consolidated financial statements and replaced by the net assets of the company. Rezidor's share of negative equity in SAS Royal Hotel Beijing Co Ltd and the long-term receivable from that company (*Note 25*) are seen as a net investment. The receivable is however presented separately on the face of the balance sheet. Share of income from the joint venture affects the carrying value of the receivable. Consequently, the opening balance of the carrying value (TEUR 2,537) of the investment and this year's share of income (TEUR 1,486) have been reclassified to other long-term interest-bearing receivables.

SUMMARISED FINANCIAL INFORMATION OF JOINT VENTURES

	As of and for the Years Ended December 31,	
TEUR	2007	2006
Total assets	33,753	41,291
Total liabilities	10,347	24,559
Net assets	23,406	16,732
Group's share in net assets	11,703	8,753
Revenue	33,053	36,566
Profit after tax	9,542	10,789
Group's share in net profit	4,154	5,237

Note 23

Other Shares and Participations

TEUR	Ownership as of Dec.31, 2006	Ownership as of Dec.31, 2007	Carrying value as of Dec.31, 2006	Exchange difference	Carrying value as of Dec.31, 2007
Feri Otelcilik ve Turizm A.S	10.00%	10.00%	2,277	-	**2,277**
RDS Hotelli AS	14.10%	0.00%	4,896	-	**-**
Doriscus Enterprise Ltd	16.00%	16.00%	5,705	-1	**5,704**
First Hotels Co K.S.C.C	1.80%	1.80%	2,109	-93	**2,016**
Timmendorf mbH & Co beteiligungs KG	18.67%	18.67%	-	-	**307**
Others			101	6	**107**
Total			**15,088**	**-88**	**10,411**

The shares in RDS Hotelli AS were sold in 2007, resulting in a capital gain of TEUR 3,157 recognised as a financial income. The shares in Timmendorf mbH & Co beteiligungs KG have been reclassified from shares in associates to other shares and participations.

Note 24

Pension Funds, Net

PENSION OBLIGATIONS RECOGNISED IN THE GROUP BALANCE SHEET

		As of Dec. 31,
TEUR	2007	2006
Pension funds over funded	13,679	12,553
Pension funds under funded	-1,388	-1,325
Total	**12,291**	**11,228**

Defined Benefit Pension Plans

Most pension plans within the Rezidor Group are defined benefit arrangements.

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, Norway and Belgium are secured through defined benefit pensions plans with insurance companies.

Discount rate	5.0%	4.8%
Expected return on Plan assets	4.5%	5.6%
Expected rate of salary increase	3.8%	2.9%
Other (local government rate in Norway)	4.3%	2.0%

NET EXPENSES RECOGNISED IN THE INCOME STATEMENT REGARDING DEFINED BENEFIT PENSION PLANS ARE AS FOLLOWS:

TEUR		
Current service cost	431	456
Interest on obligation	2,163	1,846
Expected return on plan assets	-2,769	-2,508
Actuarial losses/(gains) recognised in the year	1,492	1,401
Losses/(gains) arising from curtailments or settlements	1,088	386
Adjustments for restrictions on the defined benefit asset	-	-46
Pension costs for defined benefit plans	**2,405**	**1,535**

THE AMOUNT INCLUDED IN THE BALANCE SHEET ARISING FROM THE ENTITY'S OBLIGATION IN RESPECT OF ITS DEFINED BENEFIT PLANS IS AS FOLLOWS:

TEUR		
Present value of funded defined benefit obligation	42,630	39,190
Fair value of plan assets	-36,520	-35,925
	6,110	**3,265**
Deficit/(Surplus)	6,110	3,265
Net actuarial gains and losses not recognised	-18,401	-14,987
Past service cost not yet recognised	-	494
Net asset arising from defined benefit obligation	**-12,291**	**-11,228**

MOVEMENTS IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATIONS IN THE CURRENT PERIOD WERE AS FOLLOWS:

TEUR		
Opening defined benefit obligation	39,190	29,868
Current service cost	348	286
Interest cost	2,163	1,846
Contributions from plan participants	-	19
Actuarial losses/(gains)	1,166	1,528
Losses/(gains) on curtailments	-384	7,852
Exchange differences on foreign plans	1,455	-1,245
Benefits paid	-1,308	-964
Closing defined benefit obligation	**42,630**	**39,190**

MOVEMENTS IN THE PRESENT VALUE OF THE PLAN ASSETS IN THE CURRENT PERIOD WERE AS FOLLOWS:

TEUR		
Opening fair value of plan assets	35,925	34,023
Expected return on plan assets	2,769	2,508
Actuarial gains/losses	-5,426	1,721
Exchange differences on foreign plans	1,373	-1,057
Contributions from the employer	322	169
Contributions from plan participants	75	130
Benefits paid -premium payments	1,482	-1,497
Assets distributed on settlements	-	-72
Closing fair value of plan assets	**36,520**	**35,925**

THE MAJOR CATEGORIES OF PLAN ASSETS AT THE BALANCE SHEET:

	Percentage of Plan Assets December 31,	
	2007	2006
	TEUR	TEUR
Equity instruments	24%	28%
Debt instruments	58%	52%
Property	15%	12%
Other	3%	8%
Weighted average expected return		

Defined Conribution 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 1,152 (1,388).

The obligations for retirement and sick pensions for employees in Swedish companies have been safeguarded through insurance in Alecta. According to a statement from the Swedish Accounting Standards Council, URA 42, this is a defined benefit multi-employer plan. The Group has no longer access to the information necessary to report these plans as defined benefit plans for the financial year 2007. Pension plans that are safeguarded through insurance in Alecta according to ITP are therefore reported as a defined contribution plan under the alternative rules in IAS 19 paragraph 30. Premiums durig the year to Alecta amounted to TEUR 477 (548) Alecta's surplus can be passed on to the insurance-takers and/or the insured. At the end of 2007 Alecta's surplus in the form of the collective consolidation level was 152% (143). The collective consolidation level is the market value of Alecta's assets as a percentage of insurance obligations measured according to Alecta's actuarial assumptions, which are not in agreement with IAS 19.

Note 25

Other long-term receivables

In some cases Rezidor grants loans to owners of our hotels, or to our joint venture partners (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 described as follows:

AS OF DECEMBER 31, 2007:

Loan from	Counterpart	Nominal loan amount in thousands	Currency	Nominal value in TEUR	Impairment losses in TEUR	Amortised cost in TEUR	Duration and interest rates
SAS Riga Hotel A/S	Polar Bek Daugave Ltd..Riga Hotel	1,225	USD	1,944	-	1,944	Undefined duration - 10.08%
SIHSKA A/S	SAS Royal Hotel Beijing Co. Ltd	22,588	USD	18,065	(9,627)	8,438	Undefined duration
Rezidor Group	Other	35	EUR	35	-	35	Various interest bearing deposits
Total of interest-bearing				**20,044**	**(9,627)**	**10,417**	
Rezidor Group				1,456	-	1,456	
Total of non-interest-bearing				**1,456**	**-**	**1,456**	
Grand total				**21,500**	**(9,627)**	**11,873**	

AS OF DECEMBER 31, 2006:

Loan from	Counterpart	Nominal loan amount in thousands	Currency	Nominal value in TEUR	Impairment losses in TEUR	Amortised cost in TEUR	Duration and interest rates
SAS Hotels A/S, Denmark	UAB Ramusis Pamarys, Lithuania	150	USD	127	(127)	-	Undefined duration - 6 months Libor + 1%
SAS Riga Hotel A/S	Polar Bek Daugave Ltd.Riga Hotel	1,225	USD	1,483	-	1,483	Undefined duration -10.08%
SIHSKA A/S	SAS Royal Hotel Beijing Co. Ltd	22,588	USD	21,887	(13,527)	8,360	Undefined duration
Royal Scandinavia Hotel Bordeaux s.a.s.	SNC Paris Le Havre	1,725	EUR	1,725	-	1,725	Conditional duration - 5 years Euribor + 1.5%
Rezidor Group	Other	26	EUR	26	-	26	Various interest bearing deposits
Total of interest-bearing				**25,248**	**(13,654)**	**11,594**	
Rezidor Group				2,488	-	2,488	
Total of non-interest-bearing				**2,488**	**-**	**2,488**	
Grand total				**27,736**	**(13,654)**	**14,082**	

Note 26
Accounts Receivable

TEUR	As of Dec. 31, 2007	2006
Accounts receivable before allowance for doubtful accounts	61,371	55,726
Allowance for doubtful accounts	(5,311)	(4,417)
Accounts receivable net of allowance for doubtful accounts	**56,059**	**51,309**

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS

TEUR		
Balance at the beginning of the year	4,417	6,001
Amounts written off during the year	(63)	(307)
Amounts recovered during the year	(82)	(2.551)
Increase/Decrease in allowance recognised in profit or loss	1,039	1,274
Balance at the end of the year	**5,311**	**4,417**

Note 27
Other current receivables

TEUR	As of Dec. 31, 2007	2006
Current interest-bearing receivables[1)]	1,812	2,876
Prepaid expenses	24,111	24,523
Prepaid Rent	13,613	16,564
Prepaid Heating	315	449
Prepaid Other	10,183	7,510
Accrued Income	8,278	8,638
Accrued Income - Fees	6,404	5,232
Accrued Income - Other	1,874	3,406
Other current non-interest-bearing receivables	10,334	8,723
Total	**44,535**	**44,760**

1. The current interest-bearing receivables are described as follows:

Loan from	Counterpart	Amortised cost in TEUR	As of December 31, 2007 Interest rates
Rezidor Hotels ApS	SNC Paris Le Havre	1,812	Interest rate: 6 months Euribor + 1%
Total of current interest-bearing receivables		**1,812**	

Loan from	Counterpart	Amortised cost in TEUR	As of December 31, 2006 Interest rates
Nordrus Joint Venture ApS	Nordrus Hotels Limited Liability Company	1,980	Interest rate: 6 months Libor + 3%
Rezidor Riga Hotel A/S	Polar Bek Daugave Ltd. – Riga Hotel	596	Interest rate: 10.08%
Rezidor Hotels Deutschland Gmbh	Plaza Hotel Hamburg Betriebs GMBH	300	Interest rate: 3 months Euribor + 1.5%
Total of current interest-bearing receivables		**2,876**	

Note 28
Other short-term investments

Other short-term investments relates to cash in restricted accounts. These restricted accounts are cash at bank restricted to meet the liability arising from payroll taxes withheld (Norway), energy purchases (Sweden) and cash pool arrangement & lease agreement Marseille property (France).

Note 29

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. 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:

		As of Dec.31,
TEUR	**2007**	**2006**
Cash and Bank accounts	51,389	50,975
Bank overdraft	(31,573)	(47,603)
Total net cash and cash equivalents	**19,816**	**3,373**

Note 30

Share capital

ISSUED CAPITAL

	Share capital as of Dec.31,	Other paid in capital as of Dec.31,	Share capital as of Dec.31,	Other paid in capital as of Dec.31,
TEUR	**2007**	**2007**	**2006**	**2006**
Opening balance at beginning of the year	**127**	**153.978**	**100**	**87,978**
Share issue of 26,584 ordinary shares	-	-	27	66,000
Share split for 149,875,456 ordinary shares	-	-	-	-
Bonus issue, without new share issue	9,873	-9,873	-	-
Dividend paid		-9,000	-	-
	10,000	**135,105**	**127**	**153,978**

As part of the CARLSON Investment completed in June 30th, 2005, CARLSON had 25% of the Company's shares from SAS. In addition, our subsidiary Rezidor Hotel Holdings AB issued 5,000 preference shares to SAS and 1,667 preference shares to CARLSON Summit as part of the investment. In preparation for the Offering, the Company issued 19,938 and 6,646 new Shares to SAS and CARLSON Summit, respectively, in exchange for all outstanding preference shares. The preference shares were acquired by the Company as consideration in kind. After the exchange, Rezidor Hotel Holdings AB has become a fully-owned subsidiary of Rezidor Hotel Group AB (publ), therefore no minority interest are anymore represented in the total equity as at December 31st, 2006.

FULLY PAID ORDINARY SHARES

	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

The total share capital at year end was EUR 10,000,000, corresponding to 150,002,040 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

At the Annual General Meeting on May, 4 2007 the Board of Directors was autorized until the Annual General Meeting 2008 to decide on acquistions of the Company's own shares on the Stockholm Stock Exchange for the purpose of using these shares in the share-based incentive programme (see *Note 31*) approved at the same meeting and to give the Company a more efficient capital structure. Until December, 31 2007 the Company had bought back 1,025,000 shares with an aggregated quota value of EUR 68,332, corresponding to 0.68% of total shares issued. The total amount paid, including commission, is EUR 4,911,463. The average price paid was SEK 45 (EUR 4.79).

		As of Dec. 31
	2007	**2006**
Number of registered shares	150,002,040	150,002,040
Number of shares held by the compnay	-1,025,000	-
Number of shares outstanding	**148,977,040**	**150,002,040**

Dividend per share

Dividend paid during 2007 amounted to TEUR 9,000 (EUR 0.06 per share). On the Annual General Meeting on April 23, 2008, a dividend of TEUR 14,844 (EUR 0.10) will be proposed, based on the number of shares outstanding March 12, 2008, taking into account shares bought back in 2008 until that date.

Note 31

Share-based payments

Long-term equity-settled performance-based incentive program

The Annual General Meeting approved on May 4, 2007 a long-term equity settled performance-based incentive programme ("the performance based share programme") to be offered to approximately 25 executives within the Rezidor Group. The purpose of the programme is to offer a remuneration package to ensure that remuneration within the Group helps align executives with shareholder interests, that the proportion of remuneration linked to company performance increases and that it encourages executive share ownership. In order to implement the performance based share programme in a cost efficient and flexible manner, the Board of Directors was authorised by the AGM to decide on acquisitions of own shares on the stock exchange.

The programme was launched on 15th June 2007 with a vesting period up to 1st May 2010 and contains two different award elements, a bonus based award and a savings based award. 26 executives are enrolled in the programme.

The "bonus based award" entitles the participants to a certain number of shares equal in value to the participant's 2006 annual bonus payout. Shares are awarded at no cost for the participant and the maximum number of shares that may be awarded under the bonus based award after the full vesting period is 129,600.

The "savings based award" is a matching share award equal to that number of Rezidor shares a participant purchases and holds for a 3-year savings period, up to a value of 25% of the participant's 2007 salary. Shares are awarded at no cost for the participant and the maximum number of savings based shares that can be awarded after the full vesting period is 119,935 shares.

All 11 members of the Executive Committee participated in the programme entitling them to a maximum total of 151,563 shares. Included therein, the CEO of Rezidor is entitled to a maximum of 43,336 shares. Above that 15 other members of the management participated in the programme, entitling them to 97,972 shares.

The award is dependent on certain performance criteria including growth in earnings per share (EPS) and total shareholder return (TSR) relative to a defined peer group of hotel companies. As for the EPS part, the participants are entitled to a 20% allotment if the three year annualised EPS growth is equal to or above 20%. The allotment increases proportionally based on the growth in EPS with a 100% allotment if the three year EPS growth is 174.4% (equal to 40% per year) or above. As for the TSR part, the participants are entitled to a 20% allotment if the three year TSR is equal to or above 0% (i.e. Rezidor TSR compared to Index TSR for the peer group). The allotment increases proportionally based on outperformance of Index TSR with a 100% allotment if the three year TSR is 26% (equal to 8% per year) or above Index TSR.

Fair value at grant date for incentive program 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. The fair value at grant date of the EPS based awards was the share price at grant date, i.e. SEK 60 (EUR 6.36). The fair value at grant date of the TSR based awards was calculated as 55.78% of the share price at grant date, i.e. SEK 33.47 (EUR 3.55). This value was calculated in a Monte Carlo simulation, in which the following parameters were used: share price volatility of 35.5% (Rezidor's share price valatility since the IPO to the grant date), risk-free interest rate of 3.79% (Swedish government 3 year interest at grant date), dividend yield of 1.18% (estimated using a 12 month trailing dividend yield), an average market correlation of 22.1% (the average correlation of Rezidor with the peer group).

Note 32

Provisions

TEUR	Provisions for employee benefits	Payroll provision	Provisions for legal case	Other provisions	Total
Balance at January 1, 2007	94	60	105	71	330
Additional provisions recognised	32	-	207	61	300
Reductions arising from payments	-11	-60	-	-	-71
Reclassification	-	-	-	-71	-71
Balance at December 31, 2007	115	-	312	61	488

Note 33

Borrowings

	Current		Non-current	
		As of Dec.31		As of Dec.31
TEUR	**2007**	**2006**	**2007**	**2006**
Unsecured - at amortised cost				
Bank overdrafts	31,573	47,603	-	-
Bank loans	-	16,800	-	-
Other loans	-	14	87	57
Total	**31,573**	**64,417**	**87**	**57**
No assets are pledged as collateral for these borrowing.				

The carrying amounts in EUR of the Group's borrowings are denominated in the following currencies:

			As of Dec.31
	EUR	DKK	Total
Bank overdrafts	-	31,573	31,573
Other loans	87	-	87
Total	**87**	**31,573**	**31,660**

			As of Dec.31
	EUR	DKK	Total
Bank overdrafts	-	47,603	47,603
Bank loans	16,800	-	16,800
Other loans	71		71
Total	**16,872**	**47,603**	**64,475**

The average interest rates paid were as follows:

	2007	2006
Bank overdrafts	4.89%	4.13%
Bank loans	4.52%	4.24%
Financing from SAS group companies	-	4.61%
Other loans	various rates	various rates
All liabilities to financial institutions are repayable within one year.		

SPLIT OF BANK OVERDRAFT

		As of Dec.31
TEUR	2007	2006
Bank overdraft facilities granted	135,967	100,846
Utilisation of bank overdraft: in guarantees	-8,681	-39,885
Utilisation of bank overdraft: in cash	-31,573	-47,603
Bank overdraft facilities unutilised	**95,713**	**13,358**

Note 34

OTHER CURRENT LIABILITIES

		As of Dec.31	
TEUR	2007	2006	Terms
Financing from Financial institutions	-	16,800	
Liabilities to Financial institutions	31,573	47,603	
Other current interest-bearing liabilities	-	14	
Subtotal for interest-bearing liabilities	**31,573**	**64,416**	
Prepayments from customers	7,003	7,382	
Accrued expenses & prepaid income[1)]	80,545	69,066	
Other short term non-interest-bearing liabilities	17,994	20,659	
Subtotal for non-interest-bearing liabilities	**105,543**	**97,107**	
Grand total	**137,116**	**161,523**	

1. Accrued expenses & prepaid income are split as follows:

TYPE OF ACCRUALS

TEUR	Opening Balance	Utilisation	Additions	Release	Translation	Closing balance
Vacation pay including social costs	11,777	(10,222)	11,974	(7)	499	**14,021**
Accrual for overtime including social costs	475	(418)	454	(14)	6	**503**
Accrual for bonus including social costs	4,487	(3,568)	5,961	(145)	(712)	**6,023**
Accrual for energy costs	3,608	(3,512)	3,291	(11)	22	**3,398**
Other accrued expenses	44,111	(36,787)	42,303	(758)	3,645	**52,514**
Prepaid income	4,608	(743)	169		51	**4,085**
Total	**69,066**	**(55,251)**	**64,152**	**(934)**	**3,511**	**80,545**

Note 35

Related parties

Related parties with significant influence are: Carlson owning 41.74% of the shares. Other related parties are the Key Management of Rezidor (see *Note 10*). Rezidor also has some related party transactions with joint ventures and associated companies (see below) which mainly consist of loans granted to them and/or management fees (see also *Note 25*).

Related party transactions: Trading transactions

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 towards the travel agencies network of Carlson.

The related transactions are split as follows:

	Sale		Operating costs		Amounts owed by the related parties		Amounts owed to the related parties	
	Dec.31, 2007	Dec.31, 2006	Dec.31, 2007	Dec.31, 2006	Dec.31, 2007	Dec.31, 2006	Dec.31, 2007	Dec.31, 2006
Carlson Inc	301	-	9,776	7,223	1,273	1,049	2,266	2,226
Carlson Travel Agencies	-	-	556	425	-	-	88	88

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.

Prior to the IPO (28/11/2006), SAS was also a related party with a major influence. Since then and because SAS has no significant influence anymore, no related party transactions are reported towards SAS from November 28th, 2006. The business relationship with SAS mainly involved services for the crew and staff of SAS and administration of parts of SAS' frequent flyer program, Eurobonus. Rezidor SAS also bought services from SAS Finance. As at end of November 2006, Rezidor had related parties towards SAS as follows:

	Sale		Operating costs		Interest income		Interest expense		Amounts owed by the related parties		Amounts owed to the related parties	
	Dec.31, 2007	Dec.31, 2006,	Dec.31, 2007	Dec.31, 2006	Dec.31, 2007	Dec.31, 2006	Dec.31, 2007	Dec.31, 2006	Dec.31, 2007	Dec.31, 2006	Dec.31, 2007	Dec.31, 2006
SAS	-	9,443	-	1,009	-	230	3	781	-	-	-	-

Compensation to Key Management Personnel like remuneration to the Board of Directors, CEO and Executive Committee are disclosed in *Note 10*.

Related party transactions: Joint ventures and associated companies

	As of Dec.31	
TEUR	2007	2006
Loans due from joint ventures and associated companies	8,438	10,315
Loans due to joint ventures and associated companies	-	2,448
Interest income from joint ventures and associated companies	-	151
Revenue (Management Fees) from joint ventures and associated companies	1,213	4,434

Note 36

Assets pledged, contingent liabilities and committed investments

	As of Dec.31	
TEUR	2007	2006
Assets pledged		
Securities on deposit	3,421	3,518
Total assets pledged	**3,421**	**3,518**
Contingent liabilities		
Guarantees provided for management contracts[1)]	5,817	26,441
Guarantees provided for renovation works	1,663	11,911
Miscellaneous guarantees provided	1,201	1,533
Total guarantees provided	**8,681**	**39,885**

1. Refer to Note 41 where these amounts are included in the total maximum future capped guarantee payment.

The committed expansion investments of the Company amount to MEUR 2.7 (16.2), which is scheduled to be incurred within the coming year The amount includes committed expansion investments related to certain lease agreements in which the Company has agreed to pay a portion of a specific expansion or renovation project. The investment plans for the future depend on numerous factors, including changes in economic, political or other conditions in the locations where the Company may propose to make investments, or events which have a material adverse effect on the tourism and the hospitality management and leisure industry in these locations, among other factors. In addition, the Company has entered into agreements with regard to two associates where the Company has committed to make contributions in these associates either in the form of loans or capital contributions to finance hotel development/acquisition projects under the brands of the Company. In relation to identifying a project, the Company enters into a management agreement for the hotel with the owner or other partner. In Russia, the Company operates through a 26.1% owned associate Nordrus Hotels Holdings A/S ("Nordrus") to develop/acquire Park Inn hotels. With regard to Nordrus, the total formal commitment as of December 31, 2007 was TEUR 6,455 (TUSD 8,500) and the Company had made so far a capital contribution of TEUR 1,779 and a loan of TEUR 2,125 (TUSD 2,798).

A decision to invest in a project in Russia requires unanimity of all four shareholders of Nordrus. In Africa, the Company operates through a 20.0% associate Africa Joint Venture Holding A/S ("Africa Holding") to develop/acquire projects in Africa. With regard to Africa Holding, the total commitment as of December 31, 2007 was MEUR 7.0 and the Company made a capital contribution of TEUR 50 during 2006. A decision to invest in a project in Africa requires an approval by four out of five shareholders.

Litigation

Rezidor Hotel Group operates in a number of countries around the world and is always involved in several complex projects and business relationships where there can be professional disputes on various issues. Most often these situations find its solution 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 the company 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 legal or arbitration proceedings, including those which are pending and described in the present Board of Director's report or known to be contemplated, which, in Rezidor's judgement, may have or have a material effect on the company's financial position or profitability during 2007. The members of the Board of Directors have no knowledge of any proceedings pending or threatened against Rezidor or any of the subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or business of the Company as at December 31st, 2007.

Note 37

Leasing Commitments

Under our lease agreements, we 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, 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 ("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"). 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, 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 ("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 2007, Rezidor had 75 leasing contracts for hotels in operation and under development, that had some financial commitments, compared to 68 such contracts in 2006. The following provides an overview of the expiry of those contracts – both in operation and under development. The leasing agreements expire in the following years:

	2007		2006
Year	**Number of leasing agreements expiring**	**Year**	**Number of leasing agreements expiring**
2007–2009	2	2006–2009	2
2010–2014	4	2010–2014	4
2015–2019	12	2015–2019	13
2020–2024	22	2020–2024	20
2025–2029	18	2025–2029	15
2030–2034	16	2030–2034	14
2035–2039	1	2035–2039	0
2040–2045	0	2040–2045	0

The future leasing expense would entail payment of at least the annual fixed rent under our lease agreements. The future minimum leasing expenses for all lease agreements with a fixed rent effective on December 31, 2007 are shown in the following table. For further information regarding rent payments, please refer to *Note 12*.

FUTURE MINIMUM LEASING EXPENSES

TEUR	2007	2006
Within 1 year	158,037	160,582
1-5 years	893,498	855,507
After 5 years	2,165,812	2,134,435
Total	**3,217.347**	**3,150,524**

Note 38

Management Contract Commitments

Under our management agreements, we provide management services to third-party hotel proprietors. We 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, we 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 results of a hotel is less than the guaranteed amount, we compensate the hotel proprietor for the shortfall. However, in most agreements with such clauses, our 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 46 Management contracts in 2007, as compared to 41 in 2006. The mangement contracts containing such financial risk for the group will expire as presented in the table below:

	2007		2006
Year	Number of management contracts expiring	Year	Number of management contracts expiring
2007–2009	0	2006–2009	0
2010–2014	5	2010–2014	5
2015–2019	7	2015–2019	7
2020–2024	11	2020–2024	11
2025–2029	15	2025–2029	14
2030–2034	6	2030–2034	3
2035–2039	1	2035–2039	0
2040–2045	1	2040–2045	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	2007	2006
Within 1 year	81,239	69,612
1-5 years	139,555	147,949
After 5 years	34,121	42,692
Total	**254,915**	**260,253**

The capped gurarantee payment includes the contingent liabilities as disclosed in *Note 36* (i.e. Guarantees provided for management contracts). For the full fiscal year 2007, Rezidor paid TEUR 4,902 (10,210 in 2006) as shortfalls under its management agreements with guarantees (*see Note 12*).

Note 39

Auditors' Fees

TEUR	2007	Group As of Dec.31 2006
Deloitte[1]		
Audit assignments	1,657	1,482
Other assignments	478	831
Total Deloitte	**2,135**	**2,313**
Other audit firms		
Audit assignments	65	109
Other assignments	347	644
Total other audit firms	412	753
Grand Total	**2,547**	**3,066**

Note 40

Post Balance Sheet Events

Following the authorisation of the Annual General Meeting 2007 to repurchase shares to extent that the company’s holding of its own shares following the acquisition at the most reaches one-tenth of all shares in the company. Rezidor’s Board of Directors in 2008 decided to use up to MEUR 10 to buy back the company’s own shares. Acquisitions in accordance with the authorisation from the Annual General Meeting in 2007, can be done until 30 days before the release of the Q1 results on April 23, 2008. Until March 12, 539,600 shares hed been bought back for a total amount of TEUR 1,989.

Note 41

Rezidor Hotel Group AB has the following subsidiaries, joint-ventures, associated companies and other investments:

		As of december 31, 2007		As of december 31, 2006	
	Registered in	Ownership %	Share capital	Ownership %	Share capital
Bahrain					
Rezidor SAS Hotels & Resorts, Middle East W.L.L	Manama town	100	MUSD 1.0	51	MUSD 1.0
Belgium					
Rezidor Finance S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
The Rezidor Hotel Group S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel Brussels EU SPRL	Brussels	100	MEUR 4.5	100	MEUR 4.5
GH Holding S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel Brussels S.A.	Brussels	100	MEUR 15.5	100	MEUR 15.5
Rezidor Park Belgium S.A.	Brussels	100	MEUR 0.1	100	MEUR 0.1
Cyprus					
Doriscus Enterprises Limited	Limassol	15	MEUR 23.7	1 5	MEUR 23.7
China					
SAS Royal Hotel, Beijing, Co., Ltd	Beijing	50	MUSD 9.0	50	MUSD 9.0
Denmark					
Rezidor Hotels ApS Danmark	Copenhagen	100	MDKK 210.0	100	MDKK 210.0
Rezidor Falconer Center A/S	Frederiksberg	100	MDKK 1.2	100	MDKK 1.2
Rezidor International Hotels Management A/S	Copenhagen	100	MDKK 2.0	100	MDKK 2.0
SIHSKA 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
Rezidor International Hotels Selection ApS	Copenhagen	100	MDKK 5.0	100	MDKK 5.0
Rezidor Riga Hotel A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
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 Hotel investment France ApS	Copenhagen	100	MDKK 2.5	100	MDKK 1.5
Hotel Investment Turkey A/S	Copenhagen	51	MDKK 1.0	51	MDKK 1.0
Nordrus Joint Venture ApS	Copenhagen	100	MDKK 0.6	100	MDKK 0.5
Rezidor Hotel Investment A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Russia A/S	Copenhagen	100	MDKK 5.0	100	MDKK 5.0
Rezidor Country A/S	Copenhagen	100	MDKK 2.0	100	MDKK 1.5
Rezidor Park ApS	Copenhagen	100	MDKK 2.5	100	MDKK 1.5
Rezidor Regent A/S	Copenhagen	100	MDKK 3.0	100	MDKK 2.0
Rezidor Lifestyle A/S	Copenhagen	100	MDKK 2.0	100	MDKK 1.0
Rezidor Loyalty Management A/S	Copenhagen	100	MDKK 1.0	100	MDKK 1.0
Rezidor Cornerstone A/S	Copenhagen	100	MDKK 2.4	100	MDKK 2.4
Rezidor Hotel Management & Development A/S	Copenhagen	100	MDKK 1.5	100	MDKK 0.5
Rezidor Hospitality A/S	Copenhagen	100	MEUR 83.0	100	MEUR 83.0
Casino Denmark A/S	Copenhagen	50	MDKK 1.0	50	MDKK 1.0
Casino Copenhagen K/S	Copenhagen	50	MDKK 1.0	50	MDKK 1.0
Nordrus Hotels Holdings A/S	Copenhagen	26.08	MDKK 5.7	26.08	MDKK 5.7
Africa Joint Venture Holding A/S	Copenhagen	100	MDKK 0.5	100	MDKK 0.5
Copenhagen International Hotels K/S	Copenhagen	11.3	MDKK 1.2	11.3	MDKK 1.2
Afrinord Hotel Investments A/S	Copenhagen	20	MEUR 0.3	20	MEUR 0.3
Egypt					
Al Quesir Hotel Company S.A.E	Al Quesir City	20	MEGP 30	20	MEGP 30
France					
Rezidor Resort France S.A.S.	Nice	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hospitality France S.A.S.	Nice	100	MEUR 2.4	100	MEUR 2.4
Rezidor Hotels France S.A.S.	Nice	100	MEUR 2.5	100	MEUR 2.5
Royal Scandinavia Hotel Nice S.A.S.	Nice	100	MEUR 2.4	100	MEUR 2.4
Royal Scandinavia Hotel Marseille S.A.S.	Marseille	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park France S.A.S.	Nice	100	MEUR 0.0	100	MEUR 0.0
Rezidor SAS Lyon S.A.S.	Lyon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Aix Les Bains S.A.S.	Aix Les Bains	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Nancy S.A.S.	Nancy	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Mâcon S.A.S.	Mâcon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Lyon-Ouest S.A.S.	La Tour de Salvagny	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Arcachon S.A.S.	Arcachon	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Orange S.A.S.	Orange	100	MEUR 0.0	100	MEUR 0.0
Rezidor Les Loges S.A.S.	Aix Les Bains	100	MEUR 0.0	100	MEUR 0.0
SARL Régence Plage	Nice	25	MEUR 0.0	100	MEUR 0.0

Germany					
Zweite Rezidor Regent Berlin GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotels Deutschland GmbH	Hamburg	100	MEUR 0.2	100	MEUR 0.2
Rezidor Hotels Management GmbH	Hamburg	100	MEUR 0.2	100	MEUR 0.0
Rezidor Marliane Betriebs GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Dresden GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Rügen GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Investitions GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Hannover GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Köln GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Wiesbaden GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Berlin GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Regent Berlin GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Karlsruhe GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Hotel Frankfurt am Main GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Shared Services Centre Deutschland GmbH	Duisburg	100	MEUR 0.8	100	MEUR 0.8
Park Inn München Frankfurter Ring GmbH	Munich	100	MEUR 0.0	100	MEUR 0.0
Park Inn München Ost GmbH	Munich	100	MEUR 0.0	100	MEUR 0.0
Rezidor Düsseldorf Media Harbour Hotel GmbH	Hamburg	100	MEUR 0.0	100	MEUR 0.0
Rezidor Park Deutschland GmbH	Duisburg	100	MEUR 0.0	100	MEUR 0.0
Kuwait					
First Hotels Company KSCC	Safat	1.82	MKWD 40.0	1.82	MKWD 40.0
Netherlands					
Rezidor Hotel Amsterdam B.V.	Amsterdam	100	MEUR 0.0	100	MEUR 0.0
Norway					
Rezidor Hospitality Norway AS	Oslo	100	MNOK 102.0	100	MNOK 102.0
Rezidor Hotels Norway AS	Oslo	100	MNOK 11.0	100	MNOK 11.3
Rezidor Shared Service Center AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
Rezidor Park Norway AS	Oslo	100	MNOK 0.1	100	MNOK 0.1
Russian federation					
Nordrus Hotels Limited Liability Company	Moscow	26.08	MRUB 0.0	26.08	MRUB 0.0
South Africa					
RHW Joint Venture Southern Africa (Pty) Ltd	Cape Town	50	MRAND 12.0	50	MRAND 12.0
RHW Management Southern Africa (Pty) Ltd	Cape Town	50	MRAND 0.0	50	MRAND 0.0
Rezidor Hotel Sandton (Pty) Ltd	Johannesburg	100	MRAND 0.1	-	-
Sweden					
Rezidor Hotel Holdings AB	Stockholm	100	MEUR 0.1	100	MEUR 0.1
Rezidor Hotel AB	Solna	100	MSEK 5.2	100	MSEK 5.2
Rezidor Sweden AB	Stockholm	100	MSEK 0.1	100	MSEK 0.1
Rezidor Hospitality Sweden AB	Solna	100	MSEK 18.0	100	MSEK 18.0
Rezidor Services Sweden AB	Solna	100	MSEK 0.5	100	MSEK 0.5
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
Rezidor Park AB	Solna	100	MSEK 0.1	100	MSEK 0.1
Switzerland					
Rezidor Park Switzerland AG	Zug	99	MCHF 0.1	99	MCHF 0.1
Rezidor Hotels Switzerland AG	Basel	97	MCHF 0.1	97	MCHF 0.1
The Rezidor Bar & Restaurant Company AG	Basel	97	MCHF 0.1	97	MCHF 0.1
Turkey					
Feri Otelcilik ve Turizm A.S	Istanbul	10	BTL 135	10	BTL 135
Maçka Otelcilik Anonim Sirketi	Istanbul	52	BTL 50	52	BTL 50
United Kingdom					
Rezidor Hotels UK Ltd.	Manchester	100	MGBP 32.2	100	MGBP 32.2
Rezidor Portman (Holdings) Ltd.	Manchester	100	MGBP 0.0	100	MGBP 0.0
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.	Manchester	100	MGBP 0.0	100	MGBP 0.0
Rezidor Hotel Management Ltd.	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					
RC International Marketing Services, Inc.	Minnesota	100	MUSD 0.1	-	-

PARENT COMPANY, STATEMENTS OF OPERATIONS

TEUR (except for share related data)	Notes	Dec 2007	Dec 2006
Revenue	2	3,576	1,187
Personnel cost	3	-2,993	-770
Other operating expenses	4,5	-3,464	-1,528
IPO related expenses			-3,562
Operating profit before depreciation and amortisation		**-2,881**	**-4,673**
Depreciation	8	-55	-13
Operating loss		**-2,937**	**-4,686**
Financial income	6	1,509	289
Financial expense	6	-1,159	-180
Loss before tax		**-2,586**	**-4,577**
Income tax	7	699	1,278
Loss for the period		**-1,887**	**-3,299**
Proposed dividend per share (in Euro)		0.10	0.06

PARENT COMPANY, BALANCE SHEET STATEMENTS

TEUR	Notes	Dec 2007	Dec 2006
ASSETS			
Fixed assets			
Machinery and equipment	8	139	172
Investments in progress	8	123	
Shares in subsidiaries	9	231,335	231,100
Deferred tax asset	7	778	1,278
		232,375	**232,550**
Current assets			
Inventories		1	1
Accounts receivable		25	150
Receivables group companies	10	16,536	36,594
Income tax receivable		13	10
Other Receivables		10	108
Prepaid expenses and accrued income		256	259
Cash and cash equivalents		5,778	10,209
		22,619	**47,331**
Total assets		**254,994**	**279,881**
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		10,000	127
		10,000	127
Non-restricted equity			
Share premium reserve		212,100	230,973
Retained earnings		-4,893	-
Net loss for the year		-1,887	-3,299
		205,320	227,674
Total equity		**215,320**	**227,801**
Liabilities			
Current liabilities			
Accounts payable		106	930
Liabilities group companies	11	37,409	30,869
Interest-bearing liabilities to financial institutions	12	-	16,800
Accrued expenses and prepaid income	13	2,021	3,419
Other liabilities		138	62
		39,674	**52,080**
Total liabilities		**39,674**	**52,080**
Total equity and liabilities		**254,994**	**279,881**
Contingent liabilities		None	None
Pledged assets		None	None

PARENT COMPANY, STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Share premium reserve	Retained earnings	Net loss for the year	Total Equity
Equity as of January 1, 2006	**100**	**-**	**-**	**-**	**100**
Increase of share capital	27	230,973	-	-	**231,000**
Net loss for the period	-	-	-	-3,299	**-3,299**
Equity as of December 31, 2006	**127**	**230,973**		**-3,299**	**227,801**
Allocation of last year's result	-	-	-3,299	3,299	-
Dividends paid	-	-9,000	-	-	**-9,000**
Increase of share capital (through a bonus issue)	9,873	-9,873	-	-	-
Share by back	-	-	-4,911	-	**-4,911**
Long term incentive plan	-	-	235	-	**235**
Group contribution	-	-	4,281	-	**4,281**
Tax effect on group contribution	-	-	-1,199	-	**-1,199**
Net loss for the period	-	-	-	-1,887	**-1,887**
Equity as of December 31, 2007	**10,000**	**212,100**	**-4,893**	**-1,887**	**215,320**

For information on share capital, please see *Note 30* of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Notes	As of Dec.31 2007	2006
OPERATIONS			
Profit (loss) Before Interest and Taxes		-2,937	-4,686
Adjustments for non cash items:			
Depreciation and amortisation	*8*	55	13
Gain (loss) on sale of shares and tangible assets and disposals		-	4
Interest received	*6*	1,509	289
Interest paid	*6*	-1,159	-180
Cash flows from operations before change in working capital		**-2,532**	**-4,560**
Change in:			
Current receivables		91	-620
Current liabilities		-2,146	4,906
Change in working capital		**-2,055**	**4,286**
Cash flow from operating activities		**-4,587**	**-274**
INVESTMENTS			
Acquisition of operations	*14*	-	121
Purchase of machinery and equipment	*8*	-145	-26
Change in interest bearing receivables	*14*	16,800	-16,800
Other investments	*14*	7,672	-19,766
Cash flow from investing activities		**24,327**	**-36,471**
FINANCING			
Dividend paid		-9,000	-
Share buy-back		-4,911	-
Change in interest bearing liabilities	*14*	-10,260	46,954
Cash flow from financing activities		**-24,171**	**46,954**
Cash flow for the year		**-4,431**	**10,209**
Cash and cash equivalents at the beginning of the year		**10,209**	**-**
Cash and cash equivalents, December 31		**5,778**	**10,209**

NOTES
TO THE PARENT COMPANY
ACCOUNTS

Note 1

Notes to the Parent Company

The parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act, Recommendation 32 (Accounting for legal entities) of the Swedish Financial Accounting Standards Council and applicable statements from its emerging issues Committee. pursuant to Recommen¬dation 32, in preparing the Annual Accounts for the legal entity, the parent Company shall apply all international Financial Reporting Standards (iFRS) and statements, as approved by the European union, as far as this is possible within the framework of the Swedish Annual Accounts Act and the Act on Safeguarding of pension obligations (Tryggandelagen) taking into account the relationship between reporting and taxation. The parent Company has euro as presentation currency.

The parent Company mainly applies the principles explained in the present *Note 3* as in the consolidated accounts.

Note 2

Revenue Distribution

OPERATING REVENUE PER AREA OF OPERATION

TEUR	2007	2006
External revenue	385	235
Revenue from group companies	3,191	952
Total Revenue	**3,576**	**1,187**

Note 3

Personnel

PAYROLL COST

		As of Dec.31
TEUR	**2007**	**2006**
Salaries	1,738	441
Social security	890	267
Pension costs	167	33
Other personnel costs (other benefits in kind)	198	29
Total	**2,993**	**770**

These costs are included in the line personnel cost in the income statement and are related to compensation to persons with employment in the company, including remuneration to the CEO of Rezidor Group, Mr Ritter, of TEUR 107 (TEUR 37) (excluding social costs). The remainder of its remuneration is paid by the 'Rezidor Hotel Group S.A.' in Belgium. Also refer to *Note 10* of the Group Accounts for complete information regarding his employment agreement.

In addition, total remuneration to the Board of Directors amounted to TEUR 366 (TEUR 233). See also *Note 10* of the Group accounts for further information regarding remuneration to the Board of directors and senior management. The average number of employees in Rezidor Hotel Group AB 2007 was 38 (7).

				As of Dec.31
	2007		**2006**	
	Men	**Women**	**Men**	**Women**
Sweden	12	26	1	6

The number of Board members is also disclosed in *Note 10* of the Group accounts.

SICK-LEAVE (%)

		As of Dec.31
TEUR	**2007**	**2006**
Sick-leave as a proportion of regular working hours	5.71	-
Proportion of total sick-leave relating to continous absence for 60 days or more	52.74	-
Sick-leave women	7.52	-
Sick-leave men	1.97	-
Sick-leave employees aged 29 or younger	3.52	-
Sick-leave employees aged 30-49	3.03	-
Sick-leave employees aged 50 or older	13.18	-

Note 4

Other Operating Expenses

TEUR	2007	2006
External service fees	757	4601
Other external expenses	1,643	4212
Expenses from Group companies	865	804
Rent	199	52
Total	**3,464**	**1,528**

Note 5

Auditors´ Fees

		As of Dec.31
TEUR	**2007**	**2006**
Deloitte[1)]		
Audit assignments	377	610[1)]
Other assignments	167	224
Total Deloitte	**544**	**834**

1. Whereof TEUR 454 is related to audit services in connection with the IPO.

Note 6

Financial Income and Expenses

TEUR	2007	2006
Interest income from financial institutions	252	73
Interest income from group companies	1,257	216
Final income	**1,509**	**289**
Interest expenses to financial institutions	-219	-20
Interest expenses to group companies	-940	-160
Final expense	**-1,159**	**-180**
Final income and expenses, net	**350**	**109**

Note 7

Tax

TEUR	2007	2006
Deferred income	699	1,278
Recorded tax	**699**	**1,278**

Reconciliation of effective tax	2007	%	2006	%
Loss before tax	-2,856		-4,577	
Tax at the domestic income tax rate of 28%	724	28	1,282	28
Tax effect of expenses that are not deductible in determining taxable income	-25		-4	
Recorded tax	**699**	**0.24**	**1,278**	**0.28**
Deferred tax in the balance sheet				
TEUR	**2007**		**2006**	
Attributable to tax losses carried forward	778		1,278	

The deferred tax assets related to temporary differences are attributable to deferred tax on tax loss carry forwards. The above-mentioned tax losses can be carried forward without time limit.

Note 8

Tangible Fixed Assets

MACHINERY AND EQUIPMENT

TEUR	As of Dec.31 2007	2006
Acquisition value at the beginning of the year	185	-
Investments	22	190
Sales and disposals	-	-5
Closing value at the end of the year	**207**	**185**
Accumulated depreciation at the beginning of the year	-13	-
Depreciation according to the plan	-55	-13
Closing accumulated depreciation	**-68**	**-13**
Balance at the end of the year	**139**	**172**

INVESTMENTS IN PROGRESS

TEUR	Dec 2007	Dec 2006
Acquisition value at the beginning of the year	-	-
Investments	123	-
Reclassification	-	-
Balance at the end of the year	**123**	**-**

Note 9

Share in Subsidiaries

(See Note 41 in the Group Accounts for the List of Subsidiaries)

TEUR	As of Dec.31 2007	2006
Opening book value	231,100	100
Investments in subsidiaries (Rezidor Hotel Holdings AB)[1]	235	231,000
Closing book value	**231,335**	**231,100**

1. In 2006 SAS AB(publ) and Carlson Summit Inc. were offered to subscribe for shares in the Company and to pay for the shares by a contribution in kind, composing shares in Rezidor Hotel Holdings AB. This contribution in kind was recognised in he balance sheet at the amount of TEUR 231,000.

The increase in the book value in 2007 is attributable to cost of the long-term incentive program, further described in *Note 31* to the consolidated financial statements.

Rezidor Hotel Group AB (publ) has the following subsidiaries:

As of Dec.31, 2007

Sweden	Registered in	Identity no	No of shares	Owned share in %	Book value of holding
Rezidor Hotel Holdings AB	Stockholm	556674-0972	106,667	100	231,335

Note 10

Receivables Group Companies

TEUR	As of Dec.31 2007	2006
Receivables group companies, cash pool	12,094	19,766
Receivables group companies, short term loan	-	16,800
Other	4,442	28
Total	**16,536**	**36,594**

Note 11

Liabilities Group Companies

TEUR	As of Dec.31 2007	2006
Liabilities group companies, cash pool	35,050	30,158
Other	2,359	711
Total	**37,409**	**30,869**

Note 12

Financing

COMMITTED CREDITS

TEUR	As of Dec.31 2007	2006
Overdraft facilities	5,302	5,525
Short term bank loan	-	16,800
Used credit facilities	-	-16,800

Rezidor Hotel Group AB (publ) had a total of TEUR 5,302 in credit facilities as of December 31st, 2007 (TEUR 22,325 of December 31st 2006). The credit contracts contain so called covenant clauses that allow creditors to cancel loans as a result of changes in Rezidor's financial status. The financing fall due within one year and is priced according to a fixed interest duration and agreed margins. The credit facilities are primarily used for financing operations within the group.

Note 13

Accrued Expenses

ATTRIBUTABLE TO

TEUR	As of Dec.31 2007	2006
Vacation pay including social costs	328	321
Salaries and remuneration	291	465
Expenses related to the IPO	-	2,194
Other accrued expenses	1,402	439
Total	**2,021**	**3,419**

Note 14

Further Information Concerning Cash Flow

ACQUISITIONS OF OPERATIONS

TEUR	2007	2006
Fixed assets	-	164
Inventories	-	1
Prepaid expenses	-	61
Accrued expenses	-	-321
Other liabilities	-	-26
Reclass	-	-121
Cash and cash equivalents in acquired business	-	-
Total	**-**	**-121**

During the year the business activities of Rezidor Services Sweden AB was acquired by the Company, Rezidor Hotel Group AB. The value of the acquired assets and liabilities are detailed above.

OTHER INFORMATION CONCERNING CASH FLOWS

TEUR	2007	2006
Change in interest-bearing receivables	16,800	-16,800
Other investments	7,672	-19,766
Change in interest-bearing liabilities	-9,708	46,954

1. Rezidor Hotel Group AB (publ), the parent company of the Group, was the credit holder of the short-term bank loan that was utilized within the Group. The bank loan was fully repaid during 2007.
2. Other investments represents the change in inter-company net balance of cash pool corresponding to the Swedish operations and bank structure.
3. Change in interest-bearing liabilities represents the change in net balance of Rezidor Hotel Group AB (publ) bank financing and cash pool structure.

STATEMENT OF THE BOARD OF DIRECTORS ON THE PROPOSED DIVIDEND

Statement of the Board of Directors on the Proposed Dividend

Proposed allocation on non-restricted reserves, available in the parent company, EUR	
The following amount is at the disposal of the AGM:	
Share premium reserve	212,099,878
Loss brought forward	(4,893,499)
Loss for the year	(1,887,090)
Total	**205,319,289**
The Board of Directors propose that the amount be allocated as follows:	
Dividend of EUR 0.10 per share to shareholders	14,843,744
Share premium reserve brought forward	197,256,134
Loss brought forward	(6,780,589)
Total	**205,319,289**

The dividend is based on the total number of shares outstanding as at March 12, 2008, i.e. 148,437,440. The final dividend is subject to changes in the number of shares outstanding after share buy-back.

Statement according to Ch 18 § 4 of the Companies Act

The proposed dividend will reduce the equity ratio of the company to 78.6 per cent, and the group's equity ratio to 45.2 percent, which is reassuring considering that the operations since the end of the financial year have been conducted profitably. The board is of the opinion that the liquidity of the company as well as of the group may be kept at a reassuring level. Taking into consideration the relationship between assets, liabilities and equity, both in the company and in the group, and in consideration of the profit forecasts and investment needs as per today, we are thus of the opinion that the proposed dividend can be justified in view of the demands placed by the nature, extent and risk of the operations on the amount of equity. The proposed dividend is also justifiable in consideration of the consolidation needs, liquidity and position taken as a whole, both in the company and in the group. The dividend does not affect the company's ability to fulfil its long- and short-term obligations or to carry out necessary investments. The opinion of the board of directors is furthermore that the company's and the group's financial position in consideration of the proposed dividend is secure for the creditors. The board of directors cannot find any other circumstances that would suggest that the dividend cannot be made according to the board's proposal.

Group equity includes a fair value adjustment of other shares and participations amounting to Euro 3 million, equivalent to 1.5 percent of group equity. The adjustment is in accordance with the Swedish Annual Accounts Act 4 Chapter 14a§ and was recorded in net income as of December 31st, 2005.

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statement of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations.

The Board of Directors report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and companies included in the Group.

Stockholm 17 March 2008

Urban Jansson
Chairman of the Board

Marilyn Carlson Nelson
Vice Chairman of the Board

Göte Dahlin
Board Member

Trudy Rautio
Board Member

Harald Einsmann
Board Member

Benny Zakrisson
Board Member

Ulla Litzén
Board Member

Jay Witzel
Board Member

Barry Wilson
Board Member

Kurt Ritter
President and CEO

Our audit report was submitted on 17 March 2008

Deloitte AB

Peter Gustafsson
Authorised public accountant

AUDIT REPORT

Audit Report

To the Annual Meeting of the shareholders of Rezidor Hotel Group AB (publ) Corporate identity number 556674-0964.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Rezidor Hotel Group AB (publ) for the financial year 2007. The Annual Report and consolidated accounts are included on pages 27-39, 45-98 and 99-101 of this document. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company’s financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group’s financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 17 March 2008

Deloitte AB

Peter Gustafsson

Authorized Public Accountant

FINANCIAL INFORMATION

Financial Information

Rezidor Hotel Group AB (publ) is a Swedish public limited liability company. Corporate identity number: 556674-0964. The Group's registered office (Hemvärnsgatan 15, Box 6061, 171 06 Solna) is in Stockholm, Sweden, with the corporate office based in Brussels.

Reporting currency is Euro. Unless otherwise stated, figures in parentheses relate to the 2006 fiscal year. Data on markets and competitive positions represent Rezidor's own assessments unless a specific source is indicated. These assessments are based on the most recent and reliable information from published sources in the travel, tourism and hotel sectors.

The Annual Report, Interim Reports and other financial materials can be ordered from:

The Rezidor Hotel Group
Corporate Communication & Investor Relations
Avenue du Bourget 44
B-1130 Brussels
Belgium
Tel: + 32 2 702 9200
Fax: + 32 2 702 9300
Email: *investorrelations@rezidor.com*

Rezidor also has extensive corporate and financial information available at *www.rezidor.com*

Contacts

Knut Kleiven

Deputy President and Chief Financial Officer

Per Blixt

Senior Vice President Corporate Communication and Investor Relations

Financial Calender

The dates for the Rezidor Hotel Group's Interim Reports in 2008 are as follows:

20 February 2008
Year-End Report January – December 2007

23 April 2008
Interim Report January – March 2008

24 July 2008
Interim Report April – June 2008

03 November 2008
Interim Report July – September 2008

The dates of the publications can be changed. For precise dated, please see *www.rezidor.com* under Investors/Calendar.

Annual General Meeting and Nomination Committee

Welcome to the Annual General Meeting of Rezidor Hotel Group AB on April 23rd, 2008, 10 am CET, at the Radisson SAS Royal Viking Hotel in Stockholm.

Right to participate

All shareholders who wish to participate must be registered as shareholders in the VPC register (the Nordic Central Securities Depository), on 17 April 2008, i.e. five days prior to the meeting.

Shareholders whose shares are registered in the name of a nominee through the trust department of a bank or a similar institution must, in order to be entitled to participate in the Annual General Meeting, request that their shares are temporarily re-registered in their own names in the register of shareholders maintained by VPC. This must be effected by VPC AB before 17 April 2008.

Notification of participation

Shareholders who wish to participate in the Annual General Meeting must notify Rezidor of their intention of attending no later than 16.00 CET on 17 April 2008. The notification shall be made in writing to:

Rezidor Hotel Group AB
PO Box 47021
SE-100 74 Stockholm
Sweden

Or by:

Facsimile: +46 8 775 80 08 (marked Rezidor),
Telephone: +46 8 775 80 25 (Mondays to Fridays 9am to 4pm CET)
E-mail: *AGM@rezidor.com*
Corporate Website: www.rezidor.com

Nominating Committee

The Nominating Committee for the Annual General Meeting on April 23rd, 2008 consists of Mr. William Van Brunt, as Chairman, representing the Carlson Companies, Mr. Brian Meyer representing Fir Tree Funds and Mr. Peter Rudman representing Nordea Investment Funds.

The official announcement of the Annual General Meeting will be published in the official Swedish publication, Post- och Inrikes Tidningar and in the daily paper Svenska Dagbladet, 4-6 weeks prior to the meeting.

Financial Definitions and Terminology

AHR
Average-House Rate – Rooms revenue in relation with the number of rooms sold. Also referred to as ARR (Average Room Rate) or ADR (Average Daily 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.

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.

Development brand
Brand that still is under development, and that currently does not have many hotels in operation.

Debt/equity ratio
Net debt divided by total equity.

Earnings per share
Profit for the period, before allocation to minority interest divided by the weighted average number of shares outstanding.

EBIT
Operating profit before net financial items and tax.

EBITDA
Operating profit before depreciation and amortisation and gain on sale of shares and fixed assets and net financial items and tax (for 2006 excluding IPO related costs).

EBITDA margin
EBITDA as a percentage of Revenue (for 2006 excluding IPO related costs).

EBITDAR
Operating profit before rental expense and share of income in associates and before depreciation and amortisation and gain on sale of shares and of fixed assets and net financial items and tax.

Equity/assets ratio
Total equity divided by total assets.

FF&E
Furniture, Fittings and Equipment.

Free cash flow
Cash flow from operating activities, investments, financial items and tax and the effect of restructuring measures on cash flow.

Free cash flow per share
Free cash flow divided by the weighted average number of shares outstanding.

General Manager
This title refers to the position as hotel manager.

Like-for-like hotels
Comparable hotels in operation during the same previous period compared.

Net working capital
Current non-interest-bearing receivables minus current non-interest-bearing liabilities.

Occupancy (%)
Number of rooms sold in relation to the numbers of rooms available for sale.

Operating cash flow
EBITDA excluding share of income in associated companies, cash flow effect of restructuring measures and net investments and including changes in working capital and dividend from associated companies.

Operating cash flow per share
Operating cash flow divided by average number of shares outstanding.

Return on capital employed
(ROA – Return on Assets)
Operating profit, excluding restructuring costs and impairment losses divided by average capital employed.

Return on shareholders' equity
Profit for the period, attributable to equity holders of the parent as a percentage of average shareholders' equity, excluding minority interests.

Revenue
All related business revenue (including rooms revenue, food & beverage revenue, other hotel revenue, fee revenue and other non-hotel revenue from administration units).

RevPAR
Revenue Per Available Room – Rooms revenue in relation with the rooms available.

System-wide revenue
Hotel revenue (including rooms revenue, food & beverage, conference & banqueting revenue and other hotel revenue) from leased, managed and franchised hotels, where revenue from franchised hotels is an estimate. It also includes other non-hotel revenue from administration units, such as revenue from Rezidor's print shop that prepares marketing materials for Rezidor hotels and revenue generated under Rezidor's loyalty programs.

Yield
Dividend as a percentage of the market price.

Regions

Nordic Region
Denmark, Finland, Iceland, Norway and Sweden.

Rest of Western Europe
Austria, Belgium , France, Germany, Ireland , Italy, Malta, the Netherlands, Portugal, Spain, Switzerland and the United Kingdom.

Eastern Europe (incl. CIS countries)
Azerbaijan, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Slovakia, Turkey, Ukraine and Uzbekistan.

Middle East, Africa and Other
Bahrain, China, Egypt,Jordan, Kuwait, Lebanon, Oman,Saudi Arabia, South Africa, Tunisia and the United Arab Emirates.