

OUR RESULTS

LEVERAGING OPPORTUNITIES AHEAD

INTERNATIONAL TOURISM CONTINUES TO GROW DESPITE CHALLENGES

2016 was an interesting year in many ways. Demand for international tourism remained robust in 2016 despite challenges. International tourist arrivals grew by 3.9% to reach a total of 1,235 million, according to UNWTO. Some 46 million more tourists travelled internationally compared to 2015, which confirms great resilience and strength of the global tourism industry.

The great majority of leading source markets in the world reported increases in international tourism expenditure during the first three to nine months of 2016. Among the top five source markets, China, the world's top source market, continues to drive demand, reporting double-digit growth in spending, which benefited many destinations. Germany reported a 5% increase in expenditure, the United Kingdom a 10% increase, and France 3% growth.

ASSET MANAGEMENT AND SUSTAINABLE TAX STRATEGY DRIVE PROFITABILITY

Rezidor continued to gain market share for the fifth consecutive year. Our like-for-like revenue increased by 3.8% with many markets trading at new peak levels. We continued to push forward on our asset management strategy that involves exiting from unprofitable contracts and re-negotiating of terms including renovations across EMEA. In 2016, we have successfully completed 15 such transactions. Over the past five years, our asset management initiatives targeting a continuous portfolio optimization have yielded ca €17M EBITDA contribution and ca 1.8 percent uplift in EBITDA margin.

In addition to the asset management progress made and other initiatives to improve profitability, we have also adopted our transfer pricing model to reflect recent tax law changes initiated by the OECD and the EU and as a result we were able to capitalize previously unrecognized tax losses carried forward in several jurisdictions. The total amount recognized related to previous years tax losses amounts to €29.3M, however partly offset by the loss of deferred tax assets in Germany of €7M. Going forward this should lead to a more normalized tax rate for the group.



VIEW CFO'S VIDEO MESSAGE

REZIDOR
GAINED
MARKET SHARE
FOR THE 5th
CONSECUTIVE
YEAR

KNUT KLEIVEN,
DEPUTY PRESIDENT
& CHIEF FINANCIAL
OFFICER



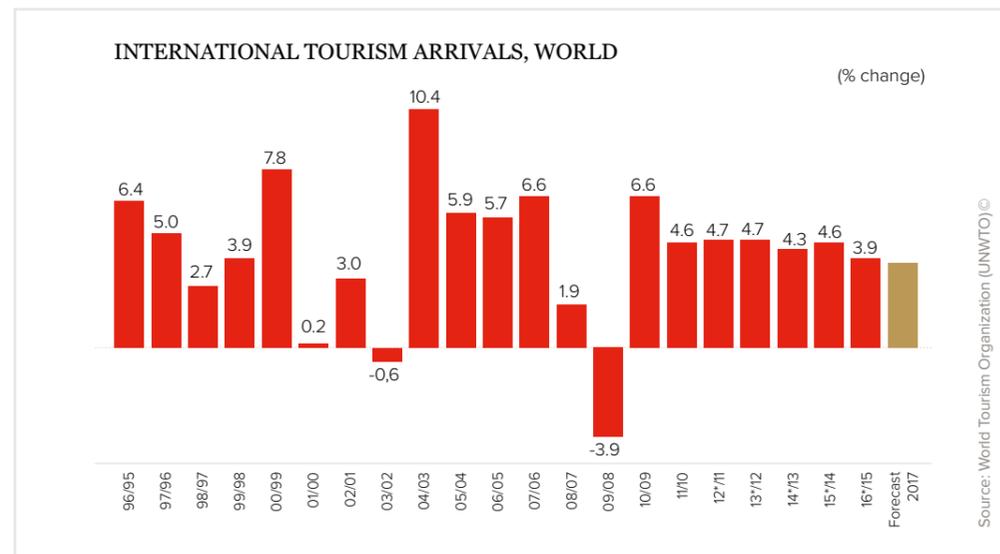
UNEVEN MARKET PERFORMANCE ACROSS EMEA

Increased volatility related to terrorist attacks, lower oil prices, foreign exchange rates, Brexit, US elections and other global events continued to negatively affected some key countries.

In Europe, Rezidor is seeing strong market performance compared to the sector and market performance. Three of four regions reported like-for-like RevPAR growth. Eastern Europe reported the strongest RevPAR growth (12.7%).

In the Nordics, all four key countries had positive developments: Denmark 10.6%, Finland 7.8%, Norway 1.0% and Sweden 7.6%. In Western Europe, RevPAR was marginally below last year (-0.2%), as a result of a decline in occupancy (-0.4%) with minimal room rate growth (0.2%). Trading in the Middle East and Africa continued to be negatively impacted by political turmoil and the low oil price, with RevPAR 4.7% below last year.

The Nordics continued with strong performance, but Rest of Western Europe was less profitable, linked to mixed results. Norway experienced strong occupancy growth via leisure segments,



and Denmark's rate growth was fueled by RevPAR increase. The UK & Ireland's continuing positive development was based mainly on rate and Germany's was linked to a strong September. Belgium and France showed weak performance in the aftermath of the terrorist attacks. We also saw the impact of less international congress business in the Netherlands.

POWER OF EMERGING MARKETS AND A BALANCED PIPELINE

2016 brought good development in Eastern Europe and the Middle East and Africa while overall results were negatively impacted by the Rest of Western Europe. Eastern Europe continued to improve

while the Middle East and Africa markets remained weak. In Russia, strong performance was based on domestic and Asian business.

Rezidor's ongoing priority is to open the pipeline. We have a fairly large pipeline relative to our size, probably one of the biggest pipelines in the industry, and that is a critical factor for us. Continuing to grow market share, or RGI as we call it, is also incredibly important.

The most important thing for shareholders is that we deliver on our promises which is a profit margin of 12% over a business cycle, a target that we should have a debt-free balance sheet, and that we will open our pipeline on time. If we are able to do that, then I am pretty sure that we will create shareholder value.

OPPORTUNITIES AHEAD

I think that global travel, and especially outbound travel from China, has the biggest potential upside for the industry in Europe, the Middle East and Africa over the next three to five years. Capturing our share of that market is very important. What HNA will impact and/or mean to us is very early to say too much about, but of course we are very hopeful that this would bring a lot of Chinese business into our hotels going forward. Chinese room nights in Rezidor today are only 4% of the total number of room nights we sell. This should easily double or triple over the next few years. That can have a big impact on the performance of Rezidor going forward.



What moves me or motivates me if you like, is when I see opportunities to do things better than what we have done in the past. That's the most important thing. Celebrating our successes and looking for opportunities to do things better.

