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One-off costs and weaker Norwegian market impact Rezidor's 2014 results

Delivery of margin enhancing objectives delayed due to fragile European recovery and developments in Russia

One-off costs related to a hotel closed for renovation and the challenging business climate will impact the 2014 results of the Rezidor Hotel Group and delay the delivery of the company's *Route 2015* margin enhancement objectives. Launched in 2011 and targeting an EBITDA margin increase by 6-8pp by the year 2015, the turnaround programme focusses on revenue generation, fee-based growth, cost savings, cap utilization and asset management.

"We have made solid progress over the past three years – addressing legacy issues and driving profitability by rigorously reducing our cost base, pursuing revenue generation, and successfully taking asset management actions in loss-making hotels. The impact of these improvements will however be reduced by the costs related to the closure and renovation of the Radisson Blu Hotel Lyon and the economic headwinds in Norway and Europe in general", commented Wolfgang M. Neumann, President & CEO of Rezidor.

The re-opening of the Lyon property in France, which was closed for renovation in January 2014, has been delayed to the second half of 2016 due to the discovery of asbestos. The hotel owner is absorbing all the investments for a full asbestos removal, whilst Rezidor will have to carry the cost of the extended closure period. The negative EBIT impact of these costs has increased to €12M of which €5.5M has been included in Q3 and the remaining €6.5M will be reflected in Q4 2014.

Market disruptions have also hampered the progress of Rezidor. Norway, an important market for Rezidor producing 25% of group revenues, has weakened due to the declining oil price, and market RevPAR for the months of October and November has decreased by 4 and 7% against last year. The geopolitical challenges in Russia/Ukraine have equally affected the *Route 2015* plan.

"We have taken additional steps to further optimize our cost base by restructuring the organization. We are closely monitoring the fragile economic recovery in Europe and the uncertainties in Russia. *Route 2015* remains an important goal; driving further margin improvements and laying the foundations for the future. The pace of the turnaround programme will be linked to the economic developments outlined – but we expect to make additional progress against our targets in 2015. Our overall long-term strategy remains unchanged – concentrated on asset-light, profitable and sustainable growth with a particular focus on selected emerging markets", ended Neumann.

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