

## The Board of Rezidor recommends the shareholders not to accept HNA Tourism Group's mandatory offer of SEK 34.86 per share

February 21, 2017



*This press release has been published in English and Swedish. In the event of any discrepancy in content between the two language versions, the English version shall prevail.*

February 20, 2017 7:30am CET

- **The Board of Rezidor<sup>1</sup> unanimously recommends the shareholders of Rezidor not to accept the Offer but would like to emphasize the increased risks and uncertainties for shareholders in connection with HNA Tourism Group's acquisition of the majority of the shares in Rezidor, which shareholders should consider before making a decision whether or not to accept the Offer**

### Background

This statement is made by the Board of Directors (the "**Board**") of Rezidor Hotel Group AB (publ) ("**Rezidor**") pursuant to section II.19 of Nasdaq Stockholm's Takeover Rules (the "**Takeover Rules**").

On April 27, 2016, HNA Tourism Group Co., Ltd. ("**HNA Tourism Group**") and Carlson Hospitality Group, Inc. ("**Carlson Hospitality Group**") announced that they had entered into an agreement regarding HNA Tourism Group's acquisition (the "**Acquisition**") of Carlson Hotels, Inc. ("**Carlson Hotels**"). The Acquisition included 87,552,187 shares in Rezidor owned by Carlson Hotels, corresponding to 51.3% of the outstanding shares and votes in Rezidor. The Acquisition was completed on December 7, 2016, and triggered an obligation for HNA Tourism Group to make a mandatory tender offer for the outstanding shares in Rezidor.

On December 22, 2016, HNA Tourism Group, through its wholly-owned subsidiary HNA Sweden Hospitality Management AB ("**HNA Sweden**"), announced a mandatory cash tender offer to the shareholders of Rezidor to acquire all outstanding shares in Rezidor (the "**Offer**"). HNA Sweden offers SEK 34.86 in cash per share in Rezidor, subject to adjustment should Rezidor pay any dividend or make any other value transfer to shareholders prior to settlement of the Offer.<sup>2</sup> The offer price is 6.3% below the closing price of the Rezidor share on Nasdaq Stockholm of SEK 37.20 on December 22, 2016, being the last trading day prior to the announcement of the Offer. The offered price corresponds to the volume-weighted average price for the Rezidor share during 20 trading days preceding the date of announcement of entering into the agreement regarding the Acquisition. According to HNA Tourism Group's announcement of the Offer, the offer price is the minimum price to be paid in the Offer in accordance with rulings received from the Swedish Securities Council (see rulings AMN 2016:10 and AMN 2016:27).

Completion of the Offer is conditional upon the Offer, the settlement of the Offer and the acquisition of Rezidor receiving all necessary regulatory, governmental or similar clearances, approvals and decisions in each case, on terms that are acceptable to HNA Sweden.

For more information about the Offer, see [http://www.hnagroup.com/en/disc/HNA\\_Website2017/legal.html](http://www.hnagroup.com/en/disc/HNA_Website2017/legal.html).

## The Board's recommendation

In accordance with the provisions of the Takeover Rules, the Board has evaluated the Offer.

The Board has engaged SEB Corporate Finance as financial advisor and Gernandt & Danielsson Advokatbyrå as legal advisor in relation to the Offer. The Board has further appointed DNB Markets to provide a fairness opinion in relation to the Offer.

The Board unanimously recommends the shareholders **not** to accept the Offer. The Offer does not reflect the value of Rezidor from a financial perspective.

The recommendation is based on various assumptions and conclusions made by the Board, including:

- Rezidor is in a turnaround process with several measures already taken in order to increase profitability.
  - Rezidor has successfully continued to pursue its asset management strategy, reduced its lease exposure and exited several loss-making hotels.
  - A cost containment plan with reductions of central costs as well as further increases of procurement efficiencies have been implemented with further expected savings of EUR 10 million per year.
  - Adoption of a new transfer pricing model and sustainable tax strategy to reflect recent tax law changes initiated by OECD and EU (BEPS) which will lead to a more normalized tax rate in the future.
- The Board believes that the above measures, together with a consistently strong asset-light development pipeline of rooms, will contribute to improved profitability in the coming years.

The position of the Board is supported by the fairness opinion provided by DNB Markets. The opinion, which is set forth in the appendix to this press release, concludes that the Offer is not fair from a financial point of view.

### Additional considerations and risks for the shareholders to consider before taking a decision whether or not to accept

Despite unanimously recommending the shareholders not to accept the Offer, the Board is of the opinion that the uncertainties have increased following HNA Tourism Group's acquisition of the majority of the shares in Rezidor, including:

- HNA Tourism Group does not state any future plans or strategies of the ownership of Rezidor and hence, the Board is not able to fully analyse the Offer's consequences for Rezidor and its other shareholders, particularly in view of HNA Tourism Group's other interests in the hospitality industry.
- Rezidor's ownership structure is already concentrated and the liquidity of the share is currently limited. As a result of the Offer, the liquidity of the Rezidor share may be further reduced and the ownership structure may become more concentrated, which the Board deems would be negative for Rezidor's other shareholders.
- HNA Tourism Group has not made any public statements regarding the future composition of the Board of Directors of Rezidor, including directors independent of HNA Tourism Group. The composition of the Board of Directors will impact the governance of Rezidor, in particular given the comprehensive business arrangements between Rezidor and HNA Tourism Group via Carlson Hotels.

The Board would also like to draw the shareholders' attention to the following features of the Offer:

- While the acceptance period for the Offer commenced on February 3, 2017 and is expected to end on March 10, 2017, the settlement of the Offer is not expected to commence until April 7, 2017, subject to the conditions for the Offer being fulfilled or waived.
- Accordingly and subject to the conditions for the Offer being fulfilled or waived, settlement is currently expected to occur one month after the expiry of the acceptance period. According to HNA Tourism Group's announcement of the Offer, settlement could be delayed up to nine months.<sup>3</sup>
- HNA Tourism Group has not proposed any compensation (for example, interest) to the shareholders of Rezidor for such delay.

As regards the regulatory approval process, including the approvals that constitute a condition for the Offer, the Board notes the following statements made by HNA Tourism Group and the Swedish Securities Council in connection with the Swedish Securities Council ruling AMN 2016:27:<sup>4</sup>

#### *Statement by HNA Tourism Group*

"In order to finance the mandatory tender offer, which constitutes a foreign transaction for HNA Tourism Group, and to transfer the funds out from China to be used for the settlement of the Offer, approvals from the National Development and Reform Commission of the People's Republic of China ("**NDRC**") and the Ministry of Commerce of the People's Republic of China ("**MOFCOM**") are required. In addition, the State Administration of Foreign Exchange ("**SAFE**") must register the amount to be transferred.

HNA Tourism Group intends to apply for approvals both from NDRC and MOFCOM before the completion of the Acquisition, that is, before the announcement of the Offer. Final approvals from NDRC and MOFCOM as well as a preliminary approval from SAFE are expected to be obtained before the completion of the Acquisition, that is, before the announcement of the Offer and no later than before the expiry of the acceptance period in the Offer. Final approval from SAFE to transfer the funds out from China cannot be obtained until the final settlement amount has been determined."

It is not clear from HNA Tourism Group's announcement of the Offer whether the relevant approvals from NDRC and MOFCOM have been obtained, but since the Offer is subject to regulatory approvals it is the Board's understanding that the required approvals have not yet been obtained.

Under the Takeover Rules, the Board is required, based on the statements made by HNA Tourism Group in connection with the Offer, to express its opinion on the effects the implementation the Offer may have on Rezidor, specifically employment, and its views on HNA Tourism Group's strategic plans for Rezidor and the effect these may be expected to have on employment and the places where Rezidor conducts its business. To that end, HNA Tourism Group has made the following statement in connection with the announcement of the Offer:

"HNA Tourism Group views significant value on the competence of Rezidor's management and its employees. There are currently no decisions on any material changes to Rezidor's management or employees, including the terms of employment and locations of business."

The Board cannot evaluate this but must assume that it is correct.

<sup>1</sup> Trudy Rautio, Wendy Nelson and David Berg have not, due to conflict of interest following the sale of Carlson Hotels to HNA Tourism Group, participated in the Board's processing of, or any other resolutions concerning, the Offer. According to a press release dated January 27, 2017, David Berg has with immediate effect resigned from his position as member of the Board. The remaining members of the Board, being Staffan Bohman, Anders Moberg, Charlotte Strömberg and Göran Larsson, have for the purposes of the offer appointed Staffan Bohman as chairman.

<sup>2</sup> The Board has proposed a dividend of EUR 0.05 per share to be paid for the year ending December 31, 2016.

<sup>3</sup> The Board notes the following statements made by HNA Tourism Group in connection with the announcement of the Offer: "If final regulatory approvals for the transfer of funds out from China to be used for settlement are not obtained before April 7, 2017, the settlement may be postponed until such final regulatory approvals have been obtained, in total up to nine months from the initiation of the acceptance period. Once the condition for the Offer is fulfilled or waived, HNA Sweden will be obligated to complete the Offer irrespective of whether the settlement is postponed."

<sup>4</sup> These statements constitute English translations made by Rezidor and have, where relevant, been adjusted to match the defined terms used herein.

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This statement shall in all respects be governed by and construed in accordance with Swedish substantive law. Disputes arising from this statement shall be settled exclusively by Swedish courts.

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Stockholm, February 20, 2017  
Rezidor Hotel Group AB (publ)  
*The Board of Directors*

For further information, please contact:

Staffan Bohman, acting chairman in relation to the Offer, through Jenny Winkler, Secretary of the Board, at tel: +32 2 702 9308.

*This information is information that Rezidor Hotel Group AB (publ) is obliged to make public pursuant to the Takeover Rules. The information was submitted for publication, through the agency of the contact person set out above, on February 20, 2017 at 7:30am CET.*