

PANDOX

STILL A GREAT WAY TO MIX :)

HOTEL PROPERTIES

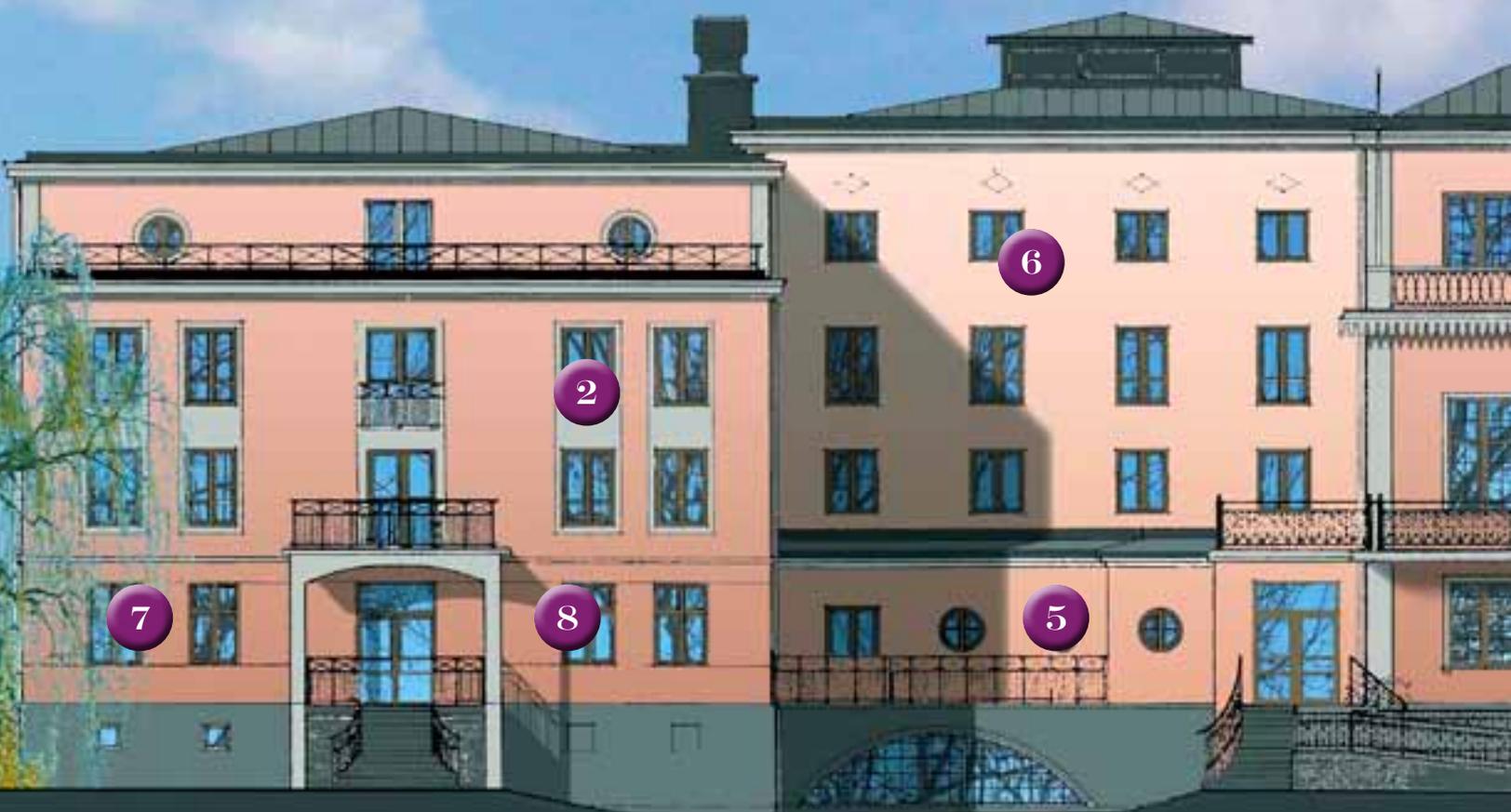
PANDOX BUSINESS OPERATIONS REPORT 2012



ONE OF THE LEADING HOTEL PROPERTY COMPANIES IN EUROPE

JOIN US ON A TOUR OF PANDOX' WORLD

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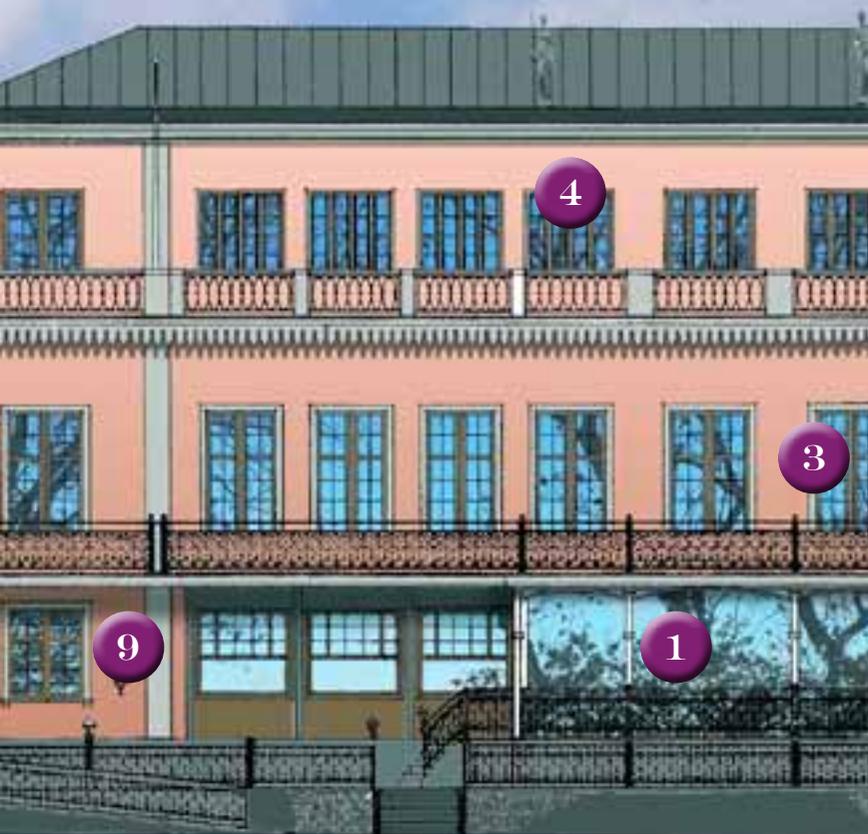
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CONCIERGE



WELCOME TO PANDOX

Pandox can be compared to and described as a hotel. The soul of the company is the reception area, where the guest first meets the company. This is where we have placed our vision, mission and success factors. The hotel rooms are crucial to financial success, and this is where our strategies, business models and partners can be found. Pandox’ dynamic portfolio of hotel properties has been placed within Food & Beverages, where people mingle and meet. Our numerous investment projects need plenty of space and can be found in Meetings & Conferences, while Fitness/facilities houses marketing communications and the Board of Directors and Management.

Please join Pandox’ world and on a guided tour of this hotel, and remember to have a look at the Cashier section, covering our history. I am your guide, and with me is Mr Harry. Who Mr Harry is? You will find out soon enough...

Anders Nissen, CEO

WELCOME TO PANDOX CHECK-IN



- Have you seen Mr Harry?
- Yes, I saw him just now, heading for the elevators.

Pandox took over the Scandic Grand Marina in Helsinki in 2010 as a result of the Norgani acquisition. Boasting 462 rooms and 18 meeting and conference rooms that seat up to 1,500 persons, it is one of Helsinki's leading business and conference hotels. The Scandic Grand Marina is located close to the city centre and has a waterside location overlooking the Helsinki harbour.

CEO COMMENT

THIS IS PANDOX



The driving forces behind Pandox' successful and rapid development are to be found in our specialist expertise, well-defined strategy, professional employees, and industrial owners. A special characteristic is the Pandox Spirit – our corporate culture that energises us and allows us to enjoy our work.

Vision

Pandox' vision is to be one of the world's leading hotel property companies with specialist expertise in both hotel and property operations combined with active ownership.

For the vision to become reality, we must maintain our specialist expertise of the value-growth chain.

The revenue structure needs to be balanced in terms of international and national demand as well as between brand names. Combined with a good mix of leases and own operations, this will minimize risk while maximizing our potential.

Business concept

Pandox' business concept – based on our expertise in the fields of hotel properties, hotel operations and business development – is to actively own, develop and lease hotel properties.

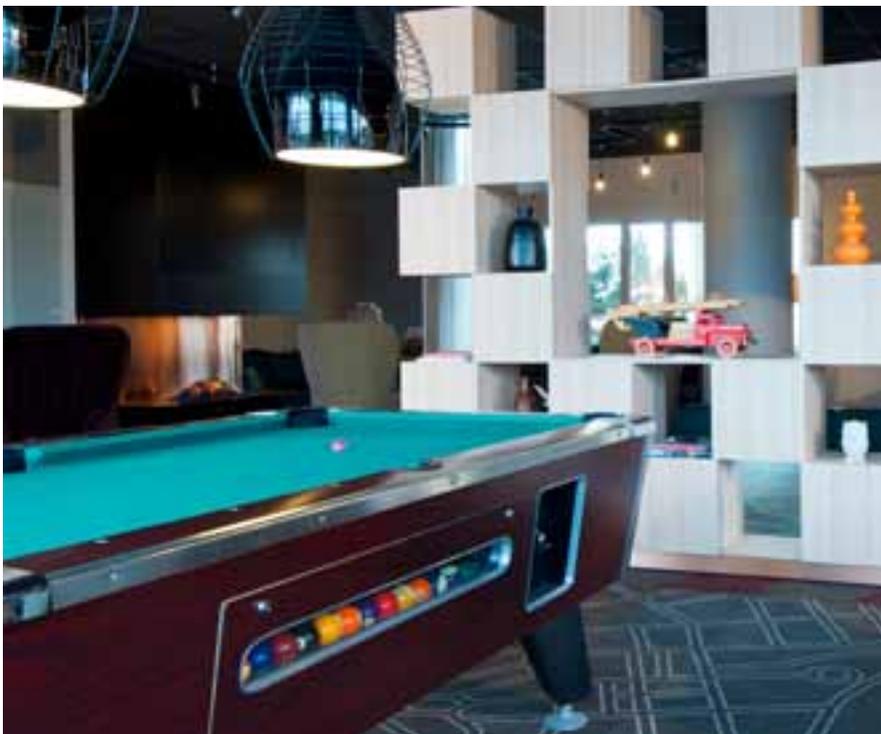
Overall goal

Pandox' overall goal is to achieve optimal yield and value growth in our portfolio.

Specific goals are set each year for operating profit, return on equity, value growth in the existing hotel property portfolio, and solvency.

The goals are then broken down for each individual property to act as guidance when investment decisions are made.

AND THESE
ARE OUR
SUCCESS
FACTORS



NO. 1

WELL-DEFINED AND FOCUSED STRATEGY

Pandox has a well-defined strategy with strict guidelines for factors such as country, city, hotel type, type of partnership and yield. These are requirements that have been consistently followed since the Company was established.

>> Further information about Pandox' strategy is available on pages 8–9

NO. 2

EXPERTISE AND NETWORK

Pandox operates with a lean management organization. The benefits are rapid decision-making, a high level of interactivity and considerable individual freedom. In order to maintain momentum in all business processes, the organization is supplemented by a national and international network. The model requires visionary, as well as operative leadership, and the ability to create platforms for effective collaboration between individuals from different backgrounds.

NO. 3

CORPORATE CULTURE – THE PANDOX SPIRIT

Pandox has established an informal management style based on competence and a minimum bureaucracy supported by effective monitoring methods. Our keywords are inspiration, simplicity, speed, expertise and prominent leadership.

NO. 4

ACTIVE OWNERS AND RAPID DECISIONS

Pandox' shareholders and Board of Directors possess industrial expertise in the Company's three most important disciplines: hotel operations, hotel properties and business development. Their knowledge and experience forms a base for swift decision making, enabling us to act faster than the rest of the market when, for example, making acquisitions. Pandox' shareholders and Board of Directors also set clear goals for operations, which provide excellent guidance for the Company.

NO. 5

KNOWLEDGE AND BUSINESS INTELLIGENCE

One of Pandox' cornerstones is to constantly develop its areas of competence and expertise. The business model is based on a well-developed methodology that enables Pandox' skilled employees to develop and be creative.

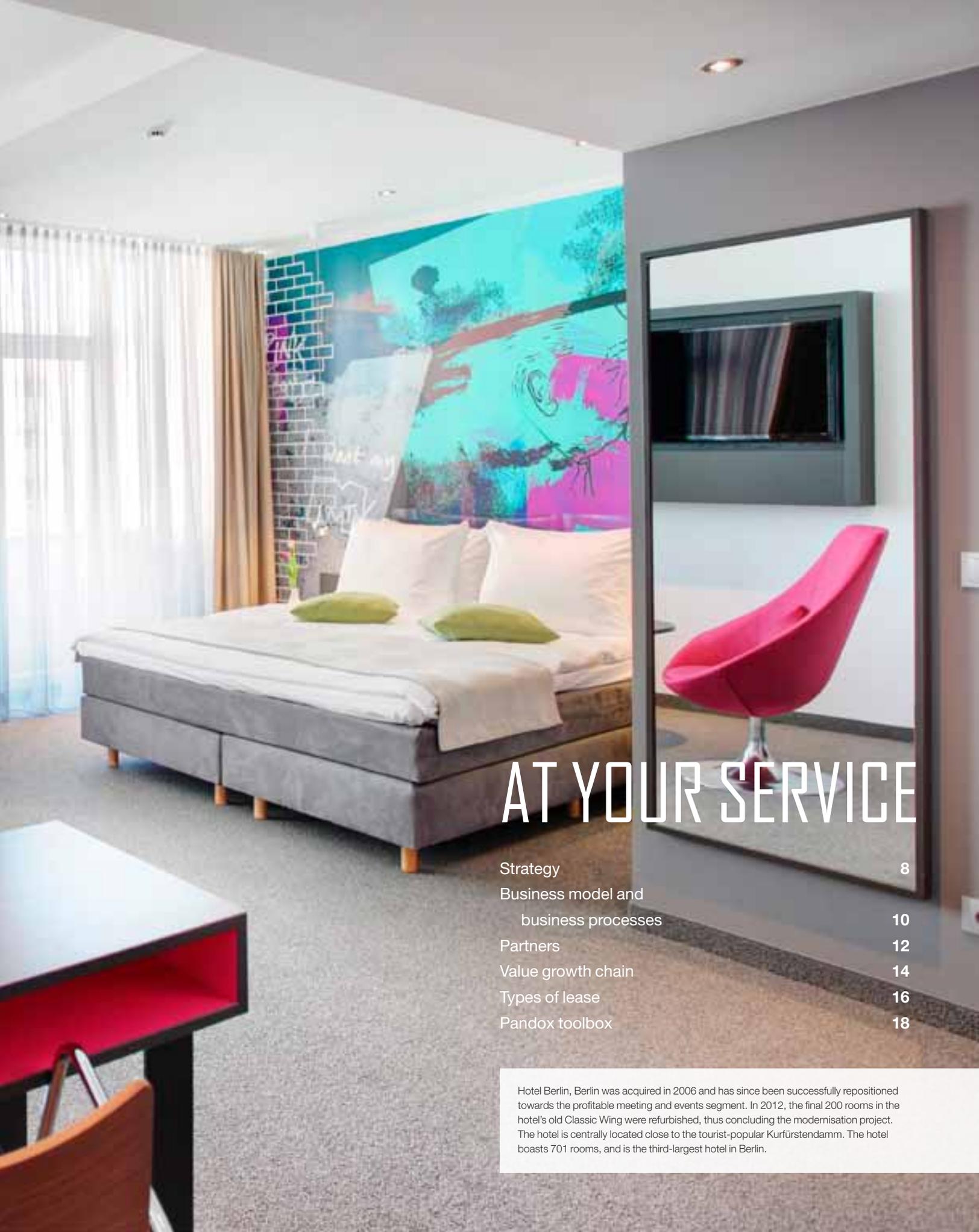
NO. 6

STRUCTURED WAY OF WORKING

Pandox' operations are structured through five main processes that in a clear and simple way describe the Company's present position enabling a situation-adapted and commercially inspired way of working.

OUR SYSTEMS, METHODS AND THE WAY WE WORK ARE THE KEYS TO SUCCESS

– Mr Harry? He was here just now.
• Try looking for him in the bar downstairs.



AT YOUR SERVICE

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Hotel Berlin, Berlin was acquired in 2006 and has since been successfully repositioned towards the profitable meeting and events segment. In 2012, the final 200 rooms in the hotel's old Classic Wing were refurbished, thus concluding the modernisation project. The hotel is centrally located close to the tourist-popular Kurfürstendamm. The hotel boasts 701 rooms, and is the third-largest hotel in Berlin.

CONSISTENT STRATEGY

ONE TYPE OF ASSET- HOTEL PROPERTIES

A hotel property has distinctive features that differ from other types of property, demanding specialist expertise in order to maintain active ownership. This is why Pandox invests exclusively in one type of asset – hotel properties.

Business position: The Pandox portfolio contains 120 hotel properties and one congress and fair centre.

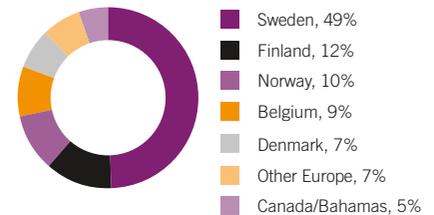


GEOGRAPHICAL MARKET

Focusing on one type of asset requires a broad geographical spread in order to create the right conditions for growth and to benefit from changes in the hotel economic cycle.

Business position: Pandox operates in ten countries, Sweden being the largest. Major submarkets are Brussels, Copenhagen, Helsinki, Gothenburg and Montreal. Overall, Pandox owns hotel properties in 59 cities that represent a mix of international and domestic demand.

Geographical spread, proportion of hotel rooms



LOCATION AND SIZE

Large hotels with commercially attractive locations provide the best business opportunities while simultaneously reducing risks, as these hotels have stronger cash-flows and are easier to finance.

Business position: All Pandox hotels have strong locations with an average of 207 rooms, which is significantly more than the average hotel in each respective market.



ENABLES STABILITY AND RISK DIVERSIFICATION

PRIORITISED MARKET SEGMENTS

The hotels in the property portfolio must mainly be in the upper-medium and high-price segments.

Business position: The portfolio contains a mix of upper-medium and high-priced hotels. The medium-priced hotels include many Scandic hotels, as well as the Hotel Berlin, Berlin. Examples of high-priced hotels include InterContinental Montreal and Hilton Stockholm Slussen.



Scandic Billingen, Skövde

UNDER-PERFORMING HOTEL PROPERTIES

For Pandox, an attractive investment is an under-performing hotel in a commercially attractive location which we can develop to reach its full potential through, for example, investments and repositioning.

Business position: In recent years, Pandox has acquired several under-performing hotel properties that have subsequently been transformed and repositioned. Hotel BLOOM!, Brussels, Hotel Berlin, Berlin and Quality Hotel Park in Södertälje are examples of successful transformation/repositioning projects.



Hilton Helsinki Strand

CHOICE OF BRAND NAMES AND PARTNERS

Each hotel will have the optimal brand name to strengthen its profile. This requires that Pandox maintains a broad network of national and international hotel companies with which it can co-operate.

Business position: Pandox currently collaborates with 12 hotel chains using 19 well-known and well-established brand names, as well as a number of independent distribution channels – thereby providing a unique position and a broad network.

19 WELL-KNOWN
AND WELL-
ESTABLISHED
BRAND NAMES

PANDOX BUSINESS MODEL

The business model provides the platform for a situation-adapted strategy – asset by asset.

Depending on local preconditions, Pandox can choose between four operational strategies:

LEASE with a professional operator where Pandox remains a strategic partner

Own operations under a **FRANCHISE AGREEMENT** with a well-known brand name

Retain **OWN OPERATIONS** through independent distribution systems

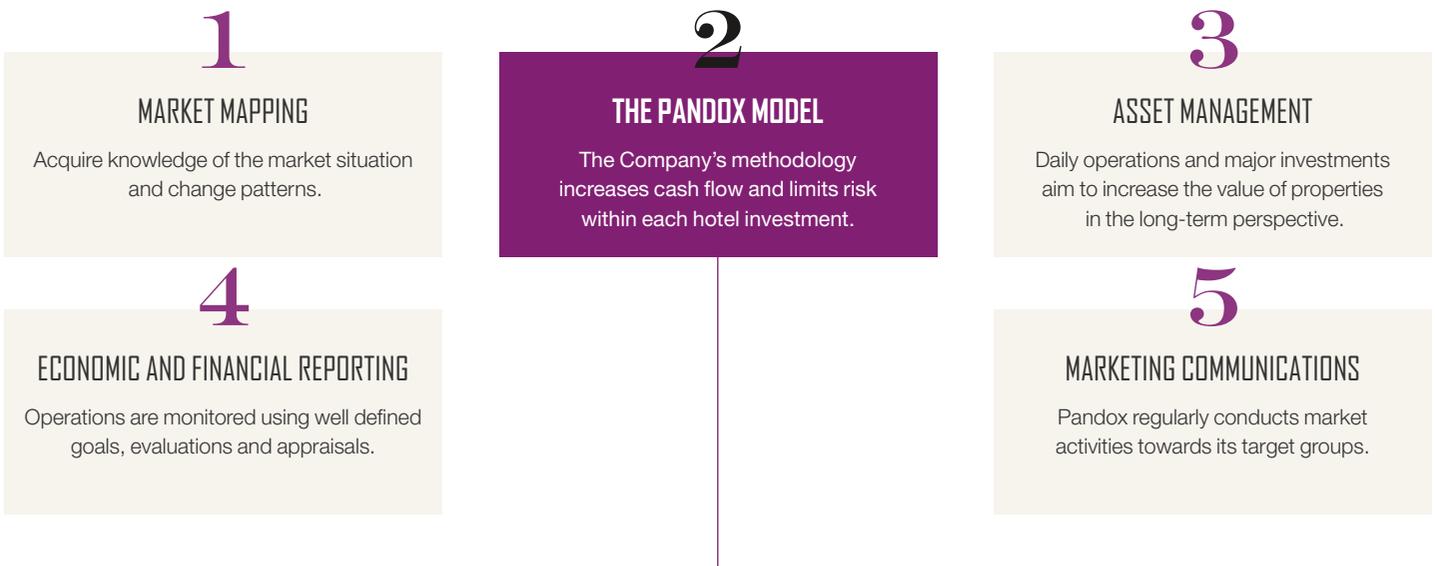
MANAGEMENT AGREEMENT where another party manages daily operations on behalf of Pandox



– I see you've found yourself a good spot under the table, Mr. Harry. Gourmet food for free!

PANDOX' FIVE MAIN PROCESSES

Pandox' five main processes are used to describe the Company's business situation, as well as to understand external and internal driving forces, and how they interact.



THE PANDOX MODEL – AND ITS FOUR PHASES

Market analysis

A market analysis is performed in order to assess a hotel's profitability potential and subsequent ability to pay the agreed rent. The local market is defined and analysed with regard to demand, competition and the current and future offering.

Market strategy

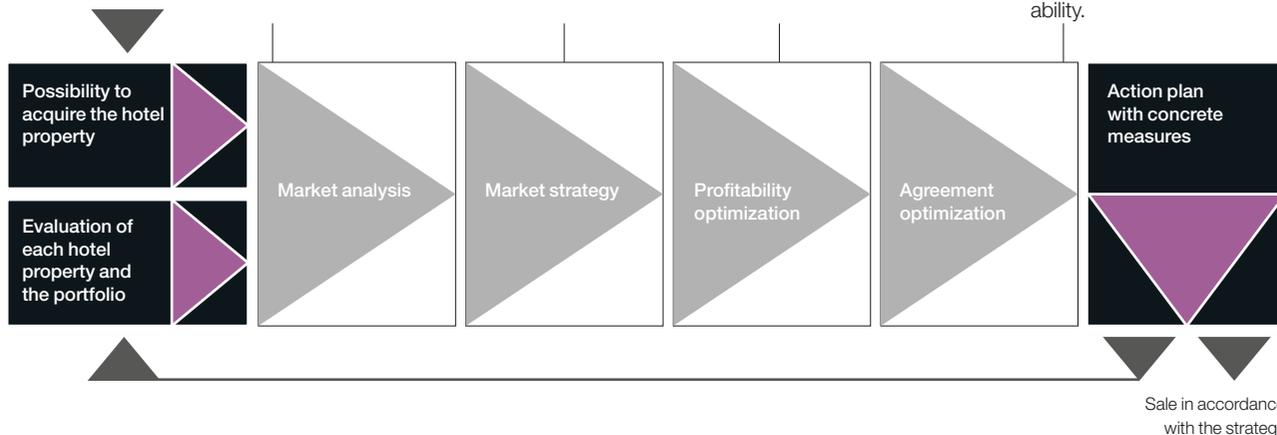
A strategic plan for each hotel property is established, based on each hotel's specific prerequisites, the local market, and the property's position in the hotel economic cycle. The property's future area of use is evaluated during the preparation of the strategic plan.

Profitability optimization

Since the value of a property is influenced by the profitability of the hotel operations, the operator is Pandox' most important partner. The hotel operator is constantly assessed in order to ensure positive developments in the hotel's operations and the value of the property.

Agreement optimization

The optimal cash flow of each hotel property is then divided among the operator, Pandox and other parties through a lease, franchise or management agreement. The agreement is formulated in such a way that all parties involved are given an incentive to continuously improve the hotel property's overall profitability.



PANDOX PARTNERS



Pandox has a unique network in the hotel market, and currently collaborates with several of the large hotel chains under 19 different well-known and well-established brands. This gives us a strong position and a broad network which form an excellent platform to continuously develop our competence base.

WELL-KNOWN AND WELL-ESTABLISHED BRAND NAMES



omenahotels.com

 Rantarisipi

Each market is unique, and a thorough knowledge of local conditions is required, in order to create a product that provides sustainable profitability. A strong brand strengthens the hotel's market position and competitiveness in the chosen product segment.

THE VALUE GROWTH CHAIN

The value growth chain in a hotel property forms the basis for Pandox' vision, strategy and choice of lease structure.

1. MACRO ECONOMY

Obviously, macro-economic factors affect the performance of each market and it is vital to analyse global, regional and local activity levels in order to identify trends at an early stage. This analysis will guide us when making decision about when and how we enter a new market and how to adapt to situations in our current markets.

10. FINANCING AND TAXES

The choices of financing and legal structure are key components in creating stable value growth.

9. LEASE STRUCTURE

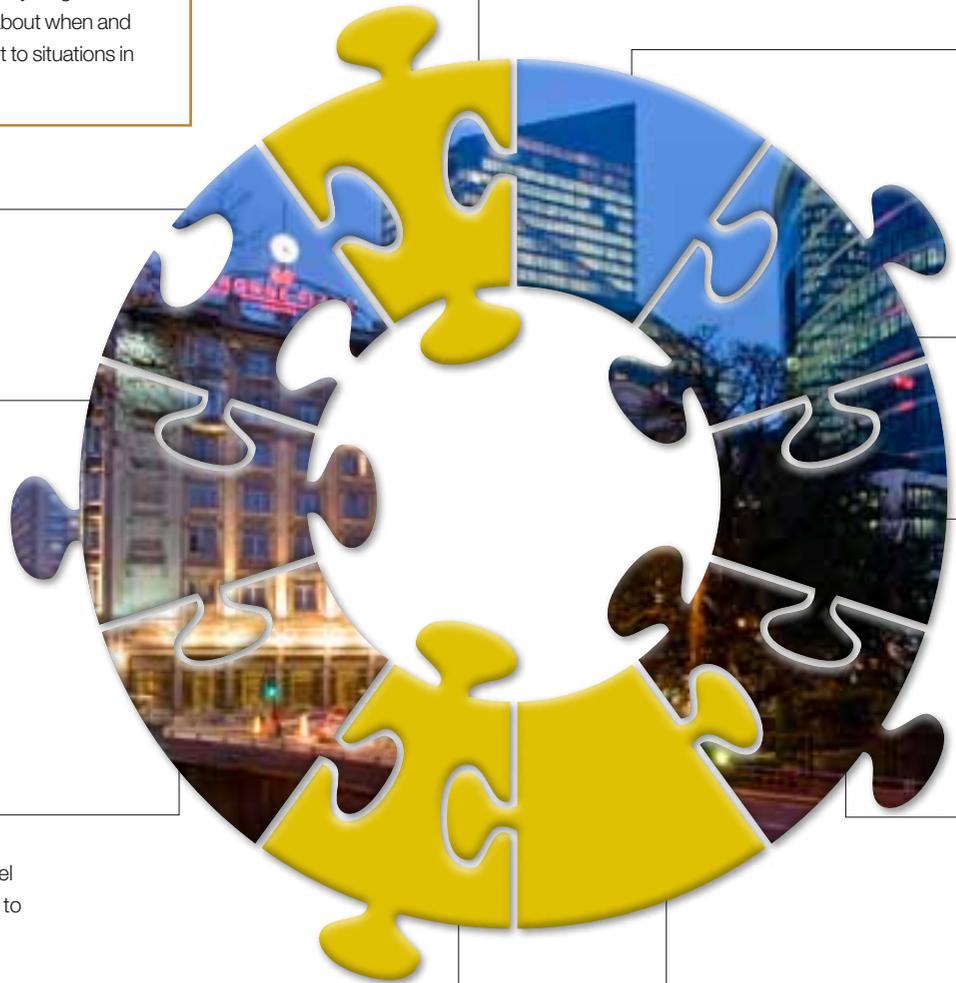
The hotel industry has many forms of lease that affect a hotel's profitability, financing and value growth. Generally, a lease should contain mutual incentives to encourage the parties to work in the same direction.

8. ASSET MANAGEMENT

The hotel industry is capital intensive and requires specialist expertise within both hotel operations and asset management in order to effectively manage and develop the hotel properties.

7. INVESTMENTS

A constant focus on improvement and development for each hotel is necessary in order to maintain a strong market position.



KNOWLEDGE OF THE ENTIRE CHAIN IS A PREREQUISITE FOR SUCCESS

2. HOTEL ECONOMIC CYCLE

The hotel economic cycle usually follows the macro economy, and can generally be divided into four different phases: downturn, declining rate of downturn, stable growth and peak. Knowledge of the pattern of the hotel economic cycle can be utilised when investing in different geographical markets, as well as when seeking to limit risk in markets with weaker outlooks.

3. LOCATION AND AREA

Hotels need strong and natural locations, as well as the right size to achieve critical volume and thereby good preconditions for profitability.

4. COMPETITION – NEW CAPACITY – DIFFERENT MARKET POSITIONS

Each market is unique, and considerable knowledge of local conditions is required in order to create a product that ensures sustainable profitability.

5. BRAND NAMES

A strong brand name strengthens the hotel's market position and competitiveness in the chosen product segment.

6. OPERATIONS AND MANAGEMENT

Hotel operations are complex and demand a high level of expertise, considerable presence and good leadership. A good local hotel team will result in both satisfied customers and employees, as well as a high level of profitability.

CEO COMMENT

SPECIALIST EXPERTISE GENERATES VALUE GROWTH



Pandox invests in one type of asset: hotel properties. This is our base, from which we have successfully generated sound value growth, year after year.

A hotel property has certain special characteristics that set it apart from other types of property. To succeed in this segment, active ownership is required, as well as a good knowledge of what makes this type of property so different from others. A hotel owner needs to have specialist expertise in four important areas:

- **Market analysis:** the business conditions for each investment, as well as the competition factors and the macro economy.
- **Hotel operations:** how operations should be organised to achieve high productivity and stable development in results.
- **Property operation and investment:** how should the investment be managed and developed in order to yield optimum performance?
- **Business development:** transactions, financing, valuation, legal structure and investments in existing hotels.

This requires specialist expertise in all areas. By having an edge on our competitors in every one of these areas, we at Pandox have generated sustainable value growth for our owners.

TYPES OF LEASE

The value of a hotel property is determined to a considerable degree by how the underlying lease or agreement is formulated. Pandox favours agreements with shared incentives, creating optimal preconditions for maximum development for both parties.

Optimal lease framework

Pandox' flexible business model is reflected in the different types of lease. The design and formulation of leases and agreements are guided by factors such as anticipated market trends, local competition, planned investments, as well as choice of operator and distributor. A mixture of different

types of lease/agreements provides Pandox with a structure that increases cash flow in good times and, due to rental guarantees, protects against receding markets.

Depending on local preconditions, Pandox can choose between several possible types of lease/agreements:

I. RENTAL AGREEMENTS/LEASES

Revenue-based lease

Revenue-based leases are linked to the sales generated by the hotel business. This form of contract provides Pandox with a share of the growth in both the market as a whole and in the market share. To limit the risk, these agreements generally specify a minimum guaranteed rent.

Result-based lease

A result-based lease implies that Pandox receives a share of the hotel operator's net operating profit. This type of agreements requires that Pandox is informed of and is given access to the operating company's finances and agreements. This form of contract can also include a guaranteed rent.

Fixed-fee lease

A fixed-fee lease is an older type of rental lease. It is preferred by passive investors who primarily seek a minimum guaranteed rent. Pandox does not enter into fixed-fee leases as they impair growth possibilities.



Hilton Helsinki Kalastajatorppa



Clarion Collection Mayfair, Copenhagen



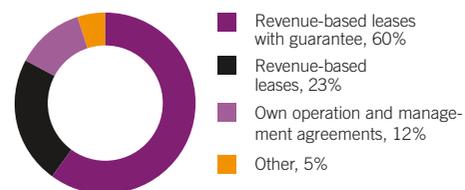
2. MANAGEMENT AGREEMENTS

A management agreement can be perceived as a sort of agent contract, where Pandox owns the hotel business. Through a management agreement, a hotel company is assigned to operate and manage the hotel on behalf of Pandox. This implies that Pandox owns the hotel operations, as well as the hotel property.

3. FRANCHISE AGREEMENTS

Franchise agreements can be entered into with a hotel company for Pandox' own operations. Pandox thereby benefits from a large system that takes care of the hotel's overall marketing and sales. This implies that Pandox owns the hotel operations, as well as the hotel property.

Lease structure – rent revenues 2012



Revenue-based leases account for 83 percent of Pandox' rent revenues, while own operations and management agreements account for 12 percent.

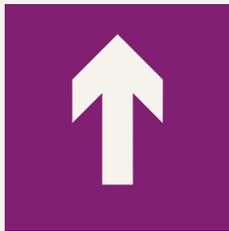


Pandox' leases are formulated so that all parties involved are encouraged to continuously improve the hotel property's overall profitability.

PANDOX TOOLBOX



Pandox is an active owner. Over the years, the Company has developed various specialist skills, of which a number have been assembled and structured into management tools to support decisions made in day-to-day operations. We call this the Pandox toolbox, and its tools are used actively to maintain a high level of productivity through successful analysis, forecasting and cost-control.



PROFITABILITY OPTIMIZATION

Tool 1. Reservation status

Information about the hotel's exact reservations status for each given time period and segment enables detailed analyses and accurate forecasts to be made.

Tool 2. Revenue management

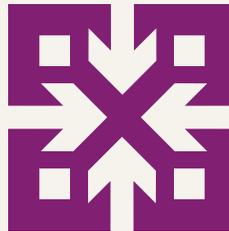
The consistent use of a Property Management system that includes information on market trends and demand patterns creates preconditions for correct forecasting and pricing.

Tool 3. Implementation

The implementation of the first two tools takes place in all parts of the hotel, including planning of conferences, breakfasts and restaurant activities.

Tool 4. High-quality forecast tools

High-quality forecast tools that enable the hotel to provide accurate daily, weekly and monthly forecasts are a precondition for good planning both in the short and long term perspective.



COST CONTROL AND FLEXIBILITY

Tool 5. Time reporting

Detailed reporting of hours worked by the day, week, month and for each department enable a rational and cost effective operation.

Tool 6. Work rotation/multitasking

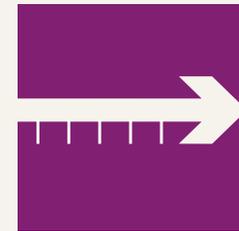
Cooperation among the hotel's departments increases efficiency, strengthens personnel development and reduces staff turnover.

Tool 7. Organisation

The year's weakest month of occupancy constitutes the basis for the hotel's fundamental organisation and the number of permanent employees, while the remaining workforce is structured to allow for seasonal demands. This approach will minimise personnel costs and achieve a stable organisation.

Tool 8. Flexible cost base

A flexible cost base makes it possible to adapt to fluctuating revenues.



STRATEGIC TOOLS

Tool 9. Business plan

A tangible and well-defined business plan with budget, forecasts and investments guides the organisation towards the right priorities.

Tool 10. A clear early warning system

An early and clear warning system based on daily analyses of revenues and costs increases the possibility to take active measures and the right action at an early stage.

Tool 11. Action plan and log

Distinct and measurable activity goals, with clear allocation of responsibility and well-defined timetables, are necessary to maintain focus and to continuously monitor and improve operations.

Tool 12. Environmental work

Pandox Property Portal is an online information system for monitoring and follow-up of the hotels' energy and water usage. It provides tools to identify trends and monitor the effects of investments through graphs and monthly reports. The Property Portal provides instant, accurate and continuous analysis of the hotels' energy consumption development.

ENVIRONMENTAL WORK

ACTIVE ENVIRONMENTAL WORK AT EVERY STAGE

Pandox seeks to minimise the environmental impacts of the company as a whole, as well as that of each hotel we own. We consider active environmental work to be a necessity; we must do what we can to contribute to long-term sustainable development.

The hotel industry has a history of focusing on environmental and sustainability issues. One example is Scandic, which for many years successfully

has focused on different measures to reduce environmental impacts.

Pandox seeks to fulfil, by a wide margin, the environmental requirements made in the countries where we are active. Using our Property Portal, we follow up closely on our hotels in terms of energy and water consumption, and rely primarily on suppliers, contractors and consultants with a well-defined environmental policy. Environmental development initiatives are often undertaken in

collaboration with the hotel operator.

Internally at Pandox, we strive to include environmental aspects in our day-to-day work. This might, for example, concern such simple issues as minimising paper use and energy consumption in our premises. We sort at source and recycle our waste as much as possible. Naturally, we serve organic coffee and fruit, bearing the Swedish KRAV label, in our premises.



Scandic Grand Marina, Helsinki



IN PRACTICE



The Hotel, Brussels

The Hotel, Brussels, is on its way to halving its energy consumption.

Pandox acquired The Hotel in 2010. The hotel, which has operated independently since the acquisition, had a great need for renovation and modernisation. Among the project's goals are a halving of the energy consumption through modernisation and the introduction of more efficient systems.

In 2012, the ten top floors of the hotel's 27 storeys have undergone comprehensive conversion work, leading to a 25 percent reduction

of the hotel's energy consumption. On the completion of the project in 2013, all storeys and 433 rooms of the hotel will have been fully renovated. The same applies to the lobby, reception area, technology, etc. The project will result in an estimated 50 percent reduction in energy consumption compared to 2010.

-25%
ENERGY CONSUMPTION IN 2012

– Yes, Mr Harry, our own operations are growing. Today there are 13 hotels, 14 in 2013, all operated with local strategies. Together they generate revenues of SEK 1.2 billion. By the way Mr Harry, would you care for a drink?

PANDOX GEOGRAPHICAL SPREAD AND BREADTH, OWN OPERATIONS



EXPERIENCE!

Pandox acquired Hotel BLOOM! in Brussels in 2005. Since then, the hotel has been refurbished and repositioned with its own unique concept based on art and design. Hotel BLOOM! is centrally located in the heart of Brussels and is operated by Pandox.

Pandox' principal strategy is to own one type of asset – hotel properties. The portfolio currently consists of 120 hotel properties and one congress and fair centre with 25,000 rooms, of which the majority belong to the profitable full-service segment or are stable medium-priced products.

The operations are located in 10 countries and 59 locations. About 60 percent of revenue comes from international markets such as Brussels, London, Montreal, Stockholm, Gothenburg, Malmö, Copenhagen, Berlin, Helsinki and Oslo. The remaining 40 percent is characterised by domestic demand in regional towns and cities in Scandinavia, Germany and Switzerland.

The mix of locations and brand names creates stable demand that gives a portfolio with good potential and limited risk.

CEO COMMENT

GEOGRAPHICAL DIVERSIFICATION ENSURES STABILITY



Geographical diversification is one of the cornerstones of Pandox' strategy. This gives us two advantages: risk diversification and investment opportunities.

By owning hotels targeted at an international, national or mixed segment, Pandox is shielded from fluctuations in demand within the respective categories. Geographically too, Pandox is less exposed to cyclical fluctuations – a downturn at one location can be compensated by an upturn elsewhere.

The fact that Pandox is focused on several markets also enables us to utilise cyclical fluctuations in order to optimise investments.

59 CITIES >> 10 COUNTRIES >>



OPERATED *by* PANDOX

OWN OPERATION GENERATES KNOW-HOW

A natural part of Pandox' active ownership is to possess the know-how on how to manage hotels. This business model is used when there is no suitable partner with whom to sign a lease, or if the hotel is in need of extensive development work. In 2012, the company expanded its own operations with three hotels in Germany. Two have already been integrated into Pandox' own operations, while the third will be integrated during the first months of 2013. After these additions, the company's own operations will include 14 hotels in the Nordic region, the rest of Europe and North America.

The philosophy behind Pandox' operations is to build each hotel's strategy and competence locally. At year-end, Pandox operated hotels with close to 4,300 rooms and total turnover of SEK 1.2 billion. The company runs hotels in Antwerp, the Bahamas, Berlin, Bremen (from June 2013), Brussels,

Dortmund, Espoo (Helsinki), Lübeck and Montreal.

Various strategies must be mastered in order to succeed as owners in an international hotel environment. The business cultures differ among Pandox' various geographical areas. In the Nordic region, leases dominate, while in North America manage-



Above:
Hotel Berlin, Berlin
– a real Berliner located centrally in the tourist-frequented district of Kurfürstendamm. The hotel is the city's third largest with 701 rooms and excellent meeting facilities.

To the right:
Crowne Plaza Antwerp was acquired in 2007. Further to a comprehensive refurbishment that was completed in the autumn of 2011, the hotel is one of the leading business hotels in Antwerp. The picture shows the exquisite new event pool.



Hotels operated by Pandox

City	Hotel	Brand name	No. of rooms	Location
Antwerp	Crowne Plaza Antwerp	Crowne Plaza	262	Ring road
Bahamas ¹⁾	Pelican Bay	Independent	186	City centre
Berlin	Hotel Berlin, Berlin	Independent	701	City centre
Brussels	Crowne Plaza Brussels – Le Palace	Crowne Plaza	354	City centre
	Hotel BLOOM!	Independent	305	City centre
	Hilton Brussels City	Hilton	283	City centre
	The Hotel, Brussels	Independent	433	City centre
	Holiday Inn Brussels Airport	Holiday Inn	310	Airport
Dortmund	Radisson Blu Dortmund	Radisson Blu	190	City centre
Helsinki, Espoo	Hotel Korpilampi, Espoo	Independent	151	Ring road
Lübeck	Holiday Inn Lübeck	Holiday Inn	158	Ring road
Montreal	Hyatt Regency, Montreal	Hyatt Hotels	605	City centre
	InterContinental Montreal	InterContinental	357	City centre
Total			4,295	

As of June 1, 2013, Hilton Bremen, with 235 rooms, will be re-branded to Radisson Blu and run by Pandox.

¹⁾ Pandox manage the hotel in Bahamas for one of the owners.

ment and franchise leases are the most common. Europe has a combination of both. Operational expertise includes the specialist knowledge required to be able to assess the operators with which leases have been concluded, and to undertake acquisitions that include both the property and the operations.

In view of the increasing trend in the industry for hotel companies to be management companies, it is also natural for Pandox to integrate vertically and take over responsibility for operations.

During recent years, five operative enterprises that were acquired as under-performers, and thereafter developed, have been rented with long leases to well-known operators, creating preconditions for new acquisitions.

In 2012, Pandox increased the ratio of operative companies with three new hotels in Germany, when a franchise agreement was concluded with Radisson Blu Dortmund and Bremen (formerly Hilton) and Holiday Inn Lübeck (formerly Scandic).



INVESTMENTS AND COOPERATION

Scandic Malmen in Stockholm was acquired by Pandox in 2010. At the time of the acquisition, the hotel was in the process of being upgraded and refurbished. The investments were completed in the autumn of 2012, when the refurbishment of 185 rooms and the modernisation of the hotel's technology were completed.



– Certainly, Mr. Harry, one large milk coming up.
Would you like it shaken or stirred?

TAKE PART IN

Shark project

28

Other investment projects

30

A HUGE INVESTMENT

THE SHARK PROJECT ENTERS A NEW PHASE

SEK 1.6 billion is being invested in the upgrading and development of 38 existing Scandic hotels. The investment project, named Shark, is a joint venture between Pandox and Scandic, and is one of the largest joint hotel ventures ever achieved between a hotel operator and a property owner in the Nordic Region. The main challenge in 2012 was the planning the numerous sub-projects covered by the overall investment.



APPROX. SEK

1.6

BILLION

The Moby project, a sub-project to Shark, is redefining the concept of Nordic highway hotels. The first hotel to implement the new design concept was Scandic Upplands Väsby.

Pandox acquired Norgani at the end of 2010. The portfolio included at that time 73 hotels in Scandinavia, of which many were in need of development and modernisation. Pandox and Scandic have concluded a business agreement for the joint development of 38 hotels for a total amount of SEK 1.6 billion. The agreement is one of the largest hotel ventures ever established between a hotel operator and a hotel property owner in the Nordic region. The mega-project is estimated to be completed in 2014–2015.

In 2012, the focus has been on organising and planning all sub-projects. Attention is also paid to ensuring the right mix of expert skills in the project groups, in order to run the investments effectively. Some sub-projects were launched during the year, and the largest of them will kick off during 2013.

Scope of the project

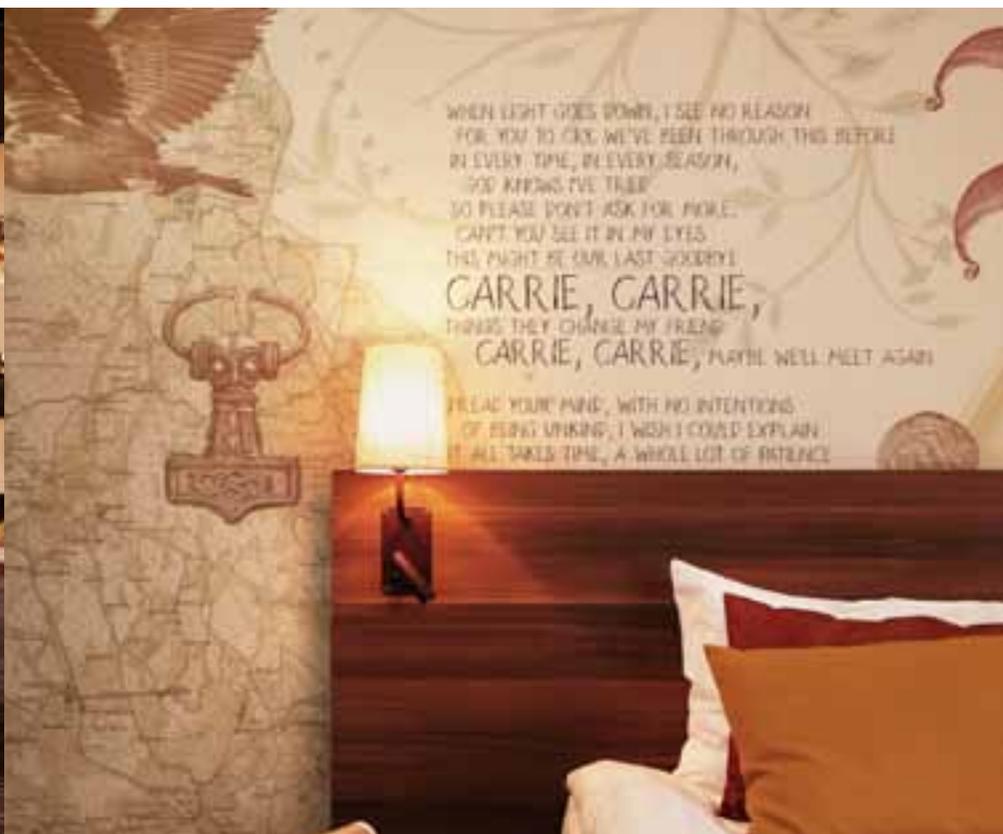
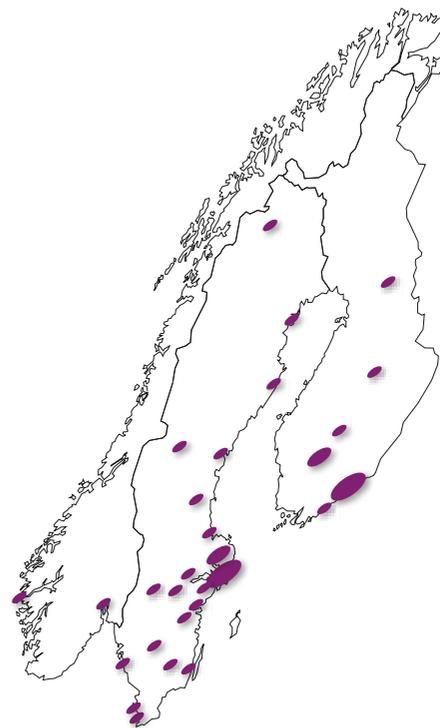
The overall investment program is called Shark and concerns several large city hotels, such as Scandic Continental Helsinki and Hilton Helsinki, KNA in Oslo and Scandic Malmen in Stockholm. The Shark investment also includes the Moby sub-project, with the vision to develop 21 classical highway hotels.

New hotel concept

The new hotel concept is characterised by flexibility and non-traditional solutions that take into account new family types, travel patterns and trends.

Focusing on the guests' needs and well-being, the concept includes everything from parking, reception, lobby, conference facilities and restaurants, to the hotel rooms. The concept also includes the integration of the history of Scandic and the hotel into design elements and layout, and a strengthening of the informal homeliness of the hotels. New social meeting points will be created within the hotels and the guest rooms will be upgraded with new interior fittings and design. The technology will also be comprehensively upgraded. This will ensure that the hotels are well-equipped to meet future challenges.

Shark is a joint investment programme between Scandic and Pandox, and embraces a total of 26 hotels in Sweden, 10 hotels and one congress and fair centre in Finland, and 2 hotels in Norway. Most of the highway hotels covered by the project are located in Sweden.



OTHER INVESTMENT PROJECTS



THE HOTEL, BRUSSELS (ONGOING PROJECT)

The Hotel is centrally located on Boulevard Waterloo in Brussels. It has 433 rooms, well-developed conference and meeting facilities, restaurant, bar and fitness centre. The hotel, which has been run independently since 2010, was in great need of complete refurbishment and modernisation. The development program includes the establishment of a new name and re-branding under an independent flag. The product has undergone comprehensive refurbishment, with re-designed rooms, corridors and public areas. The meeting and conference areas were expanded and upgraded. The

27-storey building has also been equipped with a new urban spa and fitness centre, modern energy systems, and a more streamlined layout. The investment is estimated to be completed in Q3 this year.

Investments 2011–2013:
EUR 30 million (SEK 270 million)

When completed:
Full renovation of the entire hotel, all floors and 433 rooms
Lobby/public areas/conference facilities/restaurant and bar

SCANDIC COPENHAGEN (COMPLETED PROJECT)

Scandic Copenhagen is one of the largest hotels in Scandinavia. It is located in the centre of Copenhagen, and has a high ratio of international guests. After an expansion in 2000 the hotel has 486 rooms and extensive conference and banqueting facilities.

In June 2012, a major upgrade of the hotel was completed. All 486 rooms have been modernised, while the lobby, reception and conference areas have been upgraded with a modern new design concept. The facilities include several restaurants, and a café, pub and bar, making Scandic Copenhagen a popular watering hole for both visitors and Copenhageners.



Investments 2010–2012:
SEK 170 million, of which half shouldered by Pandox

Completed:
Full upgrade and refurbishment of all 486 rooms
Breakfast room
Conference areas (2010)
Lobby/reception
New design concept

CLARION GRAND HOTEL, HELSINGBORG (ONGOING PROJECT)

Established in 1926, the Clarion Grand Hotel in Helsingborg has 158 rooms, and was acquired by Pandox in 1995. In 2007, Radisson SAS was replaced by Choice as hotel operator, and it is now being run under the Clarion brand. In a joint project with Nordic Choice, in 2013 Pandox is refurbishing bathrooms, developing a new bar and restaurant concept, and upgrading the hotel's technology.



Investments 2012–2013:

SEK 24 million (with Nordic Choice Hotels)

When completed:

Rooms and bathrooms
New bar and restaurant concept
Upgrading of technical installations in the cooling and ventilation system

SCANDIC MALMEN, STOCKHOLM (COMPLETED PROJECT)

Scandic Malmén is located in the heart of Södermalm in Stockholm, close to cultural venues and shopping. The hotel is a listed 1950s building with 332 rooms, as well as meeting rooms, a restaurant and a bar with a live venue – Lilla Hotellbaren.

Pandox took over the hotel property in 2010 as part of the Norgani acquisition.

In the years preceding Pandox' acquisition, Scandic Malmén had undergone a number of modernisations and adjustments. In 2008, the entire ground floor, including the lobby and reception, was refurbished, and Lilla Hotellbaren was opened. Then followed the comprehensive renovation of 92 rooms.

The refurbishment work has continued under Pandox' ownership, and the last stage

was completed in 2012. As part of Shark, the joint project between Scandic and Pandox, an additional 185 rooms were also refurbished, a task completed in October.

Investments 2008–2010:

SEK 35 million

Completed:

Refurbishment of the entire ground floor and lobby/reception area. Full remodelling of Lilla Hotellbaren
Five new hotel rooms refurbished on floor -1
Full refurbishment of 92 rooms

Investments 2012:

SEK 17 million.

Full refurbishment of 185 rooms (bathrooms, corridors, finishing, etc.) and technology
Refurbishment took place in January–October



QUALITY HOTEL LULEÅ (COMPLETED PROJECT)

The hotel is located in central Luleå and has 209 rooms. It also includes a popular restaurant, bar and nightclub, conference facilities for up to 260 delegates, and a relax section with a pool and sauna.

Since autumn 2012, an extensive refurbishment project has been ongoing, in close cooperation with Nordic Choice Hotels. 151 rooms have been refurbished, and the lobby, restaurant, conference section and entrance area have received a complete makeover. The project was completed in the first quarter of 2013.

Investments 2012:

SEK 40 million (divided equally between Pandox and Choice)

Completed:

151 rooms have been fully refurbished (including bathrooms and finishings)
Lobby/restaurant/conference/entrance will be completed during Q1 2013
Nine new rooms have been added (from 209 to 218), while more single rooms can be used as double rooms, and some office areas have been converted into hotel rooms



PANDOX SPIRIT

Hyatt Montreal was acquired in 2008 and has since been successfully developed into one of the city's leading meeting and leisure hotels. Boasting 605 rooms, it is one of Montreal's largest hotels. The location is strategic and central – right in the centre of the entertainment and shopping district.



– Has anyone seen Mr Harry?

ENJOY!

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MARKETING COMMUNICATIONS

HOTEL MARKET DAY

Pandox introduced the Hotel Market Day in 1996, the year after the company was established. The primary reason was that the company, and the hotel industry, needed to be presented to the capital markets before being floated on the stock market one year later. The hotel market day thereafter became a regular annual event, developing the Hotel Market Day into a dynamic meeting place for the hotel industry.



The annual event is held at the Pandox-owned hotel property Hilton Stockholm Slussen. In recent years, the seminar has been fully booked, with over 300 participants, including more and more international delegates. During the day, participants can attend interesting lectures, network and make new contacts, and hear Pandox' hotel forecast for the coming year. The evening concludes with mingling and dinner in a pleasant and relaxed atmosphere.

In recent years, the theme for the day has covered a wide range of topics, including how social initiatives and corporate social responsibility affect

the hotel industry, the significance of budget airlines and shopping tourism, and the importance of the term "brand profitability".

In 2012, the theme was hotel architecture and design. How are design and profitability related in the hotel industry, and what trends are apparent in the world today? As usual, the list of speakers included some top-class names with considerable industry knowledge and experience. Guy Dittrich, journalist and writer, presented current global trends seen from Shanghai – one of the world's currently hottest hotel locations. Janis Cannon

(Indigo), Rob Wagemans (CitizenM) and Homi Vazifdar (Canyon Equity) each presented examples of successful concepts in which architecture and design, in different ways, play a vital role. Mark Levengood gave an insight into what the usual hotel guest values most, and Magnus Månsson described hotel design from the architect's perspective, while Torgeir Silseth (Nordic Choice Hotels) and Pelle Lydmar (Lydmar Hotel) presented the views of the operator and the innovator, respectively. The day was a big success, with well over 300 guests.

PANDOX UPGRADE REGULAR MARKET INFORMATION

Our newsletter, Pandox Upgrade, presents information on market developments, hotel trends and transactions, and news from the Pandox world. When Pandox was established in 1995, Pandox began to publish a newsletter as part of the marketing of the company to the capital markets, prior to the stock market flotation. This publication became the public reports issued by the company. Even though Pandox has now been de-listed from the Stockholm Stock Exchange, the company has kept up the information flow to interested parties in the hotel and hotel property market. Pandox Upgrade is issued two to three times per year.

You are welcome to become a subscriber! Order Pandox Upgrade free of charge on telephone no. +46 (0) 8-506 205 50, or by e-mail to info@pandox.se

>> Pandox Upgrade is also available for download in PDF format (Swedish and English) at www.pandox.com



SOCIAL PROJECTS



Pandex has activities in ten countries and at 59 locations. In order to achieve our vision to be one of the world's leading hotel property companies, we must be a responsible enterprise with focus on sound business ethics and profitability, prioritised environmental work, and a number of social projects to bind the company together, as we help to ensure slightly better conditions for the less privileged.

During the year we established the Pandex Youth Handball Movement project in the town of Nyeri in Kenya. The overall objective is to offer children and young people meaningful and worthwhile recreation, through sports and handball training. Building on this, the project may later also contribute advice on healthcare, relationship and attitude issues, and other social projects. Pandex believes that sport and worthwhile recreation are natural ways to make contact with children and young people who are in need of various types of support. Investing in club activities for children and young people stimulates interest in sports, which we believe is the key to strong self-esteem, increased motivation to study, an active and healthy lifestyle, and the opportunity to be part of a larger social fellowship.

The project is run in close cooperation with the Kenyan handball club Mount Kenya Sports Group, with more than 500 members, and Partille Cup, the world's largest international youth handball tournament.

Pandex gives support by establishing a cohesive business plan, in order to ensure sound



Staffan Olsson, National team manager for the Swedish handball team and Director of Health, Sports and Coaching at Pandex participated at a training camp in February 2013 in Nyeri. Children and young people were given the opportunity to practice handball as well as obtaining information and advice about relations and health issues.

project management and prioritisation of the initiatives that are implemented. Other tasks are to train trainers, via Pandex' network, and organising lectures and training in such areas as relationship and attitude issues. Pandex has also given support by obtaining club premises for the club, and provides the club with items such as balls and sports clothing.

>>> Read more about Mount Kenya Sports Group and the project at www.msgkenya.com



FREESSET

Pandex also supports the fair trade company Freeset in Calcutta by buying their products for use in several of our hotels. Freeset offers employment to women trapped in prostitution in Sonagacchi, Calcutta's largest and, to most people, unknown sex trade and trafficking district.

In this area, more than 10,000 women are forced into prostitution every day. The women are mainly from Bangladesh, Nepal, or from poor rural areas in India. Many of them have fallen victim to trafficking, while others have no other choice due to extreme poverty. Freeset gives them the opportunity to learn how to sew and make cases, cloth bags and T-shirts, which are then sold internationally to finance the project. The women are also given the opportunity to learn how to read and write.

>>> Read more about Freeset on their website: www.freesetglobal.com



CEO, CFO and assistant to the CEO

Asset Management

Finance

Business Intelligence

Operations (Business Area Managers)

Administration & Support



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Asset Management

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Asset Management

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Head of
Business Control & Intelligence



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Commercial Manager,
Pandox Belgium



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Vice President,
Business Area



mr.harry@pandox.se

Mr. Harry,
Corporate Dog

BOARD OF DIRECTORS AND AUDITORS



CHRISTIAN RINGNES

Chairman.
CEO of Eiendomsspar AS.
Member of the Board of Pandox since 2004.

Other appointments:

Chairman of NSV-Invest AS, Sundt AS, Dermanor AS,
Oslo Flaggfabrikk AS and Mini Bottle Gallery AS.
Board member of Schibsted ASA and Thor Corporation AS.



LEIV ASKVIG

CEO of Sundt AS.
Member of the Board of Pandox since 2004.

Other appointments:

Chairman of Oslo Børs VPS Holding ASA,
Oslo Børs ASA and Alfarveg AS.
Board member of Eiendomsspar AS, Verdipairsentralen
VPS ASA, Skips AS Tudor, Astrup Fearnley AS and Agder
OPS Vegselskap AS.



OLAF GAUSLÅ

CFO of Eiendomsspar AS.
Member of the Board of Pandox since 2004.

BENGT KJELL

CEO of AB Handel och Industri.
Member of the Board of Pandox since 1996.

Other appointments:

Chairman of Indutrade AB and Hemfosa Fastigheter AB.
Board member of Höganäs AB, Helsingborgs Dagblad AB,
Swegon AB and Skånska Byggarvar AB.

CHRISTIAN SUNDT

Board member of Sundt AS.
Member of the Board of Pandox since 2008.

Other appointments:

Owner and chairman of CGS Holding AS.
Board member of Sundt Air Holding AS, Sundt Sepa AS,
Helene Sundt AS, Sundt Air AS, Sundt Eiendom II AS and
Sundt Eiendom I AS.

HELENE SUNDT

Board member of Sundt AS.
Member of the Board of Pandox since 2008.

Other appointments:

Owner and chairperson of Sundt Helene AS.
Chairman of Dronningen Eiendom AS and Lanternen
Eiendom AS.
Board member of Sundt Sepa AS, Sundt Christian
Gruner AS, Bergesens Almennyttige Stiftelse and Sundt
Air Holding AS.

BOARD OF DIRECTORS

In an international hotel property company such as Pandox, competence and experience within the following areas are essential: hotel operations and hotel market, financing, properties and the property sector, business development, brand strategies, and development of international companies. The Board of Directors of Pandox possesses broad experience and knowledge in these areas.

Rules of Procedure

The Board of Directors has adopted Rules of Procedure for its work, directives for the Chief Executive Officer, as well as management instructions with regard to reporting. Pandox' Board of Directors establishes and documents the objectives and strategy of the Company each year. The Board has also adopted a finance policy, an approval policy and guidelines for decision-making, as well as a specific strategy regarding acquisitions.

The Board of Directors of Pandox holds four ordinary meetings each year. The meetings follow an established annual agenda with themes and items requiring decisions. The meetings review and discuss the external and internal reporting of operating results, as well as various business matters. Other items that are reviewed annually include marketing, strategy and budget issues. Related material and documentation is sent to the Board members approximately one week in advance. The Company's auditors attend at least one meeting each year to present a report on their audit and their review of the Company's internal control systems.

In addition to their ongoing audit, the Company's auditors were also commissioned by the Board during the year to carry out special reviews of major lease agreements.

AUDITORS

The task of the auditors is to examine the Company's accounts, administration and financial information. The audit results in an Audit Report in which the auditors give an opinion as to whether the annual accounts and financial statements have been prepared in accordance with the Swedish Annual Accounts Act and generally accepted accounting principles.

Per Gustafsson
Authorised Public Accountant
KPMG

Willard Möller
Authorised Public Accountant
SET Revisionsbyrå AB

CHANGE OF LEGAL STRUCTURE

During 2012, Pandox changed its legal structure and is now a public limited company.



Bengt



Helene



Christian



Mats

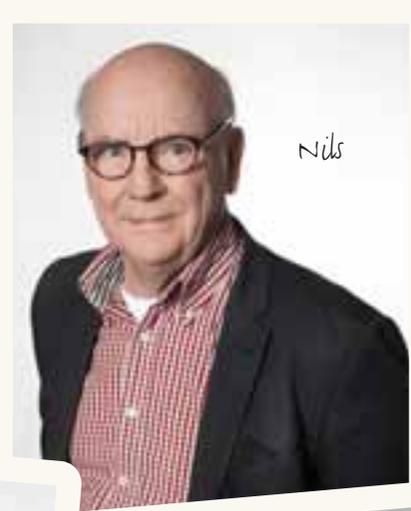
MATS WÄPPLING

Member of the Board of Pandox since 2003.

Other appointments:

Board member of SWECO AB,
Vasakronan AB and Besqab AB.

MANAGEMENT





ANDERS NISSEN
CEO
Employed since 1995.

LIIA NÕU
Senior Vice President,
CFO
Employed since 2007.

NILS LINDBERG
Senior Adviser
Finance & Insurance.
Employed since 1995.

LARS HÄGGSTRÖM
Senior Vice President,
Asset Management.
Employed since 2000.

ERIK HVESSE
Vice President,
Business Area.
Employed since 2006.

ALDERT SCHAAPHOK
Vice President,
Operations Europe
and Canada.
Employed since 2004.

LEIF KRISTEN OLSEN
Vice President,
Business Area.
Employed since 2010.

JONAS TÖRNER
Head of Business
Control & Intelligence.
Employed since 2005.

MAGNE RAMLO
Vice President,
Property Manager
Norway, Denmark and
Finland.
Employed since 2010.

JOSEFIN BERGQVIST
Senior Analyst,
Business Control &
Intelligence.
Employed since 2006.

HELGE KROGBØL
Vice President,
Business Area.
Employed since 2012.

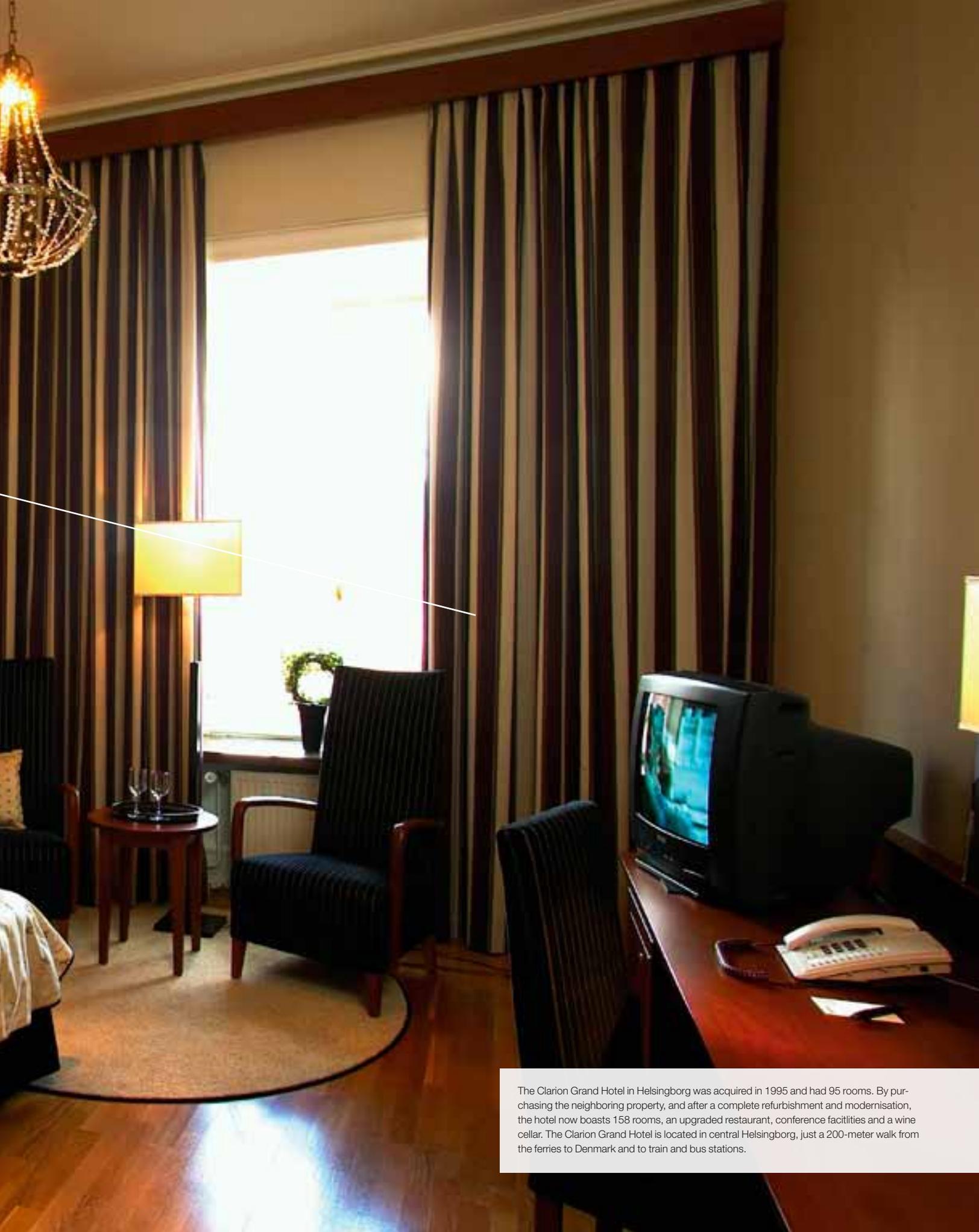
HENRIK MOLIN
Vice President,
Business Area.
Employed since 2012.

THE HOTEL PROPERTY PORTFOLIO

– Mr Harry? Of course I've seen him!
He's working in the reception tonight.
I'm sure you'll find him there.

VISIT!

Hotel properties	44
Summary list	56



The Clarion Grand Hotel in Helsingborg was acquired in 1995 and had 95 rooms. By purchasing the neighboring property, and after a complete refurbishment and modernisation, the hotel now boasts 158 rooms, an upgraded restaurant, conference facilities and a wine cellar. The Clarion Grand Hotel is located in central Helsingborg, just a 200-meter walk from the ferries to Denmark and to train and bus stations.

THE HOTEL PROPERTIES

25,000 ROOMS
59 STRATEGIC LOCATIONS
10 COUNTRIES

Scandic



Scandic	Highway	City centre	Resort	No. of hotels
Sweden	23	18		41
Norway	1	1		2
Finland ¹⁾	1	6	1	8
Denmark	3	1		4
Belgium	1	1		2
TOTAL	29	27	1	57

¹⁾ In addition, Pandox owns one congress and fair centre in Finland.

See the summary list on pages 56–59 for more information.



Scandic

Scandic is one of the leading hotel chains the Nordic Region's, and currently has 161 hotels in nine countries in the Nordic Region and Northern Europe. Since 1994, Scandic has consciously worked with environmental issues with the goal of contributing to a socially and ecologically sustainable society. Today, more than 120 of Scandic's hotels are eco-labelled.

Pandox and Scandic have a long business relationship and have maintained close cooperation since Pandox was first established. Today, Pandox has 57 hotels and one congress and fair centre under the Scandic brand name, represent-

ing 45 percent of revenues in the total Pandox portfolio.

Scandic has two principal product segments – city-centre hotels and highway hotels.

Scandic's origins are the classic highway hotels that were designed to offer the motorist overnight accommodation and facilities. The hotel segment with highway hotels in strategic locations is now established across the Nordic Region. The Pandox portfolio contains 28 highway hotels.

The city-centre hotels in Pandox' portfolio are represented by Scandic Park at Karlavägen and Scandic Hasselbacken at Djurgården in Stock-

holm, Scandic Grand Marina and Scandic Continental in Helsinki, as well as Scandic KNA in Oslo.

Scandic and Pandox are working together in the Shark project, an investment program embracing a total of 38 hotels and a congress and fair centre in Sweden, Finland and Norway. In a sub-project named Moby, Scandic and Pandox are developing the new generation of highway hotel. The Moby project involves 21 highway hotels, mainly in Sweden. Read more about the Shark project on pages 28–29.



SOME OF THE HOTELS SCANDIC AND PANDOX COLLABORATE ON

STOCKHOLM

- Hasselbacken
- Malmen
- Park
- Star Sollentuna

HELSINKI

- Grand Marina
- Continental

GOTHENBURG

- Crown
- Backadal
- Mölndal

MALMÖ

- Kramer
- S:t Jörgen
- Segeväng

KIRUNA

COPENHAGEN

- Copenhagen
- Hvidovre
- Glostrup

OSLO

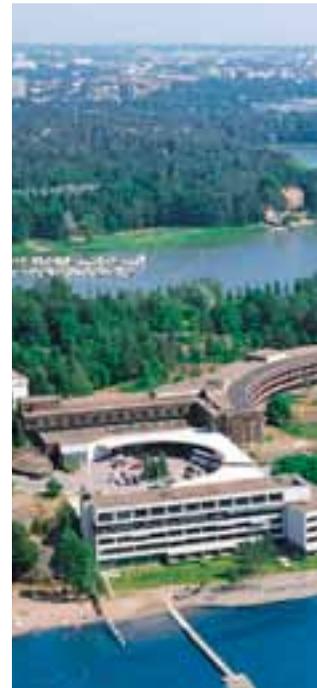
- KNA

TAMPERE and others



Hilton	Country	City	No. of rooms
Hilton London Docklands	UK	London	365
Hilton Stockholm Slussen	Sweden	Stockholm	289
Hilton Brussels City	Belgium	Brussels	283
Hilton Helsinki Kalastajatorppa	Finland	Helsinki	238
Hilton Helsinki Strand	Finland	Helsinki	190
Hilton Bremen ¹⁾	Germany	Bremen	235
TOTAL			1,600

¹⁾ As of June 1, 2013, Hilton Bremen will be re-branded to Radison Blu and run by Pandox.
See the summary list on pages 56–59 for more information.



Hilton

Hilton is a global hotel company with American origins. There are several groups of hotel chains across the world within the Hilton Group – Hilton Worldwide. These include Hilton Hotels & Resorts, Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts and DoubleTree. Since 2007 all of the company's shares have been owned by the American private-equity company, Blackstone.

Six of the hotels are included in Pandox' portfolio, and the locations include London, Brussels, Helsinki and Stockholm. A joint refurbishment programme at the Hilton Stockholm Slussen was concluded in 2012.

BRUSSELS
STOCKHOLM
LONDON
HELSINKI
BREMEN

Nordic Choice Hotels

Nordic Choice Hotels is the Nordic Region's fastest growing hotel company and is one of Pandox' largest partners, with a total of 20 hotels in the portfolio. The hotels in the Choice family represent 13 percent of revenues in the Pandox portfolio. The hotel company embraces five brands: Clarion Hotels, Clarion Collection, Comfort Hotel, Quality Hotel, and Quality Hotel & Resort. Pandox has all brands in its portfolio, where Quality has the largest number of hotels, with nine hotels located in Norway and Sweden.



Nordic Choice Hotels	Country	No. of hotels
Clarion Hotel	Sweden	3
Clarion Collection	Norway, Denmark	3
Quality Hotel	Norway, Sweden	9
Quality Hotel & Resort	Norway	3
Comfort Hotel	Norway	2
TOTAL		20

See the summary list on pages 56–59 for more information.



CLARION COLLECTION
OSLO
COPENHAGEN
CLARION
KARLSTAD
ÖSTERSUND
COMFORT
OSLO
BERGEN
QUALITY RESORT
FAGERNES
ØYER
KRISTIANSAND
QUALITY
MOLDE
LINKÖPING
GOTHENBURG
STOCKHOLM
KRISTIANSTAD
SÖDERTÄLJE
LULEÅ and others



InterContinental

InterContinental Hotels Group is one of the world's largest hotel companies with more than 4,500 hotels in 100 countries. IHG owns brands such as InterContinental, Crowne Plaza, Holiday Inn and Hotel Indigo. Most of the company's hotels are operated in franchise form. Pandox' portfolio includes five hotels located in Antwerp, Brussels, Lübeck and Montreal.

InterContinental Montreal was acquired in 2007 and has since been developed and repositioned. In conjunction with a large IHG conference held in the autumn of 2011, the hotel's manager was designated Hotel Manager of the Year within InterContinental in America. The InterContinental Montreal was also nominated during the year to the Top 40 best Canadian hotels by Condé Nast Magazine. This is the first time that the hotel has reached the top of this prestigious list, and it is the only IHG hotel in Canada to have achieved this.





Crowne Plaza

The Crowne Plaza brand name is owned and marketed by the InterContinental Hotels Group. Pandox owns two hotel properties operated under the Crowne Plaza brand name – both located in Belgium.

Crowne Plaza Brussels – Le Palace was acquired in 2003 and thereafter underwent an important investment programme. The hotel has since become one of Brussels’ leading business and meeting hotels, and continues to increase its market share. The hotel is owned and operated by Pandox under a franchise agreement with IHG.

The Crowne Plaza Antwerp, acquired in 2007, is also owned and operated by Pandox under a franchise agreement with IHG. The hotel has 262 rooms and is strategically located by Antwerp’s ring road just 10 minutes from the airport. The Crowne Plaza Antwerp has undergone an extensive refurbishment programme that was completed in the autumn of 2011, and is now one of the leading business and meeting hotels in the city.



Holiday Inn

The Holiday Inn brand name is owned and marketed by the InterContinental Hotels Group. The Pandox portfolio includes two Holiday Inn hotels. The Holiday Inn Brussels Airport was acquired in 2006, when the hotel required substantial refurbishment and development. Today, the hotel is runner-up in its market adjacent to Brussels International Airport. The hotel is owned and operated by Pandox under a franchise agreement with InterContinental Hotels Group.

The Holiday Inn Lübeck is centrally located and has 158 rooms. In 2012, it was re-flagged to Holiday Inn (previously Scandic) and is now operated by Pandox under a franchise agreement with InterContinental Hotels Group.



InterContinental	Country	City	No. of hotels
Crowne Plaza	Belgium	Antwerp, Brussels	2
Holiday Inn	Belgium	Brussels	1
Holiday Inn	Germany	Lübeck	1
InterContinental	Canada	Montreal	1
TOTAL			5

See the summary list on pages 56–59 for more information.

ANTWERP
BRUSSELS
LÜBECK
MONTREAL






STOCKHOLM
MALMÖ
LILLEHAMMER
BODØ
DORTMUND
BASEL
SOLNA

Rezidor Hotel Group

The **Radisson Blu** brand is managed by Rezidor Hotel Groups, which is one of the world's fastest growing hotel companies. Rezidor has Scandinavian origins, but is now listed on the stock market and headquartered in Brussels. The hotels in Rezidor's portfolio are mainly operated under three key brands – Radisson Blu, Park Inn by Radisson and Hotel Missoni.

Radisson Blu is a first-class hotel brand in the upper segments. Pandox has a longstanding relationship with Rezidor and currently owns six hotel properties located in Sweden, Norway, Germany and Switzerland that are marketed under the Radisson Blu brand.

The **Park Inn by Radisson** brand name is also managed by Rezidor Hotel Groups. Pandox' portfolio has included the hotel property Park Inn by Radisson Solna since 2011. Park Inn by Radisson is an innovative and dynamic medium-class chain. The number of hotels in the Park Inn by Radisson portfolio has grown rapidly in recent years, and now embraces more than 140 hotels in the EMEA region.

Rezidor	Country	City	No. of rooms
Radisson Blu Arlandia Hotel	Sweden	Stockholm	335
Radisson Blu Hotel, Malmö	Sweden	Malmö	229
Radisson Blu Lillehammer Hotel	Norway	Lillehammer	303
Radisson Blu Hotel Bodø	Norway	Bodø	191
Radisson Blu Hotel, Dortmund	Germany	Dortmund	190
Radisson Blu Hotel, Basel	Switzerland	Basel	206
Park Inn by Radisson Solna	Sweden	Stockholm, Solna	247
TOTAL			1,701

See the summary list on pages 56–59 for more information.



Hyatt

Hyatt is an American, stock-market-listed hotel company with headquarters in Chicago. The company has eight different brands, including Pandox' hotel in Montreal operated under the Hyatt Regency brand. The Hyatt Regency has a strategically important position in central Montreal, within walking distance to the Palais des Congrès – Montreal's exhibition and congress centre.

Pandox acquired the hotel in 2006 and has since strategically developed it jointly with Hyatt. A comprehensive refurbishment programme was completed at the end of 2010, which has successfully placed the hotel among the leading leisure and meeting hotels in the city.

The Hyatt Regency Montreal has 605 rooms and extensive meeting and conference facilities seating 1,000 people.

Hyatt	Country	City	No. of rooms
Hyatt Regency Montreal	Canada	Montreal	605

See the summary list on pages 56–59 for more information.



ELITE HOTELS
OF SWEDEN

Elite Hotels

Elite Hotels is a privately owned hotel chain with 24 hotels, and has specialised in operating classic hotels. The Pandox portfolio contains the Elite Park Avenue Hotel on Gothenburg's most fashionable avenue and the Elite Stora Hotellet in Jönköping with a total of 452 rooms.



Elite Hotels	Country	City	No. of rooms
Elite Park Avenue Hotel	Sweden	Gothenburg	317
Elite Stora Hotellet Jönköping	Sweden	Jönköping	135
TOTAL			452

See the summary list on pages 56–59 for more information.

GOTHENBURG
JÖNKÖPING



BODØ
HAMAR

Rica Hotels

Rica Hotels has more than 80 hotels in Norway and Sweden, and two of the Norwegian hotels are included in Pandox' portfolio. The Rica Hotel Bodø is located within walking distance of the town centre, and has 113 rooms, as well as conference facilities with space for 250 participants. The Rica Hotel Hamar is a business and conference hotel located centrally in Østlandet with 176 rooms and conference facilities with place for 600 people.

Rica Hotels	Country	City	No. of rooms
Rica Hotel Bodø	Norge	Bodø	113
Rica Hotel Hamar	Norge	Hamar	176
TOTAL			289

See the summary list on pages 56–59 for more information.



STOCKHOLM
BORÅS
HALMSTAD
COPENHAGEN

First Hotels

First Hotels is a Scandinavian hotel chain with 61 hotels in central locations in selected cities situated in Norway, Denmark and Sweden. The Pandox portfolio contains six hotels, of which three are in Sweden and three in Denmark under this brand name.



First Hotels	Country	City	No. of rooms
First Hotel Royal Star	Sweden	Stockholm	103
First Hotel Grand Borås	Sweden	Borås	158
First Hotel Mårtenson	Sweden	Halmstad	103
First Hotel Copenhagen	Denmark	Copenhagen	215
First Hotel Excelsior	Denmark	Copenhagen	99
First Hotel Twentyseven	Denmark	Copenhagen	200
TOTAL			878

See the summary list on pages 56–59 for more information.



Best Western Hotels

Best Western Hotels is a global hotel chain with operations in 100 countries and more than 4,000 hotels. The hotels are owned and operated privately, but marketed under the joint name of Best Western. The Pandox portfolio contains three hotels that are members of Best Western Hotels. The Best Western Mora Hotell & Spa and the Best Western Royal Corner in Växjö are two centrally located four-star hotels. The Best Western Hotel Pilotti is located in Vantaa, Finland, close to Helsinki airport.

MORA
VÄXJÖ
VANTAA

Best Western Hotels	Country	City	No. of rooms
Best Western Mora Hotell & Spa	Sweden	Mora	140
Best Western Royal Corner	Sweden	Växjö	159
Best Western Hotel Pilotti	Finland	Vantaa	112
TOTAL			441

See the summary list on pages 56–59 for more information.



Rantasipi

Restel operates close to 50 hotels in Finland under several brands, among them Cumulus and Rantasipi. The Pandox-owned Rantasipi Imatran Valtion Hotel is a spa hotel, located in a castle environment, with generous conference areas and a complete spa.



COPENHAGEN
IMATRA

Other brand names	Country	City	No. of rooms
Omena Hotel Copenhagen	Danmark	Copenhagen	230
Rantasipi Imatran Valtionhotelli	Finland	Imatra	135
TOTAL			365

See summary list on pages 56–59 for more information.

omenahotels.com

Omena Hotels

Omena Hotels is a Finnish chain with a self-service concept in central locations. The chain has 14 hotels, of which twelve are in Finland and one in Denmark. The 14th hotel opened in 2012, on Torsgatan in Stockholm. The Pandox-owned Omena Hotel Copenhagen is centrally located in Copenhagen with 230 rooms.



INDEPENDENT HOTELS

hotelbloom!
Brussels



BRUSSELS



Hotel BLOOM!

Pandox acquired Hotel BLOOM! in 2005, and since 2007 it has been refurbished and undergone a complete facelift. Today, the Hotel BLOOM! is a unique hotel product with its own concept based on art and design. It is a distinct challenger in the Brussels hotel market, with 305 rooms and large conference facilities in the city centre, and competes with the major hotels. The success of the concept has been confirmed by TripAdvisor's prestigious annual award, based on guest reviews.

Hotel BLOOM! is both owned and operated by Pandox.

Independent hotels	Country	City	No. of rooms
Pelican Bay	Bahamas	Lucaya	186
The Hotel Brussels	Belgium	Brussels	433
Hotel BLOOM!	Belgium	Brussels	305
Airport Hotel Bonus Inn	Finland	Vantaa	211
Hotel Korpilampi	Finland	Espoo	151
Hotel Berlin, Berlin	Germany	Berlin	701
Vildmarkshotellet Kolmården	Sweden	Norrköping	213
Mr Chip, Kista	Sweden	Stockholm	150
Stadshotellet Princess Sandviken	Sweden	Sandviken	84
TOTAL			2,434

See the summary list on pages 56–59 for more information.



The Hotel Brussels

The Hotel Brussels was acquired in 2010 and is one of Brussels' largest and best-known hotels. The hotel property is located just a few steps off Avenue Louise. The hotel, which is a landmark property, has 433 rooms on 27 floors with several conference areas, two restaurants, as well as a fitness and spa centre. Pandox' vision is to recreate the hotel's historically strong position as one of the city's leading business and meeting hotels

in the premium segment through comprehensive product development. All rooms are being improved with a completely new design concept. The actual lobby and reception are being converted to create place for attractive shopping areas. The business plan and the new concept can be summarised with three keywords: Cosmopolitan, Fashionable, Sophisticated Elegance. The Hotel is both owned and operated by Pandox.



HOTEL **BERLIN, BERLIN****Hotel Berlin, Berlin**

Since the acquisition of the hotel in 2006, Pandox has created the meeting place of the future in one of Berlin's largest hotels. A comprehensive re-profiling programme has brought the Hotel Berlin, Berlin back to the top. It is now established as one of the leading meeting hotels and is one of Berlin's most creative meeting places. The hotel has 701 guest rooms and 22 conference rooms, as well as several restaurants and bars. The hotel is both owned and operated by Pandox.

**Pelican Bay**

The Pelican Bay Hotel is located in the beautiful Bahamas, on Grand Bahama Island. The hotel has been repositioned since Pandox took over the management agreement, and is now one of the leading business and meeting hotels in the Bahamas. Pandox has an asset management agreement for the hotel and is responsible for operations. The hotel has 186 rooms.



BAHAMAS



BERLIN



Vildmarkshotellet

Vildmarkshotellet is one of Sweden's best-known tourist resorts. The hotel is located outside Norrköping, about 150 kilometres from Stockholm, close to Scandinavia's largest wildlife park, Kolmården. The hotel has 213 rooms, of which most are family-adapted, extensive conference facilities with capacity for 370 persons in the largest room, a large restaurant and a lobby bar. A new family spa centre was completed in 2010 with waterway, relaxation areas and treatment room.



Mr Chip, Kista

Mr Chip, Kista is strategically located in central Kista, one of Stockholm's most expansive areas that is also the centre for leading companies within the IT and telecom sectors. The hotel has 150 rooms, conference facilities, as well as bar and restaurant, oriented towards business travellers.



Airport Hotel Bonus Inn, Vantaa

The Airport Hotel Bonus Inn has 211 rooms and is located just 5 minutes' drive from Helsinki-Vantaa airport and 30 minutes from Helsinki railway station. The hotel is next to the Leija Business Park – a shopping and leisure centre.



Hotel Korpilampi, Espoo

Hotel Korpilampi is located in Espoo, less than half an hour's drive from the centre of Helsinki and from the Helsinki-Vantaa airport. The hotel has 151 rooms, 17 conference rooms, a restaurant and bath and sauna facilities.



Stadshotellet Princess, Sandviken

The Stadshotellet Princess, Sandviken is located right in the centre of Sandviken with 84 rooms, conference room with capacity for 80 people, a restaurant, and own spa.

Name and location	Portfolio*)	Operator/Brand	Type of lease ¹⁾	Country	Town/city	Situation
Best Western						
Best Western Mora Hotell & Spa	Norgani	Private/Best Western	OG	Sweden	Mora	City centre
Best Western Royal Corner, Växjö	Norgani	Private/Best Western	OG	Sweden	Växjö	City centre
Best Western Hotel Pilotti, Vantaa	Norgani	Private/Best Western	OG	Finland	Vantaa	Airport
Nordic Choice Hotels						
Clarion Collection Hotel Mayfair, Copenhagen	Norgani	First Hotels/Clarion Collection Hotel	O	Denmark	Copenhagen	City centre
Clarion Collection Hotel Arcticus, Harstad	Norgani	Choice Hotels/Clarion Collection Hotel	O	Norway	Harstad	Ring road
Clarion Collection Hotel Bastion, Oslo	Norgani	Choice Hotels/Clarion Collection Hotel	O	Norway	Oslo	City centre
Comfort Hotel Holberg, Bergen	Norgani	Choice Hotels/Comfort Hotel	O	Norway	Bergen	City centre
Comfort Hotel Børsparke, Oslo	Norgani	Choice Hotels/Comfort Hotel	O	Norway	Oslo	City centre
Quality Hotel Alexandra, Molde	Norgani	Choice Hotels/Quality Hotel	O	Norway	Molde	City centre
Quality Hotel & Resort Fagernes	Norgani	Choice Hotels/Quality Hotel & Resort	O	Norway	Fagernes	Ring road
Quality Hotel & Resort Kristiansand	Norgani	Choice Hotels/Quality Hotel & Resort	O	Norway	Kristiansand	Ring road
Quality Hotel & Resort Hafjel, Øyer	Norgani	Choice Hotels/Quality Hotel & Resort	O	Norway	Øyer	City centre
Clarion Hotel Grand, Helsingborg	Pandox	Choice Hotels/Clarion Hotel	OG	Sweden	Helsingborg	City centre
Clarion Hotel Grand, Östersund	Pandox	Choice Hotels/Clarion Hotel	OG	Sweden	Östersund	City centre
Clarion Hotel Plaza, Karlstad	Pandox	Private/Clarion Hotel	OG	Sweden	Karlstad	City centre
Quality Hotel Winn, Gothenburg	Norgani	Choice Hotels/Quality Hotel	OG	Sweden	Gothenburg	Ring road
Quality Hotel Grand Kristianstad	Norgani	Choice Hotels/Quality Hotel	OG	Sweden	Kristianstad	City centre
Quality Hotel Ekoxen, Linköping	Norgani	Choice Hotels/Quality Hotel	OG	Sweden	Linköping	City centre
Quality Hotel Luleå	Norgani	Choice Hotels/Quality Hotel	OG	Sweden	Luleå	City centre
Quality Hotel Prisma, Skövde	Norgani	Choice Hotels/Quality Hotel	OG	Sweden	Skövde	City centre
Quality Hotel Prince Phillip, Stockholm	Norgani	Choice Hotels/Quality Hotel	OG	Sweden	Stockholm	Ring road
Quality Hotel, Nacka	Pandox	Choice Hotels/Quality Hotel	OG	Sweden	Stockholm	Ring road
Quality Hotel Park, Södertälje	Pandox	Choice Hotels/Quality Hotel	FR	Sweden	Södertälje	City centre
Crowne Plaza						
Crowne Plaza Antwerp	Pandox	Pandox/Crowne Plaza	FR	Belgium	Antwerp	City centre
Crowne Plaza Brussels – Le Palace	Pandox	Pandox/Crowne Plaza	FR	Belgium	Brussels	City centre
Elite						
Elite Stora Hotellet, Jönköping	Pandox	Elite Hotels	OG	Sweden	Jönköping	City centre
Elite Park Avenue Hotel, Gothenburg	Pandox	Elite Hotels	OG	Sweden	Gothenburg	City centre
First						
First Hotel Copenhagen	Norgani	First Hotel	OG	Denmark	Copenhagen	Conference/airport
First Hotel Twentyseven, Copenhagen	Pandox	First Hotel	OG	Denmark	Copenhagen	City centre
First Hotel Excelsior, Copenhagen	Norgani	First Hotel	OG	Denmark	Copenhagen	City centre
First Hotel Grand, Borås	Pandox	Private/First Hotels	OG	Sweden	Borås	City centre
First Hotel Mårtenson, Halmstad	Norgani	First Hotels	OG	Sweden	Halmstad	City centre
First Hotel Royal Star, Stockholm	Norgani	Private/First Hotels	OG	Sweden	Stockholm	Exhibition centre
Hilton						
Hilton Brussels City	Pandox	Pandox/Hilton	M	Belgium	Brussels	City centre
Hilton Helsinki Kalastajatorppa	Norgani	Hilton	OG	Finland	Helsinki	Ring road
Hilton Helsinki Strand	Norgani	Scandic/Hilton	OG	Finland	Helsinki	City centre
Hilton London Docklands	Pandox	Hilton	O	UK	London	City centre
Hilton Stockholm Slussen	Pandox	Hilton	O	Sweden	Stockholm	City centre
Hilton Bremen ²⁾	Pandox	Hilton	O	Germany	Bremen	City centre
Holiday Inn						
Holiday Inn Brussels Airport	Pandox	Pandox/Holiday Inn	FR	Belgium	Brussels	Airport
Holiday Inn Lübeck	Pandox	Pandox/Holiday Inn	FR	Germany	Lübeck	Ring road
Hyatt						
Hyatt Regency, Montreal	Pandox	Pandox/Hyatt Hotels	M	Canada	Montreal	City centre
InterContinental						
InterContinental Montreal	Pandox	Pandox/InterContinental	M	Canada	Montreal	City centre
Rezidor (Park Inn by Radisson/Radison Blu)						
Radisson Blu Hotel Bodo	Norgani	Rezidor/Radisson Blu	O	Norway	Bodo	City centre
Radisson Blu Lillehammer Hotel	Norgani	Private/Radisson Blu	O	Norway	Lillehammer	City centre
Radisson Blu Hotel, Basel	Pandox	Rezidor/Radisson Blu	OG	Switzerland	Basel	City centre
Radisson Blu Dortmund	Pandox	Pandox/Radisson Blu	FR	Germany	Dortmund	Exhibition centre
Park Inn by Radisson Solna	Pandox	Rezidor/Park Inn by Radisson	OG	Sweden	Stockholm	City centre
Radisson Blu Arlandia Hotel, Arlanda	Pandox	Rezidor/Radisson Blu	OG	Sweden	Stockholm	Airport
Radisson Blu Hotel, Malmö	Pandox	Rezidor/Radisson Blu	OG	Sweden	Malmö	City centre
Rantasipi						
Rantasipi Imatran Valtionhotelli	Norgani	Restel/Rantasipi	OG	Finland	Imatra	City centre
Rica Hotels						
Rica Hotel Bodo	Norgani	Rica	O	Norway	Bodo	City centre
Rica Hotel Hamar	Norgani	Rica	O	Norway	Hamar	City centre

¹⁾ O = Revenue-based, OG = Revenue-based with guaranteed rent, OR = Revenue and result-based, R = Result-based,

F = Fixed, IO = International revenue-based, M = Management agreement, FR = Franchise, AM = Asset Management agreement

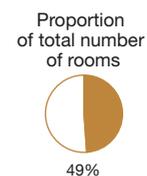
²⁾ As of June 1, 2013, Hilton Bremen will be re-branded to Radisson Blu and run by Pandox.

No. of rooms 2012	Total surface (m ²)	Of which hotel (m ²)	Property designation
140	9,161	7,670	Stranden 37:3
159	7,112	6,888	Elden Södra 17
112	3,068	3,068	92-51-317-1
106	3,805	3,805	Matr.nr 214
75	3,540	3,443	Gnr 61 Bnr 331, Snr 12- 22
99	4,688	4,688	Gnr 207 Bnr 262 og 265
149	5,720	5,720	Gnr 165 Bnr 1083 Snr 1 og 2
248	7,374	7,274	Gnr 207 Bnr 343 og 344
165	17,421	17,033	Gnr 24 Bnr 812, 815 og 1312
138	10,310	10,310	Gnr22 Bnr 177, Gnr 25 Bnr 4 and others
210	9,940	7,075	Gnr 63 Bnr 760, 822 og 823
210	9,540	9,540	Gnr 17 Bnr 25
158	8,555	7,325	Högvakten 8
176	8,766	8,766	Borgens 6
131	5,907	5,907	Höken 1
121	5,800	5,800	Backa 149:I & 866:397
137	7,524	7,075	Hovrätten 41
190	14,671	12,221	Ekoxen 9 & 11
218	12,166	12,166	Tjädem 19
107	3,687	3,687	Liljekonvaljen 14
208	7,400	7,400	Måsholmen 25
162	10,830	8,090	Sicklaön 363:2
157	10,292	10,110	Herkules 13
262	18,340	16,780	-
354	28,095	28,095	-
135	11,378	9,379	Alhambra 1
317	21,998	21,998	Lorensberg 28:4
215	9,500	9,500	Matr. Nr 406 Kgs Enghave
200	7,568	7,568	169 Vester Kvarter København
99	3,600	3,600	Matr.nr 212-213 seksjon 1-2
158	9,593	9,365	Prometeus 3
103	6,657	6,350	Gillestugan 1
103	4,900	4,900	Herrgården 2
283	13,850	13,850	Saint-Josseten-Noodle (1div) 032
238	23,291	23,291	91-30-1-5,91-30-3-2-LI
190	10,250	10,250	91-11-300-7
365	22,800	21,500	HM Land Registry: SGL465779
289	18,416	15,725	Överkikaren 31
235	21,000	15,100	Grundbuch Altstadt IV, Blatt 60
310	21,072	21,072	-
158	9,700	8,800	Grundbuch Lübeck, Blatt 54545
605	44,148	29,000	-
357	31,091	31,091	-
191	15,546	13,064	Gnr 138 Bnr 3502
303	18,000	18,000	Gnr 59 Bnr 103, 104, 138, 275, 432, 434 og 468
206	17,800	17,000	-
190	12,500	11,300	Grundbuch Dortmund, Blatt 897
247	12,585	11,316	Del av Banken 9 och Banken 10
335	15,260	15,260	Benstocken 1:5
229	18,969	18,969	Carolus 33
135	10,097	10,097	153-12-1-1
113	8,381	7,981	Gnr.138 Bnr 2189 og 2247
176	9,250	9,250	Gnr 790 Bnr 228 Snr 2
			Gnr 790 Bnr 228 Snr 2

Pandex market segment

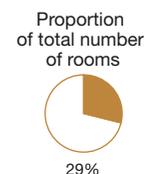
Sweden

Number of hotels	66
Number of rooms	12,225
Property revenues, SEK M	903



Rest of Nordic Region

Number of hotels*	38
Number of rooms	7,368
Property revenues, SEK M	484



*In addition, one congress and fair centre.

Other Europe

Number of hotels	14
Number of rooms	4,106
Property revenues, SEK M	296



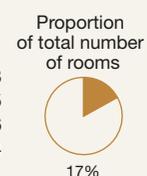
International

Number of hotels	3
Number of rooms	1,148
Property revenues, SEK M	42



Pandex own hotel operations

Number of hotels	13
Number of rooms	4,295
Property revenues, SEK M	1,156
Operating net, SEK M	214



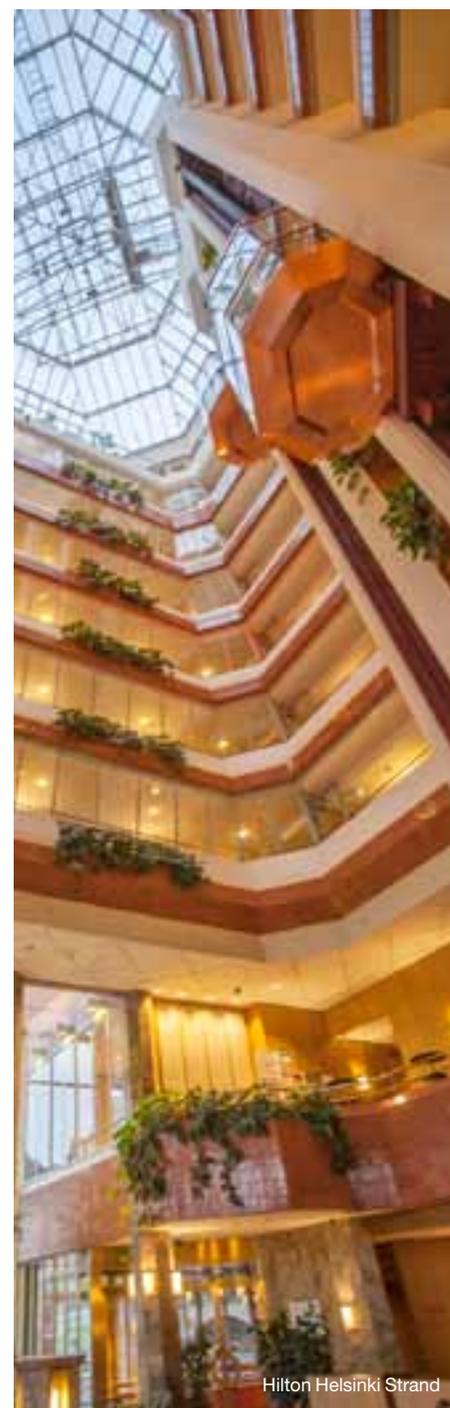
*) Ownership Pandox | Norgani

Pandex owns 50 percent of the Norgani portfolio through Sech Holding AB. The remaining portion is owned in equal parts by Eiendomsspar AS and the Sundt Family, via companies. Pandox has a full asset management agreement for the entire Norgani portfolio's operation and development.

Name and location	Portfolio*)	Operator/Brand	Type of lease ¹⁾	Country	Town/city	Situation
Scandic						
Scandic Antwerp	Pandox	Scandic	O	Belgium	Antwerp	Ring road
Scandic Kolding	Norgani	Scandic	OG	Denmark	Kolding	Ring road
Scandic Hvidovre	Norgani	Scandic	OG	Denmark	Copenhagen	Ring road
Scandic Glostrup	Norgani	Scandic	OG	Denmark	Copenhagen	Ring road
Scandic Grand Place, Brussels	Pandox	Scandic	O	Belgium	Brussels	City centre
Scandic Copenhagen	Pandox	Scandic	O	Denmark	Copenhagen	City centre
Scandic Continental, Helsinki	Norgani	Scandic Continental	OG	Finland	Helsinki	City centre
Scandic Espoo	Norgani	Scandic	OG	Finland	Espoo	Ring road
Scandic Grand Marina, Helsinki	Norgani	Scandic	OG	Finland	Helsinki	City centre
Scandic Jyväskylä	Norgani	Scandic	OG	Finland	Jyväskylä	City centre
Scandic Kajanus, Kajaani	Norgani	Scandic	OG	Finland	Kajaani	Exhibition centre
Scandic Kuopio	Norgani	Scandic	OG	Finland	Kuopio	City centre
Scandic Marina Congress Center, Helsinki	Norgani	Scandic	O	Finland	Helsinki	City centre
Scandic Rosendahl	Norgani	Scandic	OG	Finland	Tampere	City centre
Scandic Tampere City	Norgani	Scandic	OG	Finland	Tampere	City centre
Scandic Bergen Airport	Norgani	Scandic	O	Norway	Bergen	Airport
Scandic KNA, Oslo	Norgani	Scandic	O	Norway	Oslo	City centre
Scandic Alvik, Stockholm	Norgani	Scandic	OG	Sweden	Stockholm	Ring road
Scandic Backadal, Gothenburg	Norgani	Scandic	OG	Sweden	Gothenburg	Ring road
Scandic Billingen, Skövde	Pandox	Scandic	O	Sweden	Skövde	City centre
Scandic Bollnäs	Norgani	Scandic	OG	Sweden	Bollnäs	City centre
Scandic Crown, Gothenburg	Pandox	Scandic	O	Sweden	Gothenburg	City centre
Scandic Elmia, Jönköping	Norgani	Scandic	OG	Sweden	Jönköping	Exhibition centre
Scandic Ferrum, Kiruna	Norgani	Scandic	OG	Sweden	Kiruna	City centre
Scandic Grand, Örebro	Pandox	Scandic	O	Sweden	Örebro	City centre
Scandic Gävle Väst	Norgani	Scandic	OG	Sweden	Gävle	Ring road
Scandic Hallandia, Halmstad	Pandox	Scandic	O	Sweden	Halmstad	City centre
Scandic Hasselbacken, Stockholm	Norgani	Scandic	OG	Sweden	Stockholm	City centre
Scandic Helsingborg Nord	Norgani	Scandic	OG	Sweden	Helsingborg	Ring road
Scandic Järva Krog, Stockholm	Pandox	Scandic	O	Sweden	Stockholm	Ring road
Scandic Kalmar Väst	Norgani	Scandic	OG	Sweden	Kalmar	Airport
Scandic Klarälven, Karlstad	Norgani	Scandic	OG	Sweden	Karlstad	Ring road
Scandic Kramer, Malmö	Pandox	Scandic	O	Sweden	Malmö	City centre
Scandic Kungens Kurva, Stockholm	Norgani	Scandic	OG	Sweden	Stockholm	Ring road
Scandic Linköping Väst	Norgani	Scandic	OG	Sweden	Linköping	Ring road
Scandic Luleå	Norgani	Scandic	OG	Sweden	Luleå	Ring road
Scandic Malmen, Stockholm	Norgani	Scandic	OG	Sweden	Stockholm	City centre
Scandic Mölndal, Gothenburg	Pandox	Scandic	O	Sweden	Gothenburg	City centre
Scandic Norrköping Nord	Norgani	Scandic	OG	Sweden	Norrköping	Ring road
Scandic Park, Stockholm	Pandox	Scandic	O	Sweden	Stockholm	City centre
Scandic Plaza, Borås	Pandox	Scandic	OG	Sweden	Borås	City centre
Scandic S:t Jörgen, Malmö	Pandox	Scandic	OG	Sweden	Malmö	City centre
Scandic Segeväng, Malmö	Norgani	Scandic	OG	Sweden	Malmö	Ring road
Scandic Skogshöjd, Södertälje	Pandox	Scandic	O	Sweden	Södertälje	City centre
Scandic Star Sollentuna	Norgani	Scandic	OG	Sweden	Stockholm	Ring road
Scandic Star, Lund	Pandox	Scandic	OG	Sweden	Lund	City centre
Scandic Sundsvall Nord	Norgani	Scandic	OG	Sweden	Sundsvall	Ring road
Scandic Swania, Trollhättan	Pandox	Scandic	O	Sweden	Trollhättan	City centre
Scandic Södertälje	Norgani	Scandic	OG	Sweden	Södertälje	Ring road
Scandic Umeå Syd	Norgani	Scandic	OG	Sweden	Umeå	Ring road
Scandic Uplandia, Uppsala	Norgani	Scandic	OG	Sweden	Uppsala	City centre
Scandic Upplands Väsby	Pandox	Scandic	O	Sweden	Stockholm	Ring road
Scandic Uppsala Nord	Norgani	Scandic	OG	Sweden	Uppsala	Ring road
Scandic Winn, Karlstad	Pandox	Scandic	OG	Sweden	Karlstad	City centre
Scandic Västerås	Norgani	Scandic	OG	Sweden	Västerås	Ring road
Scandic Växjö	Norgani	Scandic	OG	Sweden	Växjö	Ring road
Scandic Örebro Väst	Norgani	Scandic	OG	Sweden	Örebro	Ring road
Scandic Östersund Syd	Norgani	Scandic	OG	Sweden	Östersund	Ring road
Omena						
Omena Hotel Copenhagen	Norgani	Omena Hotels	F	Denmark	Copenhagen	City centre
Independent hotels						
Pelican Bay, Lucaya, Grand Bahama Island	Pandox	Sundt GB Management/Pandox/Independent	AM	Bahamas	Lucaya	Resort
Hotel BLOOM!, Brussels	Pandox	Pandox/Independent	IO	Belgium	Brussels	City centre
The Hotel, Brussels	Pandox	Pandox/Independent	IO	Belgium	Brussels	City centre
Airport Hotel Bonus Inn, Vantaa	Norgani	Private	OG	Finland	Vantaa	Airport
Hotel Korpilampi, Espoo	Norgani	Pandox/Independent	IO	Finland	Espoo	Ring road
Mr Chip Hotel, Kista	Pandox	Private	OG	Sweden	Stockholm	Ring road
Vildmarkshotellet, Kolmården	Pandox	Private	OG	Sverige	Norrköping	Resort
Stadshotellet Princess, Sandviken	Norgani	Private	OG	Sweden	Sandviken	City centre
Hotel Berlin, Berlin	Pandox	Pandox/Independent	IO	Germany	Berlin	City centre

¹⁾ O = Revenue-based, OG = Revenue-based with guaranteed rent, OR = Revenue and result-based, R = Result-based, F = Fixed, IO = International revenue-based, M = Management agreement, FR = Franchise, AM = Asset Management agreement

No. of rooms 2012	Total surface (m ²)	Of which hotel (m ²)	Property designation
204	13,200	13,200	24th div, Borgerhout 1st div, Ar
186	10,472	10,472	Matr. Nr 114E Bramdrup by
207	9,005	9,005	Matr. Nr 223-A mfl. Avedøvre by
120	5,767	5,767	Matr. Nr 204, Brøndbyøster
100	4,500	4,500	-
486	31,500	25,200	99943-2
514	30,000	30,000	91-14-468-3
96	5,245	5,245	49-54-17-7
462	23,660	23,660	91-8-187-8
150	7,360	7,360	179-3-52-23
181	10,468	10,468	205-14-7-5
138	7,113	7,113	297-1-41-6-LI
0	11,500	0	-
213	14,662	14,662	837-134-495-1-LI
263	14,457	13,705	837-112-187-35,837-112-187-37
199	9,654	9,654	Gnr 114 Bnr 213
189	11,218	11,218	Gnr 209 Bnr 275
325	12,075	12,075	Racketen 9
236	9,397	9,397	Backa 105:1
124	7,743	7,194	Fjølner 7
114	5,150	5,150	Sundsbro 10
338	24,380	21,800	Stampen 5:5
223	9,576	9,576	Åminne 1
171	11,100	11,100	Hovmästaren 1
221	12,900	10,900	Mältaren 1
200	7,382	7,382	Valbo-Backa 6:12
154	7,617	6,813	Erik Dahlberg 14 & 15
112	10,025	10,025	Hasselbacken 1
237	9,399	9,399	Floretten 1
215	11,300	11,300	Tanken 2
148	5,485	5,485	Hammaren 4
148	5,694	5,694	Sandbäcken 1:3
113	6,913	6,373	Gripen 1
257	11,581	9,456	Radien 1
150	6,105	6,105	Osten 2
160	5,565	5,565	Mjölkudden 3:45
332	15,130	15,130	Gråberget 29
208	11,000	11,000	Laken 1
150	6,768	6,768	Blyet 8
201	12,290	10,290	Lönnen 30
169	10,592	7,961	Balder 6
288	21,485	14,655	S:t Jörgen 11
166	6,284	6,284	Kirseberg 14:95
225	14,115	14,115	Yxan 8
269	18,573	18,573	Centrum 12
196	15,711	15,711	Porfyren 2
159	4,948	4,948	Vårdshuset 1
201	10,399	10,399	Svan 7
131	5,630	5,630	Reparatören 2
161	5,955	5,955	Reparatören 4
133	5,402	5,275	Dragarbrunn 16:4
150	6,955	6,955	Vilunda 6:48
184	7,518	6,486	Kvarngärdet 3:2
199	10,580	10,580	Tingvallastaden 3:2
174	7,285	7,285	Sågen 1
123	3,982	3,982	Kocken 3
204	7,621	7,621	Vindmotorn 2
129	4,019	4,019	Särrimner 1
230	8,000	7,300	Matr.nr 89
186	7,983	7,983	-
305	23,445	23,445	-
433	33,000	33,000	-
211	8,414	8,414	92-51-203-4
151	9,777	9,777	49-429-3-216
150	5,517	5,517	Knarrarnäs 7
213	10,300	10,300	Marmorbrötet 1:18
84	7,003	4,890	Grillen 8
701	41,093	41,093	-

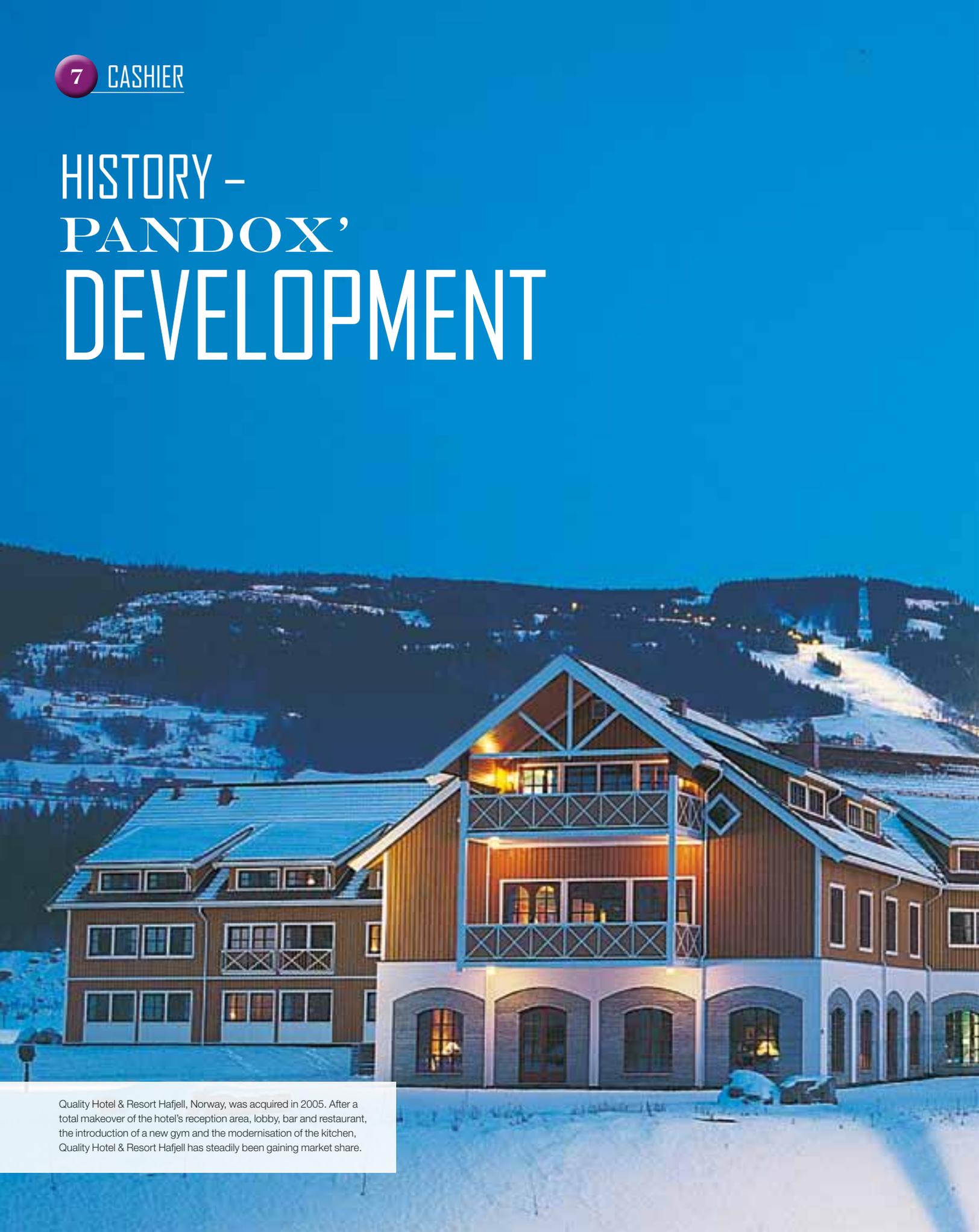


Hilton Helsinki Strand

* Ownership Pandex | Norgani

Pandex owns 50 percent of the Norgani portfolio through Sech Holding AB. The remaining portion is owned in equal parts by Eiendomsspar AS and the Sundt Family, via companies. Pandex has a full asset management agreement for the entire Norgani portfolio's operation and development.

HISTORY – PANDOX’ DEVELOPMENT



Quality Hotel & Resort Hafjell, Norway, was acquired in 2005. After a total makeover of the hotel's reception area, lobby, bar and restaurant, the introduction of a new gym and the modernisation of the kitchen, Quality Hotel & Resort Hafjell has steadily been gaining market share.

OBSERVE!



FROM FINANCIAL CRISIS TO SUCCESSFUL HOTEL PROPERTY COMPANY

When Pandox started in 1995, the Company's operations were composed of 18 hotels with 3,000 rooms located in nine Swedish towns and cities. The business model was new and untried. The Company had weak profitability and limited capital.

The road to success has been to acquire under-performing hotels that have been developed, and to increase the Company's cash flow and value – which in turn has been used to further expand. All in all, transactions for more than SEK 20 billion have been completed. With a consistent strategy, Pandox has shown durable and profitable growth, along with a greater geographical spread.

At the end of 2012, Pandox had 120 hotels and one congress and fair centre, with a total of 25,000 rooms situated in 59 strategic locations in ten different countries in the Nordic Region, Europe, and North America. Pandox is thereby one of the leading hotel property companies in the European market.

+18%

Pandox' strategy and business model generate value. Pandox has generated an average annual return of 18 percent since the Company was formed in 1995. During the same period, the world has undergone three finance crises.

Key indicators	2012	2011
Number of hotels*	120	118
Number of hotel rooms	25,000	24,500
Property revenues, SEK M	1,801	1,846
Cash flow, SEK M	848	879

* And one congress and fair centre.

Founded in 1995. Pandox has its origins in the finance and property crisis in the beginning of the 1990s. The Company was formed in 1995 by Securum and Skanska. The mission was to take over and restructure the hotel portfolio, and prepare it for sale.

The original hotel property portfolio. In the beginning, Pandox consisted of 18 hotel properties and three small operating units. All of the hotels were in Sweden, and most of them were small with weak locations and in bad condition.

Stock-exchange listing. Pandox was floated on the Stockholm Stock Exchange in 1997 with a new and untried business concept. The Company's portfolio was valued at SEK 1.3 billion and the market capitalisation at SEK 520 million. The listing gave 4,000 new shareholders. Further to the listing, Pandox expanded substantially, with acquisitions of large hotels in strong locations, while its smaller hotels were sold.

Internationalisation. In 2000, Pandox expanded its geographical strategy to Northern Europe through the acquisition of Hotellus with 16 hotel properties.

Privatised again in 2004. Pandox was bought out from the stock market in 2004, with new industrial owners through Eiendomsspar AS and Sundt AS.

Stronger in Europe. The transaction rate increased further to the privatization and several large hotels were acquired in Berlin, Brussels, Basel, Copenhagen, Stockholm and Malmö – thus strengthening Pandox as one of the leading hotel property players in Europe.

Expansion to North America. In 2007–2008, Pandox continued its international expansion with two acquisitions in Montreal.

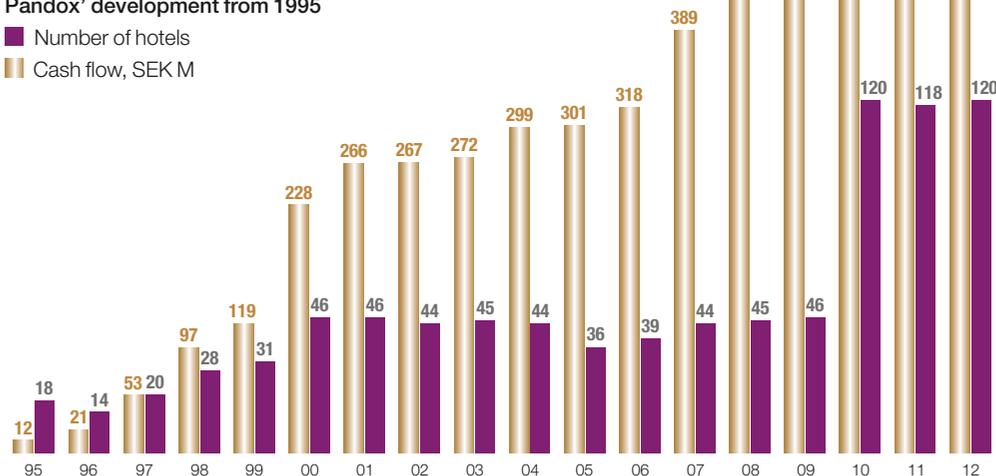
Leading in Europe. In August 2010, Pandox announced the close to SEK 10 billion acquisition of Norgani Hotels, with a portfolio of 73 hotels in Sweden, Finland, Norway and Denmark.

Further to the acquisition, Pandox is one of Europe's leading exclusively hotel property companies in terms of geographic spread and number of hotels and brands. Since starting in 1995, Pandox has completed acquisition and sale transactions comprising 181 hotels, totalling more than SEK 20 billion.

The value of the Company's hotel property portfolio amounted to approximately SEK 24 billion at the end of 2012 – which implies that the value has increased about 20 times since the Company was formed. This has been achieved through a good hotel market, active ownership, sound expertise and profitable acquisitions.

Pandox' development from 1995

■ Number of hotels
■ Cash flow, SEK M



* Refers to 100 percent of Norgani's and Pandox' ongoing cash flow for each respective full year.

At the end of 2012, Pandox had a total of 120 hotel properties and one congress and fair centre. Six transactions were completed during the year. Four properties were acquired in Copenhagen: Scandic Hvidovre, Scandic Glostrup, First Copenhagen and Scandic Kolding. Two Swedish hotels, Elite Stora Hotellet in Linköping and Ibis in Hägersten, were sold.

TRANSACTIONS
OF MORE THAN
SEK 20 BILLION
COMPRISING
181 HOTELS

FINANCIAL OVERVIEW 2012

Hilton Helsinki Kalastajatorppa is located a 10-minute drive from central Helsinki. It has 238 rooms, 17 meeting rooms with capacity for up to 500 people, two restaurants, a relax department with gym, pool and sauna, as well as a private beach.

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WELL-WEIGHTED RISK PROFILE

Financial policy

The basic objective of Pandox' financial operations is to achieve the lowest possible financing costs while simultaneously limiting the risks related to interest rates, foreign currencies and borrowings. The interest rate risk is the risk that changes in interest rate levels which could negatively affect the Group's results. Currency risk is the risk that the Group's balance sheet and income statement which could be negatively affected by changes in the value of the Swedish krona. Finally, the borrowing risk is the risk that external financing may become more difficult to find.

Interest rate risk/interest rate strategy

Pandox' basic objective is that interest rate exposure shall be adapted so that increased costs as a result of reasonable changes in interest rates shall be compensated by higher revenue. The interest rate risk must therefore be limited through contracting periods of varying lengths with the aim of creating an optimal due date structure and fixed interest periods. The long term objective is that the average fixed interest period be matched with the average fixed in time when rental revenues, based on underlying leases, are estimated to be affected by a change in interest rates. Interest swaps are mainly used for extension of fixed interest rate periods.

Currency risk/currency risk strategy

Pandox is exposed to currency risks due to certain of the Group's assets being denominated in foreign currencies. Pandox' policy is to hedge the majority part of its exposure by raising loans in the local currency of each respective country and by hedging with appropriate currency hedging instruments.

Methodology and systems

Pandox has developed and implemented systems and procedures to enable the continuous monitoring and reporting of interest rate risk trends.

Financing strategy

In order to gain flexibility and administrative benefits, Pandox has centralised when possible all borrowing in the Parent Company. The objective is to work with long-term framework agreements that provide scope for borrowing with varying maturities and fixed margins. Derivative instruments such as swaps are preferably used for the extension of fixed interest rate periods.

Capital structure

The objective for the Group's capital structure is that the equity/asset ratio long term should meet internal and external financial strength requirements in order to enable continued expansion.

Financing

As of 31 December, the Pandox Group's interest bearing liabilities amounted to SEK 7,991.3 M (7,406.6). The loan portfolio has a spread due-date structure with an average fixed-capital period of 5.9 years is without financial covenants and has an average fixed-interest period of 4.0 years (4.7). The average interest rate on loans at 31 December was 3.5 percent (3.7). The financing of hotel properties is raised in each respective local currency in accordance with the financial policy. The Group's liquid funds amounted to SEK 287.2 M (337.9). In addition, there was an unutilised credit facility of SEK 710.0 M.

Equity capital

The Group's equity capital as per the balance sheet at 31 December 2012 amounted to SEK 3,118.7 M of which SEK 495.2 M was restricted equity and SEK 2,623.5 M unrestricted equity.

The Pandox Group's cash flow from current operations, including 50 percent of Norgani's cash flow, amounted to SEK 664.5 M.

Working capital

Pandox receives rental revenue in advance and pays most of its operating costs and interest expense in arrears while hotel operations normally receive revenues in arrears. Altogether the Group normally has a relatively small working capital to finance.

INTEREST STRUCTURE¹⁾, SEK M

Year due	SEK	DKK	EUR	GBP	CHF	CAD	Total	Share, %	Interest, % ²⁾
2013	1,010.4	13.9	1,011.5	375.5	83.4	358.8	2,853.5	35.7	3.0
2014	350.0	–	344.7	–	–	–	694.7	8.7	3.9
2015	100.0	115.5	336.0	–	128.4	–	679.9	8.5	4.5
2016	250.0	–	172.3	–	–	–	422.3	5.3	4.3
2017	–	–	–	–	–	240.7	240.7	3.0	4.8
2018 and later	1,650.0	485.2	965.0	–	–	–	3,100.2	38.8	3.5
Total	3,360.4	614.6	2,829.5	375.5	211.8	599.5	7,991.3	100.0	3.5
Share, %	42	8	35	5	3	7	100	–	–
Average interest rate, %	3.6	3.1	3.7	1.8	3.3	3.7	3.5	–	–
Average interest rate period, years	4.6	7.6	3.6	0.2	1.3	2.0	4.0	–	–

¹⁾ Converted to SEK.

²⁾ Average interest rate in percent.

FACTORS THAT AFFECT PANDOX

Pandox' operations and profitability are affected by a number of factors, of which the most important are described below.

The hotel market

The development of Pandox' earnings and the value of its hotel properties are dependent upon trends within the hotel market, which in turn closely follow general economic developments.

Business travel and conference activities normally increase during periods of high economic activity, while there is a corresponding decrease during periods of low economic activity. There is thus a strong connection between economic trends (GDP) and trends within the hotel market. Developments of GDP can be closely monitored, whereas factors that influence local hotel markets are significantly more complex. The most important influential factors are local economic conditions, the proportion of new hotel capacity in the market, how well developed a market is concerning brand names and segments, currency fluctuations, as well as extraordinary events.

New capacity

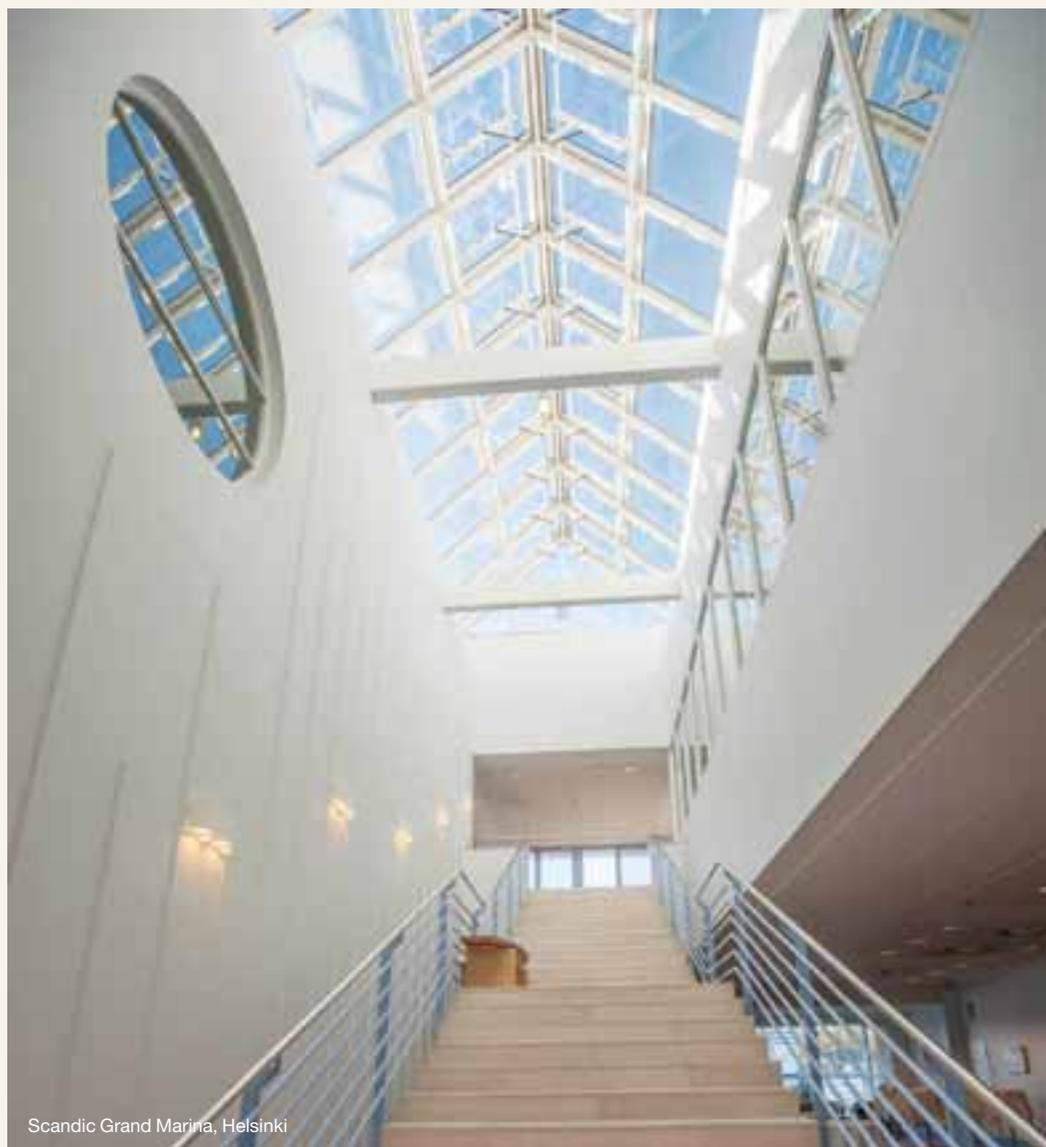
New capacity introduced to the market implies an increased risk for local players. Depending upon existing demand, additional hotel rooms through the construction of a new hotel can lead to a rapid negative influence on occupancy rates and average prices. To deal with this risk, Pandox has developed an information system that continually monitors planned new constructions within its market areas, and thus enabling Pandox to be prepared and proactive.

Agreement structure

Pandox has a large proportion of variable leases, which represented 95 percent of total rental revenue in 2012 for Pandox wholly owned properties.

About 32 percent of variable leases contained a guaranteed rent, meaning that 63 percent of rental revenues were fully variable downwards. A change in the occupancy rate and the average room revenue consequently affects Pandox very differently, depending on the direction of change.

The choice of agreement is based on optimal distribution of cash flow between Pandox and the operator so that both parties are motivated to continuously increase the hotel property's overall



Scandic Grand Marina, Helsinki

profitability. Factors that may influence risks associated with variable leases are the hotel property's location, market segment and brand name/operator. Pandox' strategy is to operate in a selected market segment, which in combination with its hotels market expertise and systems, limits the agreement risk.

Partners

Pandox' agreement structure, with a large proportion of variable leases, means that the Company is more dependent on the individual tenant/operator's business than other property companies. The

Company's strategy to actively cooperate with the market's most competitive and powerful operators with well established brand names, reduces both the related operative and financial risks.

Pandox' largest tenants in terms of revenue are Scandic, Hilton, Rezidor, Elite Hotels, InterContinental Hotels Group, Nordic Choice Hotels and First Hotels, which together accounted for 85 percent of all rental revenue in 2012.

Leasing level

The leasing level in Pandox' wholly owned portfolio as of 31 December was 99.6 percent. Vacant

space amounting to 2,596 sqm consisted entirely of store and office premises.

If for any reason a hotel operator should choose to terminate its lease agreement, Pandox may either select a new suitable operator as tenant or operate the hotel under its own management. With Pandox' specialist expertise in the hotel sector, the risk of vacant hotel space is seen as being extremely low.

For other commercial space, which represents approximately 8.1 percent of total space in the Company's properties, Pandox is exposed to the same fluctuations in supply and demand for premises experienced by other property owners.

Changed risk potential

Historically, the hotel industry and hotel property sector have always been associated with high risk. The market has however changed significantly in recent years. Owners have become more professional with restructured companies and focused strategies, with a greater holistic view and specialised expertise. Reports from public companies have substantially improved information about the transparency of the market. The proportion of established strong brand names with efficient operations has increased. For streamlined companies with own expertise in hotel operations, hotel properties and business development, and

who are active owners, the potential risk is considerably lower than it has been in historic terms.

Decisions by public authorities

The hotel market can be affected by decisions made by public authorities. Two examples of such decisions are changes in taxation related to claims for travel expenses or rules concerning value added tax both in general and for the hotel and restaurant industry in particular.

Property tax

Property tax on Pandox' Swedish properties amounts to 1.0 percent of the tax assessment value. Changes in the tax rate or in the tax assessment value affect Pandox' earnings. However, an increase only has a limited impact on the earnings because many lease agreements are formulated so that the property tax be passed on to the tenant. Property tax on properties outside Sweden is generally less than one percent of the book value. About 59 percent of the property tax was debited to tenants in 2012, which means that the net effect on Pandox' earnings amounted to SEK 20.1 M.

Site leasehold rents

In the wholly owned portfolio as of 31 December 2012, Pandox held seven properties via site lease-

hold rights. Rents on these properties are currently calculated in such a manner that a municipality that normally owns the land receives what is deemed to be a reasonable real rate of interest on the estimated market value of the land in question. Site leasehold rents generally run for periods of 10 to 20 years.

Interest rates

Interest expense is Pandox' largest single cost item. Fluctuations in interest rates will therefore have an impact on Pandox' earnings. In order to limit its financial risk, the Company's average fixed interest period is 4.0 years. The full effect of a change in interest rates is accordingly not felt by Pandox until after this period.

Currency risk

Pandox' policy is to hedge the major part of its currency exposure, including shareholders' equity, by financing properties in local currencies and by hedging through means of appropriate currency instruments. Transaction exposure is limited as revenue and costs are usually in the same currency.



HOTEL PROPERTY PORTFOLIO VALUE

The valuation of hotel properties with their specific characteristics demands extensive knowledge and expertise of the hotel market and hotel operations.

Cash flow valuation

Pandox continuously evaluates all of its hotel properties in accordance with a valuation model based on the properties' cash flow, and which is adapted to the characteristics specific to the hotel industry.

The cash flow calculation is built up from underneath, with the property operator's income statement as the point of departure. This in turn is based on assumptions as to how the underlying hotel market will develop in terms of occupancy and average rates, as well as how each specific operator's respective key ratios and figures

develop in this market. The operator company's results and forecasts, together with the formulation of the agreement, provide underlying data to estimate revenues, which subsequently constitute the basis of the cash flow calculation. The value calculated is the present value of the next ten years' cash flow, with a supplement for the present value of the hotel properties' residual value after ten years.

The valuation model is based on the following assumptions:

- Changes in rental revenue during the calculation period are based on the formulation of individual agreements and on underlying factors.
- Inflation is assumed to amount to an average of 2.0 percent annually during the calculation period.

- Operating costs are assumed to increase in line with inflation.
- The rate of interest used in the calculation is based on the real interest rate plus a risk premium based on location, lease, and form of ownership.

An internal valuation of Pandox' wholly owned hotel properties in accordance with this method resulted in a total value as of December 2012 that substantially exceeds the book value. In accordance with current accounting principles, each individual property's recovery value was reconciled with its book value, further to which it was noted that no write downs were necessary.

THE COMPANY'S TAX SITUATION

The Pandox Group's property holdings are reported for accounting purposes as fixed assets. The consolidated book value as of 31 December 2012 amounted to SEK 8,785.1 M excluding equipment, of which the consolidated surplus values amounted to SEK 1,786.0 M.

Accounting of deferred tax

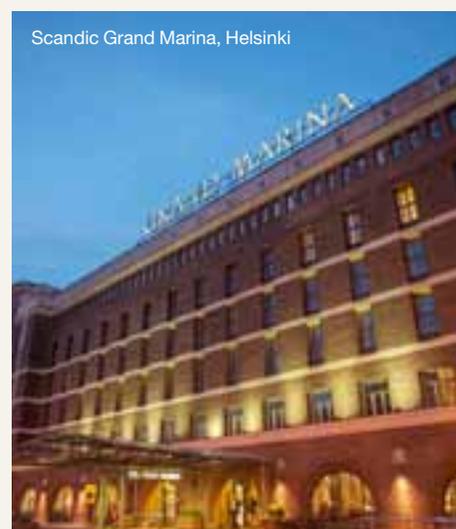
Pandox applies the Swedish Accounting Standards Board's general recommendation on income tax accounting (BFNAR 2001:1). In short, the recommendation implies that both deferred tax liabilities and tax claims are to be included in the financial statements and that any changes will affect the income statement as deferred tax.

Pandox' consolidated balance sheet as of 31 December 2012 includes a deferred tax liability in the net amount of SEK 268.2 M corresponding to the difference between a deferred tax liability of SEK 393.0 M and a deferred tax claim of SEK 124.8 M. The deferred tax liability refers mainly to the estimated deferred tax based on the difference between the properties' consolidated book value and the fiscal residual value of each respec-

tive legal unit. The difference in value has arisen as an effect of surplus value upon acquisitions of property in companies, known as pure intrinsic acquisitions, as well as fiscal depreciation that exceeds book depreciation. Tax deduction for annual depreciation of properties has normally been made at the rate of 3 to 5 percent of a property's acquisition cost. As a result, the amount of fiscal depreciation exceeds that of book depreciation, and the difference between the book value and the fiscal value of a property increases year on year. The deferred tax liability generated by asset acquisitions has been calculated using the present value method based on the shortest period of ownership estimated for each property, and corresponds to an average tax rate of approximately 10 percent. This is based on regulation for assessing deferred tax upon pure intrinsic acquisitions, where the tax effect is taken into consideration when calculating the acquisition price. The deferred tax relating to the difference between book depreciation and fiscal depreciation is calculated based on the applicable tax rate.

The deferred tax claim pertains mainly to deficit deductions. At the end of 2012, there were

remaining deficit deductions totalling SEK 347 M in the Swedish companies. The valuation of deferred tax claims is based on their potential utilisation against future taxable profits, and is calculated according to the applicable tax rate. Consequently, minor deficit deductions in non-Swedish companies were reported at the end of 2012.



Scandic Grand Marina, Helsinki

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property operations										
Rental revenue	535.1	562.7	548.8	605.0	747.5	872.3	850.6	884.2	923.1	920.4
Other property revenue	26.5	30.2	25.2	29.9	34.7	43.2	44.6	39.1	38.3	40.2
Total property revenue	561.6	592.9	574.0	634.9	782.2	915.5	895.2	923.3	961.4	960.6
Operating and maintenance costs	-100.1	-118.7	-103.8	-111.5	-126.3	-132.8	-117.0	-140.6	-141.8	-122.5
Operating net	461.5	474.2	470.2	523.4	655.9	782.7	778.2	782.7	819.6	838.1
Depreciation	-64.3	-70.3	-78.2	-91.3	-129.3	-163.8	-193.6	-194.3	-191.3	-194.0
Income from property operations	397.2	403.9	392.0	432.1	526.6	618.9	584.6	588.4	628.3	644.1
Hotel operations										
Operating revenue	81.3	216.8	250.2	420.0	788.8	1,105.3	1,095.0	1,208.6	1,244.0	1,156.0
Operating costs	-75.7	-204.4	-239.4	-407.7	-768.2	-1,084.5	-1,129.0	-1,202.8	-1,241.7	-1,157.2
Operating income hotel operations	5.6	12.4	10.8	12.3	20.6	20.8	-34.0	5.8	2.3	-1.2
Gross income	402.8	416.3	402.8	444.4	547.2	639.7	550.6	594.2	630.6	642.9
Administrative costs	-35.5	-39.3	-42.5	-51.9	-55.4	-64.6	-68.3	-72.4	-82.3	-72.4
Other revenue/realisation results	7.4	-	444.4	39.9	3.4	6.9	-	-	-	-
Operating income	374.7	377	804.7	432.4	495.2	582.0	482.3	521.8	548.3	570.5
Non-recurring financial income & costs	-	-56.1	-	-	-	-	79.5	431.2	63.6	-
Profit from associate companies	-	-	-	-	-	-	-	5.7	156.2	171.2
Net financial items for current operations	-159.2	-148.4	-137.4	-166.4	-232.4	-294.7	-229.8	-214.0	-254.5	-283.4
Income after financial items	215.5	172.5	667.3	266	262.8	287.3	332.0	744.7	513.6	458.3
Deferred tax	-50.3	-47.6	36.8	-33.0	-23.5	34.2	-10.1	-65.7	-46.1	-88.0
Tax	11.4	-0.2	-15.8	-31.4	-9.3	-22.2	-20.4	-111.2	-55.2	-6.1
Income/loss for the year	176.6	124.7	688.3	201.6	230.0	299.3	301.5	567.8	412.3	364.2

CONDENSED CONSOLIDATED BALANCE SHEET

SEK M, as of 31 December	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assets										
Properties including hotel equipment	5,276.7	5,262.8	5,477.5	6,907.5	8,223.8	9,212.5	9,348.0	9,200.5	9,549.6	9,522.5
Other fixed assets	7.2	6.9	113.7	172.8	139.0	794.6	843.3	1,170.3	1,277.4	1,803.6
Current assets	34.6	58.6	201.7	174.4	223.1	241.2	158.4	276.0	443.4	329.4
Cash and bank	137.5	58.0	236.4	174.1	272.8	347.7	326.4	385.1	337.9	287.2
Total assets	5,456.0	5,386.3	6,029.3	7,428.8	8,858.7	10,596.0	10,676.1	11,031.9	11,608.3	11,942.7
Equity and liabilities										
Shareholders' equity	1,919.2	1,923.0	2,307.7	2,272.3	2,407.7	2,729.2	2,996.7	2,977.5	3,108.3	3,118.7
Deferred tax liability	135.9	184.3	208.5	279.7	352.5	335.2	363.0	389.1	424.8	393.0
Interest bearing liabilities	3,211.9	3,080.4	3,165.3	4,398.5	5,516.8	6,808.6	6,850.5	7,025.8	7,406.6	7,991.3
Non-interest bearing liabilities	189.0	198.5	347.8	478.3	581.7	723.0	465.9	639.5	668.6	439.7
Total equity and liabilities	5,456.0	5,386.3	6,029.3	7,428.8	8,858.7	10,596.0	10,676.1	11,031.9	11,608.3	11,942.7
Key data										
<i>Property related key data</i>										
Book value of properties including hotel equipment, SEK M	5,276.7	5,262.8	5,477.5	6,907.5	8,223.8	9,212.5	9,348.0	9,200.5	9,549.6	9,522.5
Total property revenue, SEK M	561.6	592.9	574.0	634.9	782.2	915.5	895.2	923.3	961.4	960.6
Operating net, SEK M	461.5	474.2	470.2	523.4	655.9	782.7	778.2	782.7	819.6	838.1
<i>Financial key data</i>										
Interest coverage ratio, multiple	2.7	2.2	3.2	2.9	2.7	2.5	4.5	3.5	3.9	3.4
Return on equity, %	9.4	6.5	32.5	8.8	9.8	11.7	10.5	19.5	13.4	11.5
Equity/assets ratio, %	35.2	35.7	38.3	30.6	27.2	25.8	28.1	27.0	26.8	26.1
Cash flow from current operations, SEK M	272.4	298.9	301.4	317.6	389.0	444.5	446.4	518.9	691.2	664.5
Investments excluding acquisitions, SEK M	60.8	70.5	165.1	282.6	274.9	269.3	312.5	197.7	349.2	335.6
Property acquisitions, SEK M	370.7	–	661.3	1,327.8	1,063.4	370.9	163.3	332.0	206.4	–

QUARTERLY DATA 2011–2012

CONDENSED INCOME STATEMENTS

SEK M	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total property revenue	208.4	256.0	245.4	251.6	218.2	252.7	240.8	248.9
Operating net	172.7	220.4	211.9	214.6	183.7	218.6	210.5	225.3
Income from property operations	127.9	170.5	162.3	167.6	136.5	170.3	162.1	175.2
Income from hotel operations	-22.5	25.5	-5.1	4.4	-22.8	17.8	-9.1	12.9
Operating income	89.7	179.4	143.2	136.0	96.3	170.3	135.9	168.0
Net financial items	35.7	-21.6	-18.6	-31.2	-11.9	-23.9	-29.1	-47.3
Income after financial items	125.4	157.8	124.6	104.8	84.4	146.4	106.8	120.7
Income after tax	115.7	117.5	92.6	105.7	68.0	117.3	82.4	96.5

CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	2011				2012			
	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec
Assets								
Properties including hotel equipment	9,333.4	9,506.3	9,587.1	9,549.6	9,591.1	9,583.5	9,434.4	9,522.5
Other fixed assets	1,012.6	1,205.6	1,225.5	1,277.4	1,320.4	1,491.5	1,511.4	1,803.6
Current assets	435.8	476.4	489.3	443.4	437.2	473.1	432.3	329.4
Cash and bank	471.4	337.3	337.8	337.9	214.6	278.2	356.6	287.2
Total assets	11,253.2	11,525.6	11,639.7	11,608.3	11,563.3	11,826.3	11,734.7	11,942.7
Equity and liabilities								
Shareholders' equity	3,062.4	3,066.9	3,129.1	3,108.3	3,167.2	3,112.2	3,164.2	3,118.7
Deferred tax liability	422.8	448.9	466.5	424.8	428.1	448.6	459.5	393.0
Interest bearing liabilities	7,140.8	7,431.8	7,488.5	7,406.6	7,367.1	7,785.3	7,633.2	7,991.3
Non-interest bearing liabilities	627.2	578.0	555.6	668.6	600.9	480.2	477.8	439.7
Total equity and liabilities	11,253.2	11,525.6	11,639.7	11,608.3	11,563.3	11,826.3	11,734.7	11,942.7

FINANCIAL KEY DATA

	2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Interest coverage ratio, multiple	3.2	3.8	4.0	3.9	3.1	3.5	3.4	3.4
Return on equity, %	12.8	14.1	13.4	13.4	9.8	11.9	11.4	11.5
Equity/assets ratio, %	27.0	27.0	26.9	26.8	27.4	26.3	27.0	26.1
Cash flow from current operations, SEK M	165.2	182.6	180.7	162.7	118.2	195.7	167.1	183.5
Investments excluding acquisitions, SEK M	61.2	103.6	59.7	124.7	144.8	192.5	254.8	335.6
Property acquisitions, SEK M	206.4	-	-	-	-	-	-	-

DEFINITIONS OF KEY DATA

Property related key figures

Operating net

Hotel property revenue less operating and maintenance costs, property tax, ground rent and other property costs.

Property related administration

The portion of total administration costs that is directly related to the management and development of a property. Other administration costs include central administration and costs for administration of non-Swedish entities.

Total property revenue

The sum of rental revenue and other property revenue.

Financial key figures

Return on equity

Profit after tax as a percentage of average equity.

Interest coverage ratio

Profit before tax less depreciation and net financial items (EBITDA) in relation to net financial items.

Equity/asset ratio

Equity at the end of the year as a percentage of total assets.

Hotel market related key figures

Occupied rooms

Number of sold room nights during a given period of time – normally one year.

Available rooms

Available room capacity during a given period of time – normally one year.

Occupancy rate

Number of occupied rooms as a percentage of the number of available rooms.

Average room rate

Total revenue from sold rooms divided by the number of occupied rooms.

RevPAR

(Revenue Per Available Room)

Total revenue from sold rooms divided by the number of available rooms.

Market penetration

The performance of an individual hotel in relation to the average of the market.

GOP (Gross Operating Profit)

Net profit in hotel operator companies before depreciation, rent, net financial items and taxes.

FINANCIAL STATEMENTS 2012

PROPERTY REVENUES AND TOTAL REVENUES

Pandox' property revenues for 2012 amounted to SEK 960.6 M (961.4), which for comparable units, including adjustment for currency effects, remains almost unchanged compared to 2011. The Group's total revenue amounted to SEK 1,910.7 M (1,993.9).

CASH FLOW

Cash flow from ongoing operations, including share of profits from associate companies and capital gains, amounted to SEK 664.5 M (691.2), representing a decrease by 3.9 percent.

PROFITS

Profit before tax, excluding non-recurring items, decreased to SEK 435.2 M (457.5), and to SEK 458.3 M (513.6) including non-recurring items. Profit after tax amounted to SEK 364.2 M (412.3).

Pandox manages a hotel portfolio consisting of 120 hotels and one congress and fair centre. Ownership of the portfolio is spread, whereby Pandox fully owns 47 hotels. The remaining hotels are owned in equal proportions, together with the company's shareholders, except for one hotel that is managed by Pandox, but owned by one of the shareholders. The figures in this year-end report include the hotels that are fully-owned by Pandox, as well as Pandox' share of the results in the other hotels, in accordance with the equity method.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors and Chief Executive Officer of Pandox AB (publ), Swedish corporate registration number 556030-7885, hereby submit the annual report and consolidated accounts of the Company for the financial year 2012.

Operations and strategy

Pandox is one of Europe's leading hotel property companies. The Company has built up specialist expertise within the key areas of hotel markets, hotel operations, hotel properties and business development. Active ownership, with well developed strategic plans for each hotel, enables the creation of good prerequisites for stable and improved cash flows, and thereby growth in value for the shareholders.

Pandox' strategy is to own one type of property – hotel properties. Its focus is strengthened by a prioritised market segment.

Pandox is to own large hotel properties in Sweden, major locations in Europe, as well as developing regions in Eastern Europe and North America.

The hotels should be in central and strong locations such as city centres, airports and exhibition centres. The hotels should be in the upper medium to high price range and focus on the business and leisure segments. The hotels owned by Pandox are operated and marketed by the most powerful players in the hotel market, who with well known brands and dynamic independent distribution channels create strong market positions and thereby stable revenues.

Revenues are created by flexible agreements related to the operator's turnover and results or through management agreements where Pandox assigns a third party to manage operations, or alternatively through its own management. Irrespective of the form of operation, Pandox contributes via its active ownership to increasing total cash flows and reducing risks.

Pandox manages a hotel portfolio consisting of 120 hotels and one congress and fair centre, of which 47 in the Pandox portfolio, 72 in the Norgani portfolio and one managed by Pandox, but owned by one of the shareholders. Pandox operates eleven hotels of which one via an asset management assignment and one in the Norgani portfolio. Pandox owns and develops assets in Sweden, Denmark, Finland, Norway, Belgium, Germany, Switzerland, the United Kingdom, Canada and the Bahamas.

Accounting principles

Pandox does not apply IFRS. As an unlisted company, Pandox is not subjected to IFRS reporting requirements. Pandox applies the Swedish Annual Reports Act and generally accepted accounting principles, as well as the recommendations of the Swedish Accounting Standards Board unless otherwise stated. The Group's properties are reported in the balance sheet at their acquisition cost less accumulated depreciation.

Ownership situation

Pandox is owned by the Norwegian companies Eiendomsspar AS, Helene Sundt AS and CGS Holding AS.

The Hotel Market

Several positive cyclical signals emerged in the USA in 2012, when signs of improvement in the residential housing market could be glimpsed, and the households' indebtedness fell strongly. The US economy still has some way to go before reaching normal levels, as shown by persistently high unemployment levels, for the USA, of around 8 percent, and estimated weak GDP for the fourth quarter.

The euro area was still in recession in 2012. It is assessed that the weak economic development will continue in 2013, although several macro-economic analysts expect the development to change course later in the year. The financial markets' confidence in how the euro crisis is handled by governments and institutions is still a vital parameter determining Europe's economic development.

The Nordic countries, with the exception of Norway, are still in a period of weak growth. Rising unemployment, weak exports and household spending restraint are dampening growth prospects, even though some analysts believe in a stronger economy in the second half of 2013. Denmark currently shows the weakest development among the Nordic countries. With high demand in the oil industry, low interest rates and low unemployment, Norway continues to buck the international economic trends.

Overall, the global cyclical position is considered to have stabilised to a degree, yet major political challenges still remain.

The hotel market in the United States

The USA has seen growth in RevPAR since autumn 2010 and the recovery continued at a stable pace in 2012, with RevPAR for the full year increasing by almost 7 percent compared to the previous year. The growth was mainly driven by higher average prices, due mostly to a stronger corporate segment. The prospects for 2013 are also favourable and several analysts believe in growth of 5–7 percent, driven by an increase in average prices. The luxury segment still shows the highest growth figures.

The major American cities that performed best during the year were San Francisco, Los Angeles and Chicago, which all ended the year with RevPAR growth of around, or just over, 10 percent. New York also achieved stable growth in 2012, with an increase in RevPAR by 6 percent, driven by both improved occupancy and higher average prices.

The hotel market in Europe

Despite turbulence elsewhere and weak economic activity, Europe increased RevPAR by approximately 5 percent overall, driven mainly by improved average prices. Northern and eastern Europe continued to develop most strongly, while southern and central Europe showed considerably weaker development. There were generally fewer hotel guests from the PIIGS countries and France, and a more short-term occupancy pattern was apparent, as hotel stays and meetings are booked at increasingly shorter notice.

Currently, the major cities to the east show the best development. They include Warsaw, Tallinn and Moscow, with RevPAR growth of around 10 percent. Paris and Berlin also achieved strong growth last year, when RevPAR increased by 8–9 percent, driven by higher average prices, and in Berlin's case by some strong conference months. Based on the London market's high levels in the record summer of 2011,

and how before the Olympics the city had a considerable capacity expansion by almost 7,000 new rooms, RevPAR growth of approximately 2 percent must be considered to be favourable.

The cities in southern Europe presented the weakest development. Madrid, Milan, Athens and Lisbon all showed negative growth in RevPAR this year compared to last year. Amsterdam and Zurich also continued to develop negatively.

The Nordic cities showed diverging development. Helsinki and Copenhagen achieved the strongest development, with RevPAR growth of around 4 percent. For both cities, higher average prices accounted for more than the overall increase, since occupancy fell at the same time. The capacity expansion in both cities was limited in 2012.

Stockholm and Oslo showed negative RevPAR development in 2012, with reductions of approximately 5 and 3 percent, respectively. Both markets were affected by considerable capacity expansion during the year. In Stockholm, the congress season was weaker in 2012 than in 2011, especially in the important autumn months.

Pandox' portfolio

Pandox' hotel property portfolio continued to perform well in the respective sub-markets. The Stockholm hotels were mainly affected by a weaker conference and congress year, while considerable additional capacity was added to the market. Overall, RevPAR was reduced by approximately 5 percent for Stockholm in total. The hotels in Norrort (northern suburbs of Stockholm) lost more than the market overall, as this area had the greatest capacity expansion.

The Gothenburg market had a generally acceptable year, but with capacity expansion, since Clarion Post, for example, achieved RevPAR of -1 percent compared to the previous year. Pandox city hotels continued to perform well in this area. The Malmö market performed at the 2011 level after a few years with declining demand combined with strong capacity expansion. Pandox completed the renovation of parts of the Malmö

stock, which reduced the opportunities to perform in line with the market. The Swedish regional cities continued to present stable development, with growth of approximately 2 percent.

Pandox Copenhagen hotels had a positive year, as Scandic Copenhagen is once again operating at full capacity, after the completed renovation. Among the Belgian hotels, Hilton Brussels City and Crowne Plaza Antwerp achieved good results during the year, resulting in stronger market shares. Crowne Plaza Le Palace and Hotel Bloom! had good, but tough, years with a considerably weaker conference market. At The Hotel Brussels, extensive renovation work took place throughout the year, making it a challenge to run the hotel in the prevailing market climate. Overall, the Brussels hotel market declined by approximately 2 percent.

Hyatt Montreal is performing in line with its competitor group, but due to a strike at the hotel during the third quarter the hotel's market development lost some ground. InterContinental developed in line with the market in a year of few congresses and city events.

Hilton London Docklands made strong progress during the summer, primarily with good occupancy during the weeks of the Olympic Games. Berlin had a strong year for large conferences and congresses, so that Hotel Berlin, Berlin's strategy to increase its room rates was successful. Pandox hotels in Dortmund and Bremen also presented sound growth figures, as a result of both improved average prices and increased occupancy.

Norgani's portfolio

Norgani's Stockholm hotels made good progress in 2012, but were affected by the refurbishments to several of the hotel properties. The hotels in Södra (southern) Stockholm developed better than Norrort (northern Stockholm), partly because the capacity increase in Stockholm affected Norrort more than Söderort. In general terms, adjusted for renovation effects, the hotels performed on a par with the market.

Norgani's hotel properties in Gothenburg achieved performance at the market level. The Swedish regional cities, especially in northern Sweden, generally experienced more stable, sounder development than the major cities. Several of Norgani's hotel properties were affected by the extensive renovation programme undertaken as joint projects with Scandic.

The Oslo hotel market developed negatively in terms of RevPAR during the year, following strong figures for the previous year and a significant capacity increase in the city. In this market, Norgani's hotels overall performed in line with the markets.

Helsinki had a good year with several major events (world ice hockey championship, European athletics championships and Design Capital 2012), which drove positive RevPAR development via higher average prices. All Norgani hotels performed above previous years. The market in Tammerfors was strong, but the city's capacity expansion by approximately 17 percent presents challenges. Nonetheless, Norgani's hotel properties achieved performance that exceeded expectations.

Revenues and operating net – property operations

Property management revenues for the year amounted to SEK 960.6 M (961.4). For comparable units and currencies, the portfolio's compensation rate was almost unchanged compared to 2011. The hotels performed well, despite the prevailing economic trends. At the hotel property level in the respective sub-markets, however, there were relatively large differences in results, depending on the location, market segment, type of agreement and operator. Property management costs excluding depreciation amounted to SEK 122.5 M (141.8). The decrease is mainly due to reduced maintenance costs. The operating net increased overall by SEK 18.5 M to SEK 838.1 M (819.6).

Revenues and profit – hotel operations

Total revenues from hotel operations amounted to SEK 1,156.0 M (1,244.0). For comparable units, and adjusted for currency effects, revenues decreased by 7 percent, mainly as a consequence of considerable capacity withdrawal at The Hotel Brussels, due to renovations. The overall profit from hotel operations, which includes a market-level rent that is reported under property management revenues, totals SEK –1.2 M (2.3).

Portion of profits from Norgani

Pandox' share of the profit in Norgani was SEK 171.2 M (156.2) before tax and is recognised under net financial items. The result includes non-recurring items concerning property sales of SEK 31.1 M (10.5) and write-down of a property for SEK –8.2 M.

Profit

The Group's profit before tax and excluding non-recurring revenue and expenses was SEK 435.2 M (457.5). The decrease was mainly due to higher financial expenses and capacity withdrawal in connection with planned investments. The Group's profit after tax amounted to SEK 364.2 M (412.3).

Financing and cash flow

Net financial items relating to current operations for the period January to December 2012 amounted to SEK –283.4 M (–254.5). The Group's interest-bearing liabilities as of 31 December 2012 amounted to SEK 7,991.3 M (7,406.6). The loan portfolio has a spread due-date structure, with an average fixed-interest period of 4.0 years. The average interest rate on loans as of 31 December 2012 was 3.5 percent. The Swedish portfolio is financed in Swedish kronor, while in all significant respects properties outside Sweden are financed in each respective local currency. Available liquid funds, including unutilised bank overdraft and credit facilities totalling SEK 710 M, amounted to SEK 997 M

(1,049). Cash flow before changes in working capital and investments, and excluding non-recurring items and tax, was SEK 664.5 M (691.2), including Pandox' portion of the cash flow from the Norgani Group amounting to SEK 183.4 M.

Investments

The Pandox Group's investments, excluding acquisitions, totalled SEK 335.6 M (349.2) during the year. Investments among other things concerned the investment programmes for Scandic Hotel Copenhagen, The Hotel Brussels, Hotel Berlin, Berlin and Hilton Slussen, as well as product improvements for a large number of properties. The hotel properties' net book value including hotel fixtures and fittings totalled SEK 9,522.5 M (9,549.6). The market value of the hotel properties significantly exceeds their book value.

Taxes

The Swedish Tax Agency has in a reassessment notice dated October 2007, decided to increase the assessed income of a number of Pandox's subsidiaries by in total SEK 430 M (corresponding tax effect of SEK 120.4 M plus tax of SEK 16.2 M) as a consequence of the sale of real estate through non-Swedish subsidiaries carried out in 2005. The decision has been appealed to the administrative court of appeal. The Company is of the opinion that all transactions and claims have been made in accordance with applicable laws and therefore no reserves have been booked in the Groups' accounting.

Personnel

Central administration counted 24 employees as at 31 December. Figures concerning average number of employees, as well as salaries and other remuneration are set out in Note 16.

The work of the Board of Directors 2012

During 2012, the Board has held five ordinary meetings in accordance with the established annual agenda. The meetings have reviewed

and discussed external and internal reporting of operating results and the Company's financial position as well as various business matters. Other important items that are regularly studied and reviewed each year are markets, strategy, finance, and budget issues.

Parent Company

Property activities in the Group's property-owning companies are administered by staff employed by the Parent Company, Pandox AB (publ). The cost of these services has been invoiced to the Group's subsidiaries. Invoicing in 2012 amounted to SEK 55.0 M (70.4). The profit for the year amounted to SEK –46.2 M (–29.4).

Outlook for 2013

The outlook for Pandox in 2013 is considered to be relatively stable. Demand is expected to improve in North America and the Eurozone, while Scandinavia overall is forecast to develop at the 2012 level. Another active year awaits Pandox, as major investments in existing hotels will continue, in accordance with the investment plan. In the short term, this will affect the hotels' operations and profitability, but also create good potential. The overall assessment is that the result and cash flow for 2013 will fall short of the previous year. Adjusted for capacity withdrawals, however, the level of activities is assessed to be at least the same as in 2012.

INCOME STATEMENT

SEK M		Group		Parent Company	
		2012	2011	2012	2011
Property operations					
Rental revenue	note 1, 2, 3	920.4	923.1	–	–
Other property revenue		40.2	38.3	–	–
Total property revenue		960.6	961.4	–	–
Property costs		–122.5	–141.8	–	–
Operating net		838.1	819.6	–	–
Depreciation as per plan	note 4	–194.0	–191.3	–	–
Income from property operations		644.1	628.3	–	–
Hotel operations					
Operating revenue		1,156.0	1,244.0	–	–
Operating costs		–1,157.2	–1,241.7	–	–
Operating income from hotel operations	note 1, 2, 16	–1.2	2.3	–	–
Gross income		642.9	630.6	–	–
Administrative costs	note 4, 15, 16	–72.4	–82.3	–90.4	–96.8
Other revenue	note 5	–	–	55.0	70.4
Operating income		570.5	548.3	–35.4	–26.4
Interest income	note 6	9.0	10.1	172.0	162.5
Interest expense		–285.1	–255.6	–263.5	–237.5
Portion of profits from associate companies		171.2	156.2	–	–
Other financial income and costs	note 6	–7.3	54.6	67.3	61.6
Net financial items		–112.2	–34.7	–24.2	–13.4
Income before tax		458.3	513.6	–59.6	–39.8
Tax	note 7	–6.1	–55.2	13.4	10.4
Deferred tax	note 7	–88.0	–46.1	–	–
INCOME FOR THE YEAR		364.2	412.3	–46.2	–29.4
Specification of external revenue					
Revenue from property operations		960.6	961.4	–	–
Of which internal rentals		–205.9	–211.5	–	–
Revenue from hotel operations		1,156.0	1,244.0	–	–
Total external revenue		1,910.7	1,993.9	–	–

COMMENTS ON THE INCOME STATEMENT

Rental revenue

Rental revenue pertains to hotel premises, hotel furniture and equipment, and other commercial premises. Rental revenue for 2012 decreased in relation to the previous year and amounted to SEK 920.4 M (923.1).

Other property revenue

Other property revenue is primarily comprised of costs debited for heat, electricity and property tax.

BREAKDOWN OF OTHER PROPERTY REVENUE

SEK M	2012	2011
Payment for operating costs	11.0	10.8
Invoicing of property tax	29.2	27.5
Total	40.2	38.3

Property costs

Operating costs

Operating costs are costs that directly pertain to the operation of the properties, such as heat, water, electricity, and maintenance. Costs are reported gross, meaning that the portion of costs debited to tenants is reported as revenue under the heading Other Property Revenue, and that total costs are reported among costs in their full amount.

Maintenance costs

Maintenance costs are costs incurred to maintain the standards of buildings and equipment. Pandox' leases are in most cases structured so that the tenants – the hotel operators – are responsible for the greater part of interior maintenance of the properties.

Ground rent

A total of seven properties owned by Pandox are held under site leasehold rights. The conditions and maturities in all cases are based on prevailing market terms.

Property tax

Pandox' Swedish hotel properties are liable to property tax at the rate of 1 percent of the tax assessment value. Properties located outside Sweden are subject to varying percentages and underlying basis.

Other costs

These costs include costs of legal counsel on leasing matters, insurance premiums, and costs of leasing external premises.

BREAKDOWN OF PROPERTY COSTS

SEK M	2012	2011
Operating costs	24.7	25.4
Maintenance costs	35.4	52.9
Ground rents	9.1	7.5
Property tax	49.3	49.9
Other costs	4.0	6.1
Total	122.5	141.8

Operating net

The operating net for 2012 amounted to SEK 838.1 M, representing an increase of SEK 18.5 M.

Hotel operations

For accounting purposes, the hotel operations conducted by Pandox are charged with internal rent. The internal rent is linked to the operator's revenue and based on what are deemed to be market conditions. The internal rent is debited to hotel operations and credited to revenue in property management.

Nine wholly owned hotel operations remains in Pandox portfolio at the end of 2012 of which three were directly operated by Pandox, three via franchise contracts and three via management contracts. During 2012, three new operations in Germany were acquired and will start the operations in 2013.

Administrative costs

Administrative costs relate to central administration, as well as foreign hotel property administration. All central administrative staff is based at the Stockholm office. The remuneration of staff and auditors is set out in Notes 15 and 16.

BALANCE SHEET

SEK M	Group		Parent Company		
	2012	2011	2012	2011	
ASSETS					
Fixed assets					
<i>Tangible fixed assets</i>					
Properties	note 8	8,785.1	8,973.8	–	–
Equipment	note 9	739.5	578.2	2.1	2.4
		9,524.6	9,552.0	2.1	2.4
<i>Financial fixed assets</i>					
Shares and participations in subsidiaries	note 10	–	–	3,424.2	3,424.2
Other shares and participations	note 11	1,566.9	1,181.5	1,296.8	1,029.3
Amounts due by Group companies		–	–	4,506.0	4,414.8
Other long-term receivables		234.6	93.5	234.0	88.2
		1,801.5	1,275.0	9,461.0	8,956.5
Deferred taxes recoverable	note 7	124.8	180.7	–	–
Total fixed assets		11,450.9	11,007.7	9,463.1	8,958.9
Current assets					
Inventories		7.0	8.2	–	–
Accounts receivables		131.1	94.9	–	–
Tax receivables		5.2	5.2	–	–
Other receivables		15.4	96.1	2.3	2.1
Prepaid costs and accrued revenue		45.9	58.3	17.1	15.1
Cash and bank		287.2	337.9	146.5	171.0
Total current assets		491.8	600.6	165.9	188.2
TOTAL ASSETS		11,942.7	11,608.3	9,629.0	9,147.1

COMMENTS ON THE BALANCE SHEET

Properties and equipment

No hotel property was acquired in 2012. Depreciation of properties amounted to SEK 122.2 M (114.9), and the year's investments to SEK 88.4 M (283.2). The book value of equipment, including hotel furniture and fixtures amounted to SEK 739.5 M (578.2). Depreciation amounted to SEK 72.4 M (77.1) and investments to SEK 255.8 M (69.2).

The greater part of the book value of furniture, fixtures and equipment, representing SEK 739.5 M, pertains to that used by hotel operators. In certain cases, these items are included as an unspecified portion of the revenue-based rent that the operator is being charged. When these items are included in rental revenues, Pandox includes their value in the property value used to calculate direct yield from the properties. At the end of the year, the book value of the properties, including

hotel furniture, fixtures and equipment, amounted to SEK 9,524.6 M. Other items consist of administration equipment with a book value of SEK 2.1 M.

Other long-term receivables

Pertain to a long-term promissory note and to a pledged deposit.

Inventories

Relate to stocks of consumables in the hotel operations.

Trade accounts receivable

Pandox' accounts receivable normally consists of rental receivables and trade receivables in hotel operations. Since rent is generally paid quarterly and monthly in advance, amounts outstanding at year-end mainly comprise accrued revenue-based rents.

Other receivables

Short-term receivables such as those pertaining to costs that are to be debited to external parties.

Prepaid costs and accrued revenue

This item is comprised mainly of prepaid costs for the following year, such as insurance premiums and rents.

Cash and bank deposits

The liquidity of the Pandox Group is primarily managed by the Parent Company through a central bank account structure where liquidity is assembled in a joint interest-bearing transaction account. Surplus liquidity can also be invested as a fixed term bank deposit. In addition, Pandox has unutilised credit facilities for a total of SEK 710.0 M.

SEK M	Group		Parent Company	
	2012	2011	2012	2011
EQUITY AND LIABILITIES				
Equity				
<i>Restricted equity</i>				
Share capital	373.5	373.5	373.5	373.5
Restricted reserves	121.7	154.6	10.1	10.1
Total restricted equity	495.2	528.1	383.6	383.6
<i>Unrestricted equity</i>				
Unrestricted reserves	2,259.3	2,167.9	523.0	866.2
Profit for the year	364.2	412.3	-46.2	-29.4
Total unrestricted equity	2,623.5	2,580.2	476.8	836.8
Total shareholders' equity	3,118.7	3,108.3	860.4	1,220.4
Provisions				
Deferred tax liabilities	note 7	393.0	424.8	-
Pension provisions		4.3	3.7	4.2
Total provisions		397.3	428.5	4.2
Liabilities				
Liabilities to credit institutions	note 12	7,991.3	7,406.6	4,899.8
Trade accounts payable		87.5	136.1	24.2
Liabilities to Group companies		32.9	19.2	3,796.1
Tax liabilities		23.0	15.6	-
Other liabilities		52.8	188.1	7.5
Accrued expenses and prepaid revenue	note 13	239.2	305.9	36.8
Total liabilities		8,426.7	8,071.5	8,764.4
TOTAL EQUITY AND LIABILITIES		11,942.7	11,608.3	9,629.0
Pledged assets	note 14	5,845.9	5,375.4	-
Contingent liabilities	note 14	414.4	3.7	3,873.5

Liabilities to credit institutions

As at 31 December 2012, Pandox' total interest-bearing liabilities amounted to SEK 7,991.3 M, spread over four lenders and six currencies.

Because financing is arranged mainly through long-term credit agreements, the majority of the debt is considered as long-term. As regards fixed interest rates, debt amounting to SEK 2,853.5 M carries a fixed interest rate for a period of less than one year. Further details are set out in the Financial Overview section on page 66.

Deferred tax liability

In 2012 the deferred tax items are accounted for on a gross basis. Further details are set out in the Pandox' Tax Situation section on page 69.

Accrued expenses and prepaid income

The amount pertains essentially to accrued interest expense and prepaid rent.

Pledged assets

This item refers mainly to property mortgages pledged to credit institutions as collateral for loans.

Contingent liabilities

The Parent Company's contingent liabilities refer mainly to guarantees to banks with regard to subsidiaries' debts.

CHANGES IN EQUITY

SEK M	Share capital	Restricted reserves	Unrestricted reserves	Profit for the year	Total
Group 2011					
Opening balance	373.5	993.7	1,042.5	567.8	2,977.5
Appropriation of profits	–	–	567.8	–567.8	–
Other changes	–	–810.8	810.8	–	–
Dividend	–	–	–174.3	–	–174.3
Group contribution	–	–	–94.9	–	–94.9
Translation differences	–	–28.3	16.1	–	–12.2
Equity fund relating to associate companies	–	–	–	–	–
Profit for the year	–	–	–	412.3	412.3
	373.5	154.6	2,167.9	412.3	3,108.3
Group 2012					
Opening balance	373.5	154.6	2,167.9	412.3	3,108.3
Appropriation of profits	–	–	412.3	–412.3	–
Other changes	–	24.5	–24.5	–	–
Dividend	–	–	–336.8	–	–336.8
Group contribution	–	–	–14.5	–	–14.5
Translation differences	–	–57.4	54.9	–	–2.5
Equity fund relating to associate companies	–	–	–	–	–
Profit for the year	–	–	–	364.2	364.2
	373.5	121.7	2,259.3	364.2	3,118.7
Parent Company 2011					
Opening balance	373.5	830.0	134.9	56.7	1,395.1
Appropriation of profits	–	–	56.7	–56.7	–
Other changes	–	–819.9	819.9	–	–
Dividend	–	–	–174.3	–	–174.3
Group contribution	–	–	29.0	–	29.0
Profit for the year	–	–	–	–29.4	–29.4
	373.5	10.1	866.2	–29.4	1,220.4
Parent Company 2012					
Opening balance	373.5	10.1	866.2	–29.4	1,220.4
Appropriation of profits	–	–	–29.4	29.4	–
Other changes	–	–	–	–	–
Dividend	–	–	–336.8	–	–336.8
Group contribution	–	–	23.0	–	23.0
Profit for the year	–	–	–	–46.2	–46.2
	373.5	10.1	523.0	–46.2	860.4

The number of shares as at 31 December 2012 amounted to 24,900,000 with one vote per share and a nominal value of SEK 15 per share.

CASH FLOW STATEMENT

SEK M	Group		Parent Company	
	2012	2011	2012	2011
Current operations				
Profit/loss before financial items	570.5	548.3	-59.6	-26.4
Depreciation	194.6	192.0	0.6	1.5
Interest received	15.6	63.2	80.8	72.5
Interest paid and other financial costs	-295.4	-255.6	-204.1	-179.1
Tax paid	-13.7	-29.5	-	-1.4
Cash flow from current operations before change in working capital and investments	471.6	518.4	-182.3	-133.0
Change in working capital				
Increase/decrease (±) in operating receivables	49.7	16.3	-0.9	34.1
Increase/decrease (±) in operating liabilities	-80.2	-122.8	193.3	36.7
Total change in working capital	-30.5	-106.5	192.4	70.8
Cash flow from current operations after change in working capital and investments	441.1	411.9	10.1	-62.2
Investment operations				
Change in shares and participations	-268.4	-108.6	-267.5	-238.7
Investments in properties and equipment	-335.6	-417.4	-0.3	-2.8
Acquisition of properties and equipment	-	-113.7	-	-
Change in interest-bearing receivables	-141.1	-26.8	-74.9	-401.8
Total investments	-745.1	-666.5	-342.7	-643.3
Cash flow after investments	-304.0	-254.6	-332.6	-705.5
Financing operations				
Change in financial fixed assets	-	-	-	-
Change in interest-bearing loans	584.7	380.9	644.9	602.9
Dividend	-336.8	-174.3	-336.8	-174.3
Cash flow from financing operation	247.9	206.6	308.1	428.6
Change in liquid funds	-56.1	-48.0	-24.5	-276.9
Liquid funds at the beginning of the year	337.9	385.1	171.0	447.9
Exchange rate difference in liquid assets	5.4	0,8	-	-
Liquid funds at the end of the year	287.2	337.9	146.5	171.0
Change in liquid funds	-56.1	-48.0	-24.5	-276.9

ACCOUNTING PRINCIPLES

The annual report and accounts have been prepared in accordance with the Swedish Annual Accounts Act and generally accepted accounting principles, as well as taking into account the recommendations of the Swedish Accounting Standards Board if not stated otherwise. Pandex' accounting and evaluation principles are in general unchanged compared with last year.

Consolidated accounts

The consolidated accounts for the Group include all subsidiaries as at financial year-end.

The consolidated accounts have been prepared in accordance with the purchase method, whereby assets and liabilities have been taken over at market value in accordance with an acquisition analysis. The difference between acquisition value and acquired shareholders' equity has been added to land and buildings as surplus value. Surplus value is amortised in accordance with the same principle used for properties. Estimated deferred tax liability with respect to Group surplus value and estimated deferred tax recoverable are reported net as a deferred tax liability in the balance sheet.

Tax

Pandex applies the Swedish Accounting Standards Board's general recommendation regarding income tax accounting (BFNAR 2001:1). Briefly, the recommendation implies that both deferred tax liabilities and tax recoverable shall be included in the financial statements, and that any changes shall affect the income statement as deferred tax. The deferred tax relating to the difference in book depreciation and fiscal depreciation shall be calculated using the prevailing tax rate.

Acquisitions based on the deferred tax liability relating to asset acquisitions shall be based on the acquisition price and be calculated from each respective property's shortest estimated period of ownership, resulting in an average tax rate of approximately 10 percent.

The deferred tax recoverable pertaining to estimated tax recoverable related to deficit deductions in the Company are valued based on the estimated potential utilisation against future taxable profits, and are calculated based on the prevailing tax rate.

Property operations

The Group's properties are reported in the balance sheet as fixed assets in view of the purpose of the holdings being the long-term ownership, management and development of the properties.

Hotel operations

The hotel operations conducted by Pandex are charged with internal rent for accounting purposes.

The internal rent is linked to the operating companies' revenue and based on what are deemed to be market conditions. The internal rent is expensed to hotel operations, and carried as revenue in property operations.

Tangible fixed assets

When new construction and additions are carried out, all direct costs including project costs are capitalised. In the case of refurbishments, direct costs related to the improvement of properties compared with their original condition are capitalised.

Costs of repairing a property to its original condition are not capitalised. An exception to this principle involves the costs of measures taken further to neglected maintenance established at the time of an acquisition, and where the acquisition price is adjusted accordingly.

Costs of tenant-related modifications that imply that the rent may be increased are capitalised and depreciated over the remaining period of the lease.

Depreciation according to plan is calculated on the acquisition value at the following percentages:

	%
Buildings	1.0
Building fixtures	4–6.7
Land improvements	3.5
Equipment	6.7–33

Pandex changed the depreciation rate for buildings from 1.5 percent to 1 percent with effect from 2000.

Depreciation according to plan is calculated on the acquisition value and a residual value of SEK 0.

Associate companies

Shares in associate companies are accounted for under the equity method. The book value of shares in associate companies corresponds to the Group's share of the equity in the associate companies plus any consolidated surplus or deficit values. In the Group's income statement 'Portion of profits from associate companies' includes the Group's share of associates' profits after financial items adjusted for any depreciation of consolidated surplus or deficit values. The Group's share of reported taxes are included in the consolidated tax expenses. Share of profits earned after the acquisition of associate companies which have not yet been realized through dividends, are allocated to the equity fund that forms part of the Group's restricted reserves.

Write-down of fixed assets

The Group's properties are continuously valued in accordance with an internal cash flow model, which also fulfils the requirement to calculate the utilisation value in accordance with current accounting principles whereby the recoverable value, which is the greater of the net sales value and the utilisation value, is compared with the property's book value in order to assess the need for a possible write-down.

Leasing

Pandex reports all leasing contracts as operational. Leasing contracts entered into concern private cars and office machines. They are not significant in size and do not therefore influence an assessment of the Group's results and financial position.

Revenue

Management revenue pertains to rental revenue as well as re-debited operating costs and property tax. Revenue and costs related to the operations of hotel operators are reported separately in the consolidated income statement. Rental revenue is spread over a period of time in accordance with the terms of each lease. This implies that rent paid in advance is reported as prepaid rental revenue.

Shares and participations

Shares and participations in subsidiaries and subsidiaries of subsidiaries have been stated at acquisition value with the exception of holdings that may have been written down to their estimated actual value.

Financial instruments

Interest swaps are used to change underlying financial liabilities' interest-due structure. Revenue and costs related to interest swaps are reported net as interest costs, and are spread over the duration of each contract.

International subsidiaries

International subsidiaries are stated as per the current rate method, which implies that the income statement is restated at the average exchange rate of the period, and the balance sheet at the exchange rate prevailing on the closing day. The exchange rate difference that arises as a result of this method is recorded directly against the Group's equity. Any companies acquired during the year are included in the Group at an amount relating to the period following such acquisition.

Receivables and liabilities expressed in foreign currencies

Receivables and liabilities expressed in foreign currencies are restated at the rate of exchange prevailing on balance sheet date. Any differences that may arise are either credited or debited to income. When loans or forward contracts are entered into to hedge investments in international subsidiaries, any exchange rate differences that may arise are offset in the Group by an amount corresponding to the differences arising from the recalculation of the net assets of international subsidiaries.

Other receivables and liabilities

Receivables have been stated in the amounts expected to be received. Other assets and liabilities have been stated at nominal values.

NOTES

NOTE 1 SEGMENT REPORTING

Primary segment

Pandox' primary segment is comprised of two operating branches – property operations and hotel operations.

Information in accordance with segment reporting is presented in the consolidated income statement and balance sheet.

Secondary segment

Year 2012	Stockholm	Gothenburg	Öresund	Rest of Sweden	International	Adjustment	Total
Property revenue	223.2	94.2	159.8	146.0	337.3	-205.9	754.6
Property costs	-38.6	-8.9	-30.4	-19.4	-25.2	-	-122.5
Operating net	184.6	85.3	129.4	126.6	312.1	-205.9	632.1
Book value of properties	1,639.2	730.3	1,552.7	1,051.5	4,548.8	-	9,522.5
Investments	58.6	3.7	59.9	-1.7	215.1	-	335.6
Operating revenue – hotel operations	-	-	6.1	-	1,149.9	-	1,156.0
Operating costs – hotel operations	-	-	-6.3	-	-1,150.9	205.9	-951.3
Operating profit – hotel operations	-	-	-0.2	-	-1.0	205.9	204.7

Year 2011	Stockholm	Gothenburg	Öresund	Rest of Sweden	International	Adjustment	Total
Property revenue	228.9	93.6	160.3	138.9	339.8	-211.5	750.0
Property costs	-41.1	-10.5	-35.2	-23.1	-31.9	-	-141.8
Operating net	187.8	83.1	125.1	115.8	307.9	-211.5	608.2
Book value of properties	1,611.6	740.8	1,527.3	1,072.6	4,597.2	-	9,549.5
Investments	44.1	5.5	90.6	69.5	139.5	-	349.2
Operating revenue – hotel operations	-	-	6.5	-	1,237.5	-	1,244.0
Operating costs – hotel operations	-	-	-6.7	-	-1,235.0	211.5	-1,030.2
Operating profit – hotel operations	-	-	-0.2	-	2.5	211.5	213.8

NOTE 2 RENTAL REVENUE

Revenues from hotel operations pertain to three businesses operated under management agreements with Hilton, InterContinental and Hyatt respectively, as well as the six hotels operated by Pandox. Rent and remuneration for other property costs which were paid by these hotel operator companies to the property company are reported gross, i.e. they have not been eliminated in the income statement. This is done to provide a more accurate picture of the operating net generated by the property company and the operating income of the hotel operating company. The elimination of these items would imply that the total management revenue and the operating company's operating costs would be reduced by SEK 205.9 M for the year 2012 (211.5).

NOTE 3 GEOGRAPHICAL DISTRIBUTION OF RENTAL REVENUE

%	2012	2011
Sweden	56	56
Denmark	7	6
United Kingdom	5	5
Germany	11	11
Belgium	13	14
Switzerland	3	3
Canada	5	5
Total	100	100

NOTE 4 DEPRECIATION ACCORDING TO PLAN

SEK M	Group		Parent Company	
	2012	2011	2012	2011
Buildings	-121.0	-113.9	-	-
Land improvements	-1.2	-1.0	-	-
Equipment	-72.4	-77.1	-0.6	-0.7
Total depreciation	-194.6	-192.0	-0.6	-0.7

Depreciation amounts to a total of SEK 194.6 M of which SEK 194.0 M (191.3) refers to property operations and SEK 0.6 M (0.7) to administration.

NOTE 5 OTHER REVENUE

Property activities in the Group's property-owning companies are administered by staff employed by the Parent Company. The cost of these services has been invoiced to the Group's subsidiaries. Invoicing in 2012 amounted to SEK 55.0 M (70.4), which of 27.7 M has been invoiced to associated companies.

NOTE 6 INTEREST INCOME AND OTHER FINANCIAL INCOME AND COSTS

The interest income of the Parent Company is divided into SEK 162.1 M (151.7) from Group companies, SEK 9.9 M (10.8) from external parties, and SEK 0 M (0) from dividends from subsidiaries. Of SEK -263.5 M (-237.5) in other financial income and cost in the Parent Company, SEK 70.9 M (9.1) pertains to currency effects in valuation of liabilities in foreign currency at closing date exchange rate. Of SEK 9.0 M (10.1) in Group interest income, SEK 9.0 M (10.1) refers to external interest income and SEK 0 M (0) refers to dividends from other shares and participations. Other financial and costs in the Group amounts to SEK -7.3 M (54.6).

NOTE 7 DEFERRED TAX AND ACTUAL TAX

SEK M	Group		Parent Company	
	2012	2011	2012	2011
Deferred tax expense for the year				
Deferred tax expense relating to temporary differences	25.2	-28.8	-	-
Deferred tax expense relating to deficit deductions	-49.2	-2.9	-	-
Deferred tax expense relating to other provisions	-1.3	-2.4	-	-
Deferred tax expense relating to associate companies	-62.7	-12.0	-	-
Deferred tax reported in the income statement	-88.0	-46.1	-	-
Actual tax in the income statement	-6.1	-55.2	13.4	10.4
of which relating to associate companies	-2.9	-2.7	-	-
Difference between reported tax and nominal tax rate				
Reported profit before tax	458.3	513.6	-59.6	-39.8
Tax as per applicable tax rate	-120.5	-135.1	15.7	10.5
Tax effect due to nontaxable income	61.1	8.4	3.1	5.9
Tax effect of nondeductible costs and other tax adjustments	-54.4	7.3	-5.4	-6.0
Tax effect relating to foreign operations	19.7	18.1	-	-
Reported tax expense	-94.1	-101.3	13.4	10.4
Deferred tax recoverable				
Deficit deductions	116.0	170.3	-	-
Other deferred tax recoverable	8.8	10.4	-	-
Total deferred tax recoverable	124.8	180.7	-	-
Deferred tax liabilities				
Differences between book value and fiscal value of properties	393.0	424.8	-	-
Total deferred tax liabilities	393.0	424.8	-	-
Total deferred tax liabilities/recoverable net	-268.2	-244.1	-	-

The Group's nominal tax rate is estimated at 26.6 percent and in the Parent Company it amounts to 26.3 percent. The effective income tax rate in the Group amounted in 2012 to 20.5 percent (19.7) and in the Parent Company to 22.5 percent (26.3). The impact of the change of tax rate from 26.3 to 22.0 percent amounts to SEK 47,968.0 M.

NOTE 8 LAND AND BUILDINGS

SEK M	Group	
	2012	2011
Opening acquisition value	10,230.5	9,755.2
Reclassified as equipment	-	-
Acquisition of properties	-	206.4
Investments	88.4	283.2
Disposals	-0.8	-
Translation differences – balance sheet	-175.5	-14.3
Closing accumulated acquisition value	10,142.6	10,230.5
Opening depreciation	-1,256.7	-1,141.8
Disposals	-	-
Depreciation for the year	-122.2	-114.9
Translation differences – balance sheet	21.4	-
Closing accumulated depreciation	-1,357.5	-1,256.7
Closing residual value	8,785.1	8,973.8
Tax assessment value of Swedish properties	3,008.8	2,900.8
Of which land	885.7	858.7
Book value Swedish properties	4,225.7	4,952.4

NOTE 10 SHARES AND PARTICIPATIONS IN SUBSIDIARIES, CONT.

Group	Registered office		Group	Registered office	
	Corp. reg. no.			Corp. reg. no.	
Arlanda Flyghotell KB	916500-8021	Stockholm	Hotellus Suomi OY	–	Finland
Fastighetsbolaget Utkiken KB	916611-7755	Stockholm	Hotellus Nord OY	–	Finland
Fastighets AB Hotell Kramer	556473-6402	Stockholm	Euro Lifim BV	–	Netherlands
Hotellus Nordic AB	556554-6594	Stockholm	Hotellus Europe BV	–	Netherlands
Hotellus Järva Krog AB	556351-7365	Stockholm	Pandox Holland BV	–	Netherlands
Hotellus Mölndal AB	556554-6636	Stockholm	Pandox Holland 2 BV	–	Netherlands
Bioeffect AB	556244-5030	Stockholm	Hotellus Luxembourg Sarl	–	Luxemburg
Vestervold KB	916631-9534	Stockholm	Hotellus Deutschland GmbH	–	Germany
Pandox Mellansverige AB	556745-4656	Stockholm	Atlantis mbH	–	Germany
Skogshöjd Handels & Fastighets AB	556066-0432	Stockholm	Pandox Berlin GmbH	–	Germany
Grand Hotel Brussels NV	–	Belgium	Pandox Lübeck GmbH	–	Germany
Hotellus Belgium NV	–	Belgium	Pandox Dortmund GmbH	–	Germany
Town Hotel SA	–	Belgium	Pandox Bremen GmbH	–	Germany
Elba Belgium Holding BVBA	–	Belgium	Pandox Germany GmbH	–	Germany
Elba Leasehold BVBA	–	Belgium	Pandox Deutschland GmbH	–	Germany
Elba Freehold BVBA	–	Belgium	Hotellus Canada Holdings Inc	–	Canada
Holcro NV	–	Belgium	Hotellus Montreal Holdings Inc	–	Canada

NOTE 11 OTHER SHARES AND PARTICIPATIONS

Other shares and participations of SEK 1,566.9 M (1,181.5) in 2012 refers to the shareholding of Sech Holding AB that during the autumn 2010 acquired 100 percent of the shares in Norgani Hotels AS. Pandox ownership of Sech Holding AB amounts to 50 percent and is reported according to the equity method.

NOTE 12 LIABILITIES TO CREDIT INSTITUTIONS

SEK M	Group		Parent Company	
	2012	2011	2012	2011
Liabilities that fall due within one year following balance sheet date	130.6	122.0	130.6	–
Liabilities that fall due between one and four years following balance sheet date	2,219.8	1,010.0	2,052.3	835.6
Liabilities that fall due five or more years following balance sheet date	5,640.9	6,274.6	2,716.9	3,687.9
Total	7,991.3	7,406.6	4,899.8	4,523.5

NOTE 13 ACCRUED ASSETS AND CONTINGENT REVENUE

SEK M	Group		Parent Company	
	2012	2011	2012	2011
Prepaid rents	43.3	55.2	–	–
Accrued interest expenses	29.6	25.9	15.5	15.9
Property tax	0.7	7.8	–	–
Unrealised hedge results	–	1.6	–	1.6
Other	165.6	215.4	21.3	34.9
Total	239.2	305.9	36.8	52.4

NOTE 14 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK M	Group		Parent Company	
	2012	2011	2012	2011
Pledged assets for loans from credit institutions				
Property mortgages	5,838.9	5,368.4	–	–
Pledged deposit	7.0	7.0	–	–
Contingent liabilities	414.4	3.7	3,873.5	3,195.4

NOTE 15 AUDIT FEES AND REMUNERATION

SEK M	Group		Parent Company	
	2012	2011	2012	2011
KPMG				
Audit assignments	3.7	3.7	1.2	1.0
Other assignments	1.5	0.9	0.5	–
SET Revisionsbyrå				
Audit assignments	–	0.1	–	0.1
Other				
Other assignments	0.4	0.1	–	–
Total	5.6	4.8	1.7	1.1

NOTE 16 PERSONNEL

	Group		Parent Company	
	2012	2011	2012	2011
Average number of employees				
Men	556	600	11	13
Women	513	648	13	11
Total	1,069	1,248	24	24
Of whom employed in Sweden	24	24	24	24
Of whom employed in Belgium	457	622	–	–
Of whom employed in Germany	217	218	–	–
Of whom employed in Canada	371	384	–	–
Board of directors and senior managers and executives				
Men	9	11	8	10
Women	2	2	2	2
Total	11	13	10	12
Wages, salaries and other remuneration, SEK M				
<i>Board of Directors and CEO</i>				
Wages, salaries and other remuneration	6.4	5.6	6.4	5.6
Social security costs	1.8	1.6	1.8	1.6
Pension costs	1.6	15.2	1.6	15.2
Total	9.8	22.4	9.8	22.4
<i>Other employees</i>				
Wages, salaries and other remuneration	366.4	411.4	25.4	21.8
Social security costs	81.5	87.6	7.6	6.6
Pension costs	12.5	34.2	4.8	9.3
Total	460.4	533.2	37.8	37.7
Wages, salaries and other remuneration per country, SEK M				
<i>Sweden</i>				
Board of Directors and CEO	6.4	5.6	6.4	5.6
Other employees	25.3	21.8	25.3	21.8
Belgium other employees	148.3	188.3	–	–
Germany other employees	40.7	38.5	–	–
Canada other employees	152.0	157.2	–	–
Total	372.7	411.4	31.7	27.4

Personnel employed in Belgium relate to the operator activities of the Crowne Plaza Brussels – Le Palace, the Holiday Inn Brussels Airport, the Crowne Plaza Antwerp, The Hotel Brussels, the Hilton Brussels City, and the Hotel BLOOM!. Personnel employed in Germany to Hotel Berlin, Berlin and in Canada to InterContinental Montreal and Hyatt Regency Montreal.

The remuneration of the Members of the Board is established by the Annual General Meeting of Shareholders. The remuneration of the Chief Executive Officer (CEO) is composed of a basic salary, a bonus, a company car, and a retirement pension scheme. During 2011 the CEO received an extra pension on SEK14.5 M. The age of retirement of the CEO is 65 years, with the possibility of retiring at the age of 60. In the case of termination, the CEO shall be given a period of notice of 24 months by the Company, with a deduction clause. Upon resignation by the CEO, a period of notice of 6 months shall apply.

PROPOSED DISPOSITION OF EARNINGS

The following profits are at the disposition of the forthcoming Annual General Meeting of Shareholders:

Balance brought forward	SEK 523,002,190
Profit for the year	SEK -46,210,578
	SEK 476,791,612

The Board of Directors and Chief Executive Officer propose that the accumulated profits be appropriated as follows:

Dividend to the shareholders, SEK 8.0 per share	SEK 199,200,000
Amount to be carried forward	SEK 227,591,612
	SEK 476,791,612

Stockholm, 18 February 2013

Christian Ringnes
Chairman

Leiv Askvig

Christian Sundt

Olaf Gauslå

Bengt Kjell

Helene Sundt

Mats Wäppling

Anders Nissen
Chief Executive Officer

Our audit report pertaining to this annual report and consolidated financial statements was submitted on 18 February 2013.

Per Gustafsson
Authorized Public Accountant

Willard Möller
Authorized Public Accountant

AUDITOR'S REPORT

**To the annual meeting of the shareholders of Pandox AB (publ),
corporate identity number 556030-7885**

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Pandox AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 74–90.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with the Annual

Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Pandox AB (publ) for the year 2012.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, February 18, 2013

Per Gustafsson

Authorized Public Accountant

Willard Möller

Authorized Public Accountant

CEO COMMENT

SUCCESS IN SPITE OF CHALLENGES

2012 was another good year for Pandox. The company continues to achieve sound revenue, and despite the economic unrest and major investment undertakings, the company's cash flow only declined by 2.4 percent (refers to 100 percent of Pandox and Norgani).

Total property revenue amounted to SEK 1,802 (1,846) million. Net income before taxes was SEK 584 (603) million. Adjusted for the loss of capacity related to investments, the result and cash were virtually unchanged compared to 2011.



The pattern of demand in the markets where Pandox is active has been relatively stable during the year, even though variations can be seen between different locations and segments. The best growth was seen in Germany, London and Copenhagen, while Brussels and regional cities in Sweden and Norway achieved stable revenue. Stockholm and Oslo are in a negative phase, due to increasing capacity in these locations.

From a longer perspective, starting with 2008 when the hotel industry was hit by the financial crisis, some interesting observations can be made. After a strong drop in revenue that began in autumn 2008, demand recovered surprisingly quickly. After only 15 months, the European hotel market once again reported stable revenues. The main reason for this reversal was the gigantic stimulus packages that fuelled the world's financial system at this time.

In the short term, these measures yielded good results for the hotel industry. Business travel, which usually declines in an economic downturn, remained stable and even increased in cities with strong links to the financial markets. Moreover, the positive trend for the industry of increased global tourism held firm.

In 2012, however, the effects of the stimulus packages began to subside, and the hotel business cycle was more in sync with the actual level of activity in the underlying geographical market.

Three general trends emerged:

- North America: sound growth in demand, driven by an improvement in the economy, where domestic demand accounted for most of the increase
- Eurozone: relatively stable development
- Scandinavia: slightly reduced demand.

Based on our assumption that, in future, global growth will develop more smoothly, and that today's low interest rate levels will be sustained, demand in the hotel industry will be moderate compared to the levels in the mid-2000s. There is good potential for revenue improvements, however, for those with specialized expertise and a wise and well-defined strategy for segmentation and revenue management.

New business logic is more of a hindrance than a help

The hotel sector is a fantastic industry that operates globally, regionally and locally. New products adapted to new segments and new patterns of demand are continuously being developed. Local contractors and major multinational enterprises compete to present new innovative products, in order to attract guests' attention. Due to the ever-increasing interest in travelling and visiting new destinations, the hotel industry has been expanding for several years, giving professional players opportunities for sound development in profitability and value growth.

Unfortunately, many players have not been able to take part in this development. Among several possible reasons, one stands out for me, the lack of knowledge in how to run an effective hotel operation with high productivity targets that in turn results in high profitability and considerable value growth in the underlying property asset.

And the reason for this change is the current trend, most frequently seen within US-domiciled hotel groups, to become brand owners rather than hotel operators. By shifting their focus from operating competencies, which include local market knowledge, to branding, pipelines and asset light strategies, people with little experience in how a hotel is actually operating are defining what they believe are the new truths of the industry. Truths that are clearly inspired by the consumer products industry and I ask myself where the similarities and clear parallels lie between hotels and consumer products?

Consumer products are characterized as follows:

- They are produced for a global market and are broadly similar, no matter where in the world they are sold

- The price to the customer is fixed globally, which gives small variations and limited room for maneuver in terms of local price optimization
- Production does not have to take place close to the consumer, but is often outsourced to countries where labor is cheap
- Marketing is global, and the sale to the consumer takes place in shops or department stores that also offer thousands of other products, with the products' competitive advantages in terms of location and size being irrelevant.

If we compare this with the conditions applying to a normal hotel, the differences are apparent:

- Each hotel's key market is local, and demand for hotel services is mainly local. Location, size and product range are, therefore, key criteria that should be matched to each sub-market. Creating unique products will make the hotel more attractive, and vice versa
- The pricing of hotel rooms, called dynamic pricing, varies by country, city, segment, location and image
- Production of service and the services offered must be local, and few internal processes can be centrally coordinated.



Hilton Helsinki Strand

The conclusion is that there are more fundamental differences than similarities between consumer products and hotels.

As a consequence of the new business logic, structural imbalances are arising in the hotels' income statements and balance sheets. The companies' operating expenses increase when global brand standards are put in place; solutions that do not generate increased revenues for the hotels.

The global strategies also entail extensive control systems which require more administration staff at the hotels. Even worse is that the systems steal important production time from the local hotel managements, time that could have been used developing the business.

The industry needs a new agreement model

The standardized strategies force management to focus on brand guidelines, rather than on business development and profitability.

The business model of most brand owners in the international hotel industry focuses on brand

related issues rather than the effective and profitable operations of each individual hotel. In the long term, this will lead to decreased profitability and a decreasing value of the underlying hotel property. Yes, I am actually saying that many of the agreements in the industry today destroys rather than builds wealth for the owners of the hotel properties, and this scenario will not change until an agreement model is adapted in which the hotel property owner and the hotel management company fully shares both risks and rewards, everyone involved needs "skin in the game" in order for a hotel to have a balanced business model for the longer term.

This is all well known facts among hotel property owners that have hands-on experience in operating hotels, but, it seems, less so among passive investors who still believe that the hotel management company always have the investors' best before their eyes. They are in for a rude awakening.

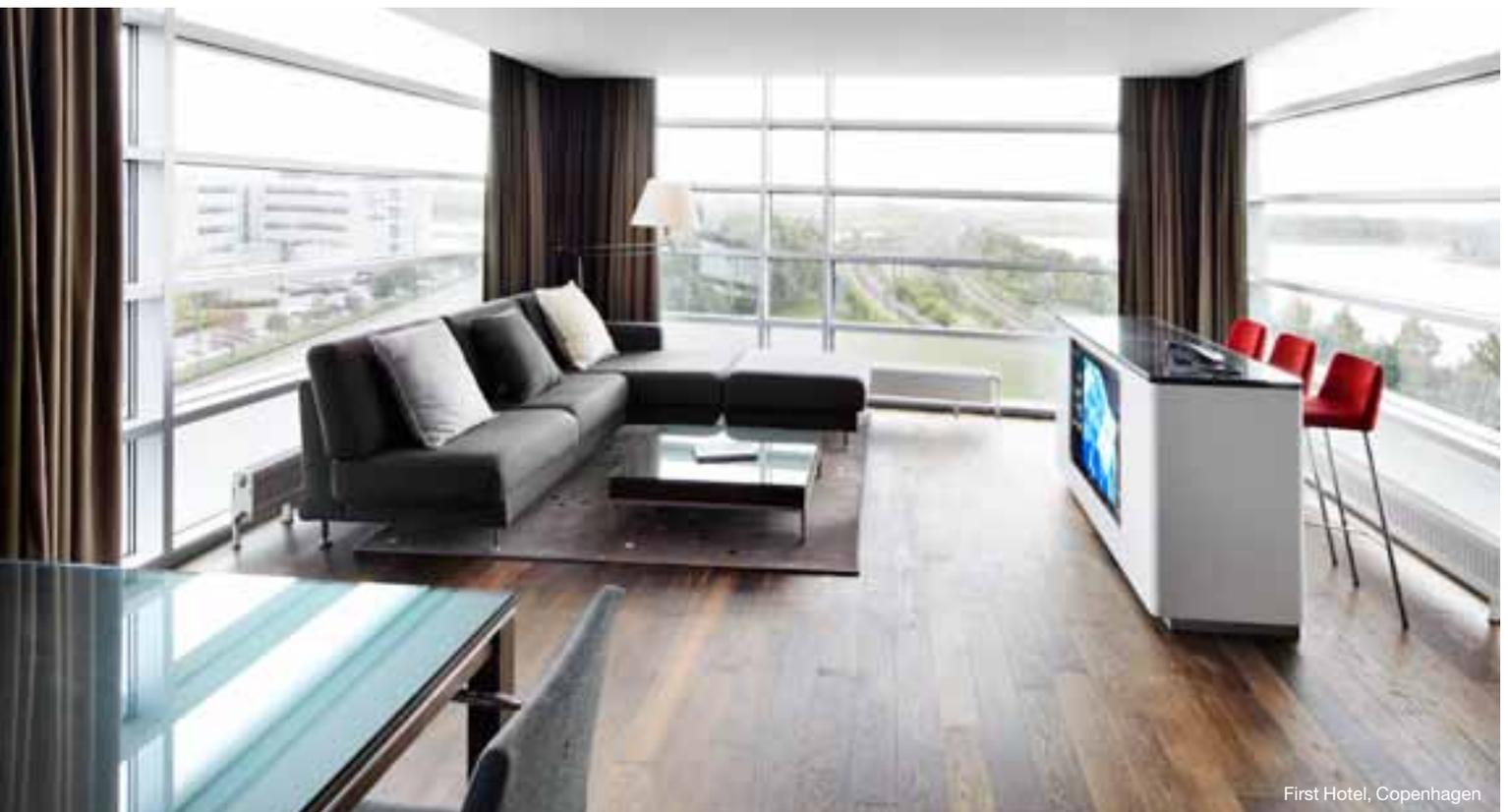
Why do so many hotel property owners find themselves in this troublesome situation? One

reason is the lack of operational expertise, another that banks often require the hotel property to operate under a brand, as a condition for financing – I ask myself why?

My advice to a hotel property owner would be to first look for a local professional management team with extensive experience of hotel management. Once you have find the right partners, you decide on which brand and contract that will be the best to serve your long term interests as a hotel owner or whether it is better to run the hotel under an independent name.

There is a clear difference between good and poor operators:

- Good operator: A company that enters into lease agreements and is prepared to share risk. An operator that has "skin in the game" will focus on the profitability for each individual hotel to mutual benefit for both owner and operator.
- Poor operator: A company that concludes management or franchise agreements. These



First Hotel, Copenhagen

operators have a business model that focuses on gross revenue streams within their system, not the profitability of each individual hotel.

A disturbing shift in power

Another important issue is the third-party channels, or OTA (online travel agencies). Today, it is often easier for a guest to book a hotel room via these channels, rather than visiting a specific hotel company's website.

This shift in power has created large new and demanding players, such as Expedia and hotels.com. Today, these web sites are the guests' preferred channel, and they demand high commissions for their services. They also want to manage and control the hotels' pricing, so as to always offer the lowest prices on their websites. This begins to look like a restrictive practice, and a number of disputes are pending. The outcome will be indicative for the entire industry.

An eventful year

2012 was an exciting year for Pandox. It was primarily affected by internal processes to structure and organize the acquisitions made in recent years. The Norgani portfolio is developing strongly. During the reporting period, a joint investment program with Scandic commenced, covering 38 hotels, with a renovation program for SEK 1.6 billion, of which Pandox' share is a good one billion. This is a unique initiative in terms of its scale, and as cooperation between an owner and an operator. Of the hotels included in the project, 21 are classic highway hotels that will gain a new generation's appearance and profile. Phase one has commenced with Kungens kurva, Backadal, Elmia, Helsingborg norr and Västerås.

Another major collaboration project is Scandic Continental in central Helsinki. The hotel has 510 rooms and will be fully renovated, by January 2013. This investment totals just over SEK 330 million.

The Hotel, Brussels, which was taken over in February 2010, has undergone renovation throughout 2012, with considerable disruption of the operational activities. The development project, which includes a change of brand name, management, organizational structure, profile and layout, is estimated to be completed at the end of the third quarter.



I am writing this CEO report from a hot and pleasant Kenya, and would like to sincerely thank all Pandox staff for a demanding, but enjoyable, 2012. You are all fantastic! Thanks! To prove our appreciation, I can promise an even more challenging 2013, which I know you are ready for.

I would like to take the opportunity to thank everyone taking part in this year's Hotel Market Day. Sold out again!

Amazing! You are all welcome back next year.

Finally, I would like to express my gratitude to and thank the board of directors for their continuous support and for listening to all our exciting ideas – and for allowing Pandox to be Pandox.

The outlook for 2013 is best described as uncertain. Things will probably have to get worse

before they get better but even so we forecast a relatively stable 2013 for Pandox with the Eurozone and North American markets being stronger than the Scandinavian.

Our Corporate Dog Mr. Harry sends greetings to everyone!

Best regards,

Anders Nissen
CEO
Pandox AB (publ)



CHECK OUT!

– What – already over!? The fun has just started! I think I deserved a bigger part in this report. After all, I am Mr Harry, Pandox Corporate Dog.





WELCOME

BACK!



Padox AB (publ)
Corp. Reg. No. 556030-7885
www.padox.com