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# The times are changing

Pandox – Excellence in hotel ownership and operations

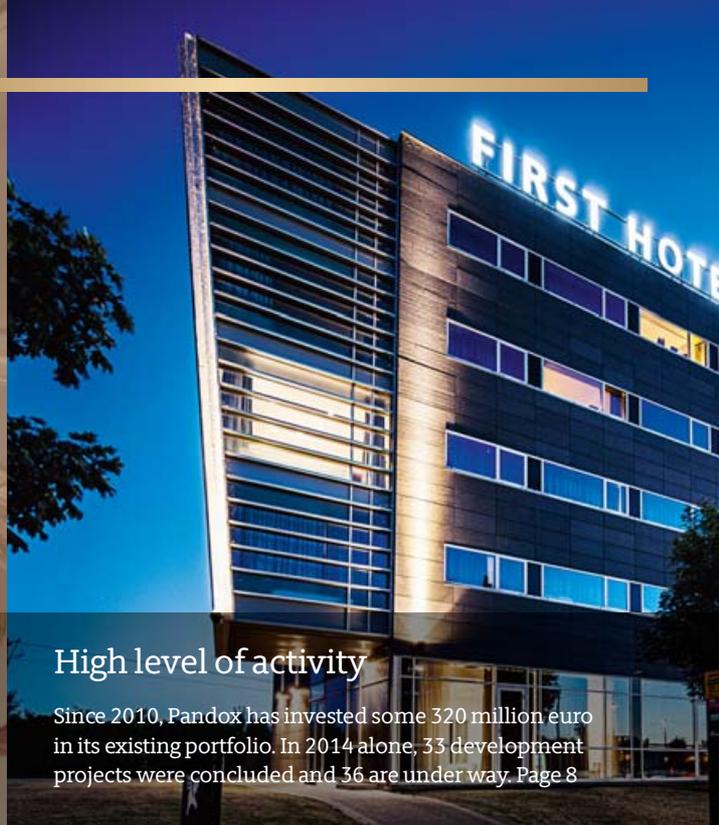
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## A good start for Pandox Operations

In late 2014, Pandox Operations signed its first assignment with an external owner – to operate the prestigious Grand Hotel Oslo. Built in 1874, the trademark hotel holds a position as one of Oslo's top hotels. Page 20



## High level of activity

Since 2010, Pandox has invested some 320 million euro in its existing portfolio. In 2014 alone, 33 development projects were concluded and 36 are under way. Page 8



## Summing up – Mega project Shark

The largest cooperation ever between a hotel owner and an operator in Northern Europe moves into its final phase. A total of 180 million euro has been invested in the development and upgrade of 40 Scandinavian hotels. Page 12



## Successful repositioning projects in Germany

Through extensive repositioning, development and renovation, the Radisson Blu Dortmund, Radisson Blu Bremen and Holiday Inn Lübeck have all been optimised to reach their full potential. Page 16

## A new and unique concept

An exciting hybrid between a traditional hotel and a modern design hostel, Urban House opened its doors in the vibrant Copenhagen area of Vesterbro in March 2015. Page 10



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## New business area: Pandox Operations

In the fall of 2014, Pandox established its new business area, Pandox Operations, with the mission to run Pandox-owned hotels and enter into lease agreements with external hotel property owners.  
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## Pandox Asset Management

Pandox establishes a new business area, Pandox Asset Management, aimed at managing hotel properties on behalf of external owners.  
Page 28

## Let's work and have fun together!

Inspiration, simplicity, speed and prominent leadership are Pandox's key words, but the Pandox Spirit can also be phrased quite simply:  
Have fun!  
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# This is Pandox

Pandox is one of the leading players in the European hotel market. The company is active within three business areas; hotel properties, hotel operations and asset management.

In all, Pandox's activities cover 114 hotels with a total of 24,000 rooms. The company operates across nine countries – Sweden, Norway, Denmark, Finland, Belgium, Germany, Canada, Switzerland and the Bahamas.

The hotels are managed under different types of agreements and are marketed under 16 well known hotel brands such as Scandic, InterContinental, Hilton, Hyatt, Crowne Plaza, Holiday Inn, Radisson Blu, Clarion, Comfort, Quality, Elite and First. Pandox has also created a number of independent brands such as The Hotel Brussels, Hotel Bloom!, Hotel Berlin, Berlin and Urban House Copenhagen.

Approximately 65 per cent of all revenues come from international markets such as Brussels, Montreal, Stockholm, Gothenburg, Malmö, Copenhagen, Berlin, Helsinki and Oslo. The remaining 35 per cent is characterised by domestic demand in regional towns

and cities in the Nordic region, Germany and Switzerland.

The underlying value of the company's total portfolio is approximately 3 billion euro. Pandox was founded in 1995 and is owned by Eiendomsspar AS, CGS Holding AS and Helene Sundt AS.

## One type of asset – three business areas



**Pandox Hotel Properties** contains the company's fully owned property portfolio which includes 104 hotels with a total of 22,000 rooms and a congress centre.

**Mission:** to actively own, develop and manage the company's property portfolio as well as enter into lease agreements with professional co-partners and operators.



**Pandox Operations** is our operating company which comprises 17 hotels across 7 countries with a total of 5,300 rooms. The company has a turnover of some 220 million euro and 1,600 employees.

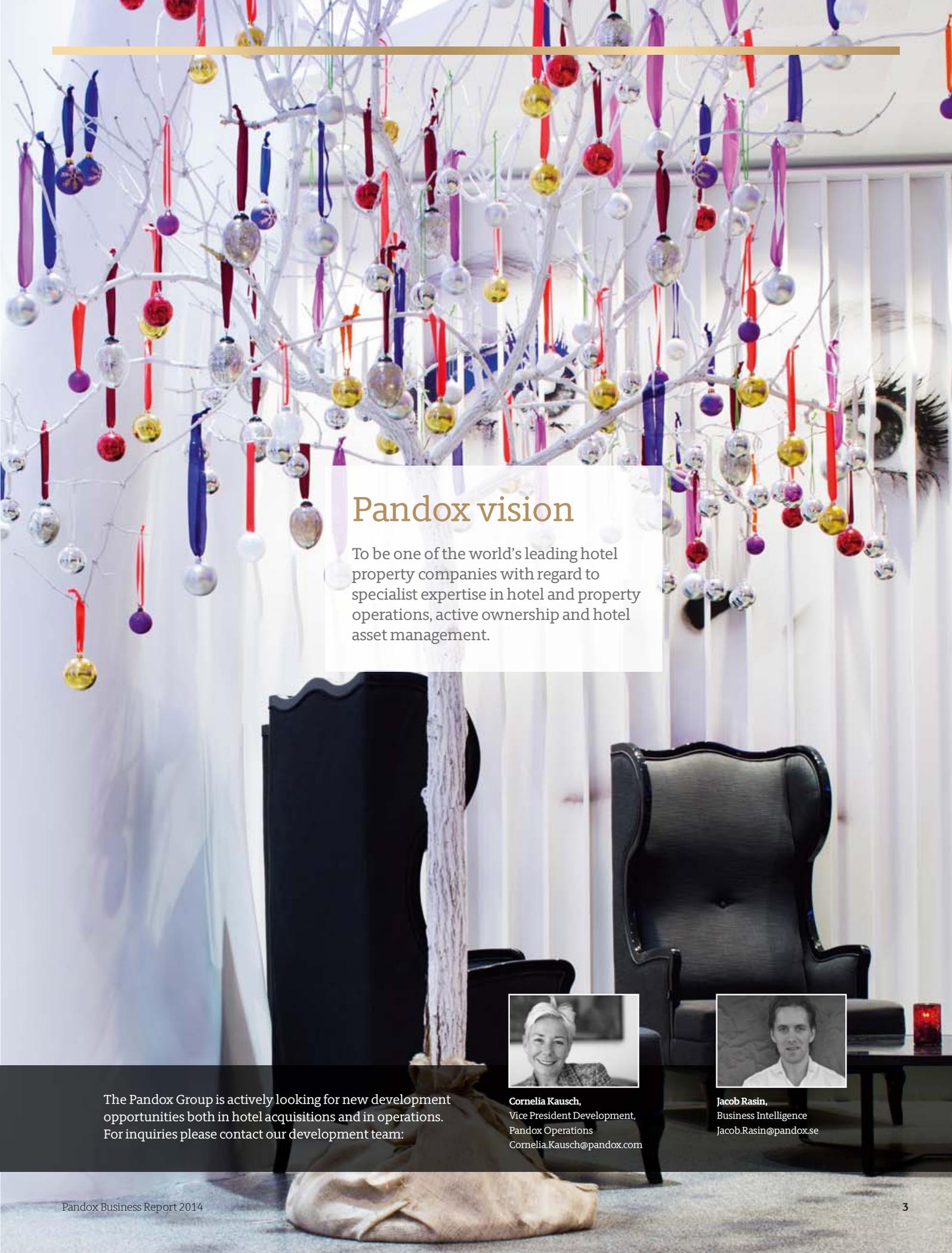
**Mission:** to run Pandox-owned hotels and to enter into lease agreements with external property owners.



**Pandox Asset Management** manages hotel properties on behalf of external owners. The current assignment includes 8 hotels with 1,500 rooms.

**Mission:** to offer external hotel property owners a professional partner and manager with experience in both hotel and property development.





## Pandox vision

To be one of the world's leading hotel property companies with regard to specialist expertise in hotel and property operations, active ownership and hotel asset management.

The Pandox Group is actively looking for new development opportunities both in hotel acquisitions and in operations. For inquiries please contact our development team:



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A broad business model with a strategic diversification of revenues, markets and segments to balance the total risk

**SWITZERLAND**

1 hotel  
1 city



**BAHAMAS**

1 hotel  
1 city

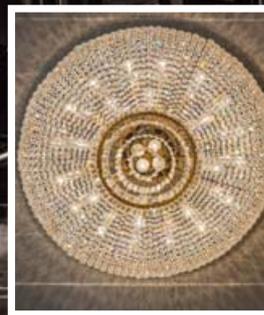
**CANADA**

2 hotels  
1 city



**GERMANY**

4 hotels  
4 cities



**BELGIUM**

8 hotels  
2 cities



**DENMARK**

9 hotels  
2 cities

No. of hotels

114

No. of rooms

24,000

No. of countries

9

No. of cities

51

24,000



## FINLAND

14 hotels  
1 congress  
and fair centre  
8 cities

## NORWAY

23 hotels  
10 cities

## SWEDEN

52 hotels  
22 cities

## Pandox Partners

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# Well-known and



Pandox has a unique network in the hotel market, and currently collaborates with several of the large hotel chains under 16 different well-known and well-established brands. This gives a strong position and a broad network which form an excellent platform for the company to continuously develop the competence base.

## Pandox Independent Brands

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Pandox has developed and established a number of successful independent brands.

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# well-established brands



Each market is unique which means that 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.



Currently, seven hotels within Pandox Operations are marketed under an independent brand.

€55,000,000,

High level  
of activity

Pages 8-17

invested in improvements in 2014

At Pandox, activity levels are always high, with prospective investment cases constantly being analyzed, planned and executed. Projects typically involve the repositioning of a hotel, product development and upgrades, improvements in operational efficiency and implementation of new attractive designs.

As a result, Pandox, has invested some 320 million euro in improvements since 2010. The main part of these investments trace their roots to the acquisition of

the Norgani portfolio in 2010. The portfolio, which consisted of 73 hotels, was in need of considerable development work which has now been carried out in close cooperation with the operators.

In 2014 alone, Pandox concluded 33 development projects and an additional 36 projects are currently under way. Investments in 2014 totalled over 55 million euro.

## Completed projects in 2014

Best Western Mora Hotell & Spa  
Clarion Collection Hotel Bastion Oslo  
Comfort Hotel Börsparken  
First Hotel Royal Star, Stockholm  
First Hotel Twentyseven, Copenhagen  
Hilton Brussels City  
Holiday Inn Lübeck  
Hotel Korpilampi Esbo  
Hyatt Regency Montreal  
Mr Chip Hotel, Kista, Stockholm  
Quality Hotel Prince Phillip, Stockholm

Quality Winn Gothenburg  
Radisson Blu Arlandia, Stockholm  
Rantasipi Imatran Valtionhotelli, Imatra  
Rica Hotel Hamar  
Scandic Bergen Airport  
Scandic Congress Center Helsinki  
Scandic Elmia Jönköping  
Scandic Ferrum Kiruna  
Scandic Grand Marina Helsinki  
Scandic Grand Örebro  
Scandic Jyväskylä

Scandic Kajanus, Kajaani  
Scandic Kalmar Väst  
Scandic Klarälven, Karlstad  
Scandic Linköping Väst  
Scandic Malmen, Stockholm  
Scandic Norrköping Nord  
Scandic Rosendahl  
Scandic Solli Oslo  
Scandic Park Helsinki  
Scandic Tampere City  
The Hotel Brussels

## Ongoing/upcoming projects in 2015

Clarion Collection Mayfair, Copenhagen  
Clarion Grand Östersund  
Clarion Hotel Grand Helsingborg  
Elite Park Avenue, Gothenburg  
Elite Stora Hotellet, Jönköping  
First Hotel Grand Borås  
Grand Hotel Oslo  
Hilton Helsinki Strand  
Hilton Stockholm Slussen  
Holiday Inn Brussels  
InterContinental Montreal  
Quality Hotel Ekoxen Linköping

Quality Hotel Excelsior, Copenhagen  
Quality Hotel Luleå  
Radisson Blu Bodø  
Radisson Blu Lillehammer  
Scandic Hotel Bodø  
Scandic Winn Karlstad  
Scandic Crown Gothenburg  
Scandic Kramer  
Scandic Glostrup  
Scandic Hvidovre  
Scandic Järva Krog  
Scandic Mölndal

Scandic Park, Stockholm  
Scandic Star Sollentuna  
Stadshotellet Princess, Sandviken  
Scandic Backadal, Gothenburg  
Scandic Elmia Jönköping  
Scandic Helsingborg Nord  
Scandic Kungens Kurva, Stockholm  
Scandic Linköping  
Scandic Star Sollentuna  
Scandic Umeå  
Scandic Örebro  
Urban House Copenhagen

Upcoming projects:

# New unique hotel concept launched in Copenhagen

Pandox Operations opens Urban House with 950 beds in 225 rooms



During 2014, Pandox Operations assumed the responsibility for running the previously Omena-branded hotel next to the Copenhagen Central Station. A comprehensive renovation project was initiated to create a new hotel concept – a hybrid between a traditional hotel and a modern design hostel. The hotel's unique location in the popular and vibrant area of Vesterbro has been taken into consideration during the development work and a large number of local attributes have been added to the design.

## Social and interactive areas

On March 1st 2015, Urban House Copenhagen opened its doors. The underlying concept is to offer large common areas, which facilitate interaction, meetings and socialization, in combination with a greater selection of room types than in a traditional hotel. Of the 225 rooms in the hotel, 70 are doubles, and 155 are dorms which cater for 4, 6, 8 or 10 guests respectively. In total, there are eight different room categories which all come with complimentary Wi-Fi and separate bathrooms.



## Grand Hotel Oslo – a modern classic

With an unbeatable location and history, Grand Hotel Oslo holds a position as one of the top three hotels in Oslo. Even so, there is significant potential to improve the hotel's operations.

A major refurbishment project will be carried out over the next few years, focusing on rooms, corridors and F&B areas.

Grand Hotel Oslo is located at the center of Karl Johan, the main parade street in Oslo and hosts a number of well-known and recurring events such as the dinner held after the Nobel Award ceremony.

The hotel was inaugurated in 1874 and has gone through a number of renovations and modernisations since then. The Grand Hotel Oslo has 292 rooms, including 54 suites, a large conference area, The Famous Grand Café, the elegant Palmen restaurant and the top floor bar, Etoile. The hotel also offers an exclusive spa with pool and fitness area.

Pandox Operations assumed the responsibility of Grand Hotel Oslo 1st of March 2015.

### Beer, good food & good company are the basics

In the new lobby bar, various stage events and concerts will take place while the restaurant will offer a slimmed down Food and Beverage concept. Apart from the bar and restaurant, Urban House will offer self-service kitchen facilities, a tattoo studio, cinema and a laundromat.

### Friends from the hood and co-partners

Most of the hotel's partners are local entrepreneurs but some are international companies. Among those, Nespresso guarantees that the hotel serves great coffee while Spotify makes sure good music is played throughout the hotel.

Urban House is mainly aimed at young international travellers, school and sports groups as well as families and, of course, locals.



## Activities – summing up

# The megaproject Shark approaches the finish line



When Pandox bought the Norgani hotel portfolio in 2010, we made an agreement with Scandic to renovate, upgrade and develop 40 hotels. The project was the largest cooperation agreement ever between an owner and an operator in northern Europe.

This megaproject – code named Shark – has been an immense success and now moves on to the final phase after only three years.

The project schedule has not only been maintained, but the budget has also been stretched to go even further than originally planned. As a result of a well-oiled project organization, excellent teamwork and positive synergies achieved through large joint purchases, the project has managed to save more than 10 million euro which has been used to expand the project to larger parts of the public areas than originally planned. A total of 500 extra bathrooms have also been renovated as a result.

#### MEGAPROJECT SHARK

- 40 hotels
- One congress centre
- 12,600 sq.m.
- 4,300 rooms
- 4,800 bathrooms
- 25 restaurants
- 1,500 windows
- 20 km of corridors
- 15 swimming pools
- Technical installations, relax and public areas, conference, facades

## An investment of 180 million euro to develop 40 hotels in Scandinavia

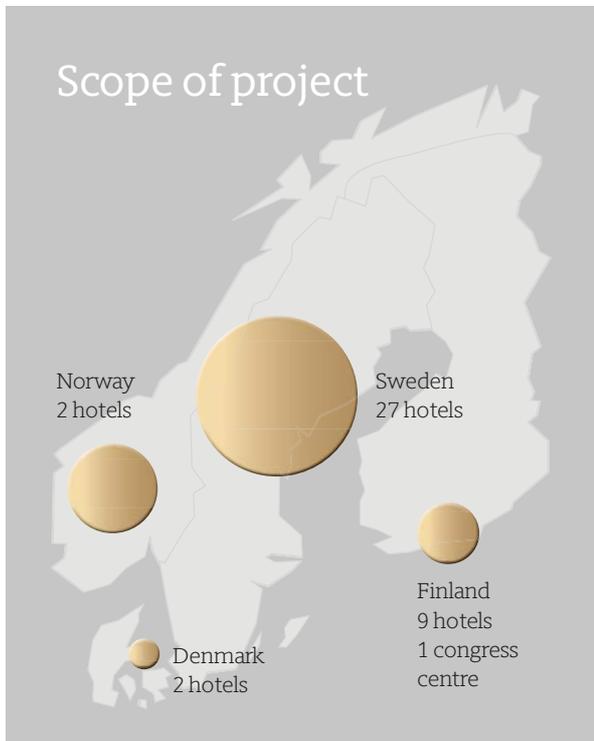
The megaproject included both city center hotels and highway hotels. Among the highway hotels are classic and popular hotels such as Scandic Kungens Kurva, Scandic Backadal and Scandic Klarälven, all in Sweden. Read more on page 15.

Among the city center hotels are, among many others, well-known hotels such as Scandic Malmen in Stockholm, Scandic Park in Helsinki and Scandic Solli in Oslo.

The upgraded hotels have all been well received in each respective market and are already generating positive returns.

All in all, the entire project managed to increase the hotel rents through:

- New lease agreements
- Improved topline; price and occupancy



The Shark project comprises 40 hotels in Scandinavia, these are some of the largest projects.

## Scandic Park Helsinki

COMPLETED PROJECT

Scandic Park, the largest hotel in Finland, has undergone extensive renovation with the goal to create Helsinki's leading business and meeting hotel. With a total budget of 35 million euro, it forms the largest subproject within Pandox's and Scandic's joint Shark project.

The investment included a full refurbishment of all 513 rooms, the addition of ten new rooms (the hotel now totals 523 rooms) and a thorough upgrade of the hotel's corridors, all public areas and the exterior.

Finally, the addition of a state of the art multi-functional banquet and ballroom, a top-floor meeting & lounge area and an upgrade of all conference rooms has resulted in Scandic Park now being able to offer the city's very best meeting facilities.

Investments 2013–2014:  
35 million euro





## Scandic Solli Oslo

### COMPLETED PROJECT

Scandic Solli (the former KNA) has successfully been developed into Scandic's flagship hotel in Oslo. The original rooms and bathrooms have been thoroughly but carefully renovated, preserving the original functionalist character of the building.

During 2013, a new part comprising 35 new rooms and a large meeting room was added to the hotel building. Finally, during the first half of 2014, the last part of the project which included a new lobby and reception area, an upgraded restaurant area and new shop and break-out areas, was completed.

Investments 2013–2014:  
11 million euro

## New design concept lifts 23 highway hotels

### COMPLETED PROJECTS

Scandic's origins are in the classical highway hotels that were created to offer the motorist overnight accommodation and facilities in the 1960s. The hotel segment is now well established in the Nordics.

A sub-project of the major Shark investment was the Moby project with the vision to develop a new generation of highway hotels. Aiming to meet the demands of new family constellations, as well as new travel patterns and trends, the project focused on renewing and developing the highway hotels by adding flexibility and non-traditional solutions to the concept.

Since 2011, 23 highway hotels in Sweden, Finland, Norway and Denmark have been thoroughly upgraded with the new design concept. Among these were well-known



classical hotels such as Kungens Kurva, Klarälven, Backadal and Elmia (see separate article below).

The investment has been a huge success and most hotels are now expanding their market shares and show stable profitability.



## Scandic Elmia

### COMPLETED PROJECT

With the goal of creating Jönköping's leading full service hotel, the classic highway hotel, Scandic Elmia, has undergone a 13 million euro upgrade since 2013. The project is part of the Moby sub-project and a joint venture between Pandox and Scandic. It includes the renovation of 140 rooms and bathrooms, the addition of 64 new rooms (11 with improved accessibility), new public areas and improved logistics.

The hotel has been given a modern profile and design as well as state of the art conference facilities, a new restaurant, a renovated and updated lobby, as well as gym and relax areas.

Investments 2013–2014:  
13 million euro

# Completed projects in Germany and Denmark

## Repositioning and rebranding projects completed at three hotels in Germany

In late 2013, Pandox Operations took over the management of three Pandox hotels in Germany. Since then, a great deal has happened!

Detailed development and restructuring programs, new business plans and new flexible organizations were initiated in coopera-

tion with the new hotel managements. In connection with the takeover, the three German hotels were also all re-branded. During 2014, renovations were completed at all three hotels. These included a complete upgrade and refurbishment of all rooms and bath-

rooms, receptions, conference facilities and public areas, as well as brand new F&B concepts. The hotels also enjoyed a boost on the technical side including a modernization of the IT and TV systems.

### RADISSON BLU DORTMUND, 190 ROOMS



Style, simplicity and elegant design characterize the new interior of the new, completely renovated and refurbished, Radisson Blu Hotel Dortmund. The hotel is now superior to most 4-star competitors in Dortmund and trades well above market ADR-levels. The hotel attracts both business and leisure travellers and even famous Bundesliga and Champions League football teams stay here on a regular basis.

**Year:** 2013–2014

**Cost (€):** 3,470,000

**Key elements:** Guest rooms, F&B outlets, meeting rooms, lobby, corridors, technical installations.

### RADISSON BLU BREMEN, 235 ROOMS

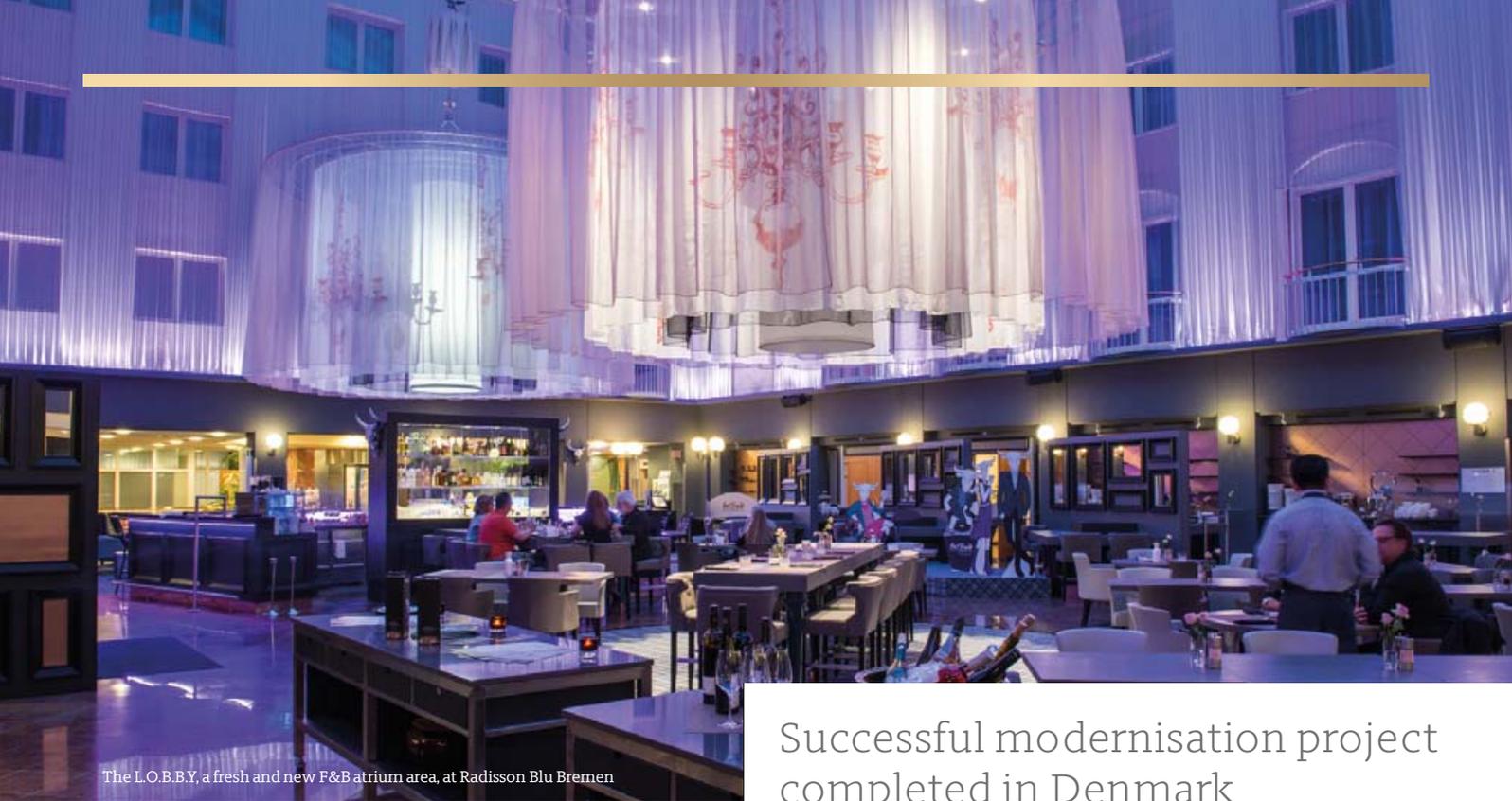


Thanks to the new clean lines, warm colors and an open-plan layout, Radisson Blu Bremen's new design creates a feeling of being "Hanseatic" or easy living. A new, trendy restaurant concept inspired by the American steak and burger tradition has gained a lot of popularity and attracts external demand through its offering of breakfast, lunch and dinner. Adjacent to the restaurant is "The private lobby", a former conference room re-designed to function as both an event location and private dining room.

**Year:** 2013–2014

**Cost (€):** 2,500,000

**Key elements:** Upgrading of 70 guest rooms, soft-refurbishment of additional 70 guest rooms, F&B outlets, meeting rooms, lobby, technical installations, FLS. The soft-refurbishment of the pool area will follow in 2015.



The L.O.B.B.Y., a fresh and new F&B atrium area, at Radisson Blu Bremen

## Successful modernisation project completed in Denmark

### HOLIDAY INN, LÜBECK, 159 ROOMS



A new design concept has given the Holiday Inn Lübeck an atmosphere of wellness and a “home away from home” feeling for the guest. The renovation included guest rooms, F&B outlets, meeting rooms, lobby area and technical installations. The new restaurant Kochwerk offers an outdoor terrace seating where a popular Christmas market is organized during the winter months. The hotel has received a very positive guest response and has also received its official rating as a 4 star superior hotel.

Year: 2013–2014

Cost (€): 2,379,000

Key elements: Refurbishment of guest rooms (incl. bathrooms), renovation of the lobby and atrium (incl. new F&B concept), meeting facilities.

### FIRST HOTEL COPENHAGEN, 215 ROOMS



At First Hotel Copenhagen, style and substance melt together to meet the demands of the modern nomad in terms of modernity, accessibility, and individual service. Situated along the road from the city centre to Kastrop, this high-end conference hotel offers top modern meeting facilities for up to 550 people. In 2014 a number of development projects were carried out, among them the introduction of a new and enlarged fitness center, a new lobby shop and the integration of the bar with the lobby area.

Year: 2013–2014

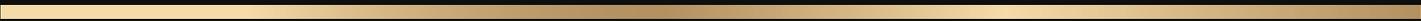
Cost (€): 775,000

Key elements: Upgrading and enlargement of the fitness center, integration of the bar and lobby area, introduction of a new lobby shop and upgrading of the pipe system.



Excellence in  
hotel operations





# Grand Hotel Oslo

## Pandox Operations wins its first external contract

### PANDOX OPERATIONS IN BRIEF

Number of hotel operations: 17

Number of countries: 7

Belgium, Canada, Denmark, Finland, Germany, Norway and the Bahamas

Total number of rooms: 5,300

Employees: 1,600

Turnover 2014: 220 million euro

In November 2014, Pandox Operations signed a lease agreement with Eiendomsspar AS, to assume operative responsibility at Grand Hotel Oslo from March 1, 2015. This prestigious assignment is the first where the newly formed Pandox Operations runs a hotel for an external owner.

The global hotel industry has gone through major structural changes over the last 15 years. To day, most hotel companies have changed to becoming pure brand companies, while traditional hotel companies with a clear focus on operative issues have become fewer.

To meet this new scenario Pandox established Pandox Operations in the fall of 2014. Pandox Operations is 100 per cent focused on hotel operations, which means

that Pandox has the possibility to choose the best strategy for each hotel by acting both as an owner and an operator.

As many large industry players have decreased their focus on operations, new commercial opportunities arise for a player focused on the hands on management of hotel businesses. Pandox Operations fills the gap, offering its expertise in hotel management and operations to external hotel property owners.





#### MISSION

Pandox Operations' mission is to run Pandox-owned hotels and to enter into lease agreements with external property owners .

#### PANDOX OPERATIONS OFFER

- Excellence in operations
- Opportunities for external partners to enter into lease agreements
- Competitive guarantees through a healthy balance sheet

## Cornerstones

#### LOCAL STRATEGY

A strategic business plan is established for each individual hotel taking the hotel's location, its individual features, the specific market and the competition into consideration.

#### REVENUE MANAGEMENT

The growing complexity of the distribution landscape has led Pandox Operations to establish a Revenue Management Center that continuously analyzes demand and price dynamics by evaluating all available market data and optimizing revenues for each hotel at any given point in time.

#### A STRONG FOCUS ON PRODUCTIVITY

Productivity is one of the factors that has the greatest influence on the value of a hotel property. Over the years, Pandox Operations has developed a set of management tools that actively support the day to day decisions as well as the long term planning, in order to maintain a high level of productivity and hence profitability.

#### DELEGATED LEADERSHIP AND RESPONSIBILITY

Flexible and dynamic management is crucial to maintain momentum within Pandox Operations. The company operates with a lean management organization that benefits from a delegated leadership and rapid decision-making, as well as a high level of interactivity and individual responsibility.



# Pandox Operations

## Excellence in hotel operations

### HYATT REGENCY MONTREAL, CANADA



- 605 rooms
- Upscale hotel with prime location in city center, at the Place des Arts, the city's no. 1 entertainment and event location
- Direct underground access to Convention Centre, shopping centre as well as the Metro system
- 3,250 m<sup>2</sup> banquet/meeting area for up to 1,000 attendees
- Large F&B areas with outdoor terraces
- Exclusive fitness center with indoor pool and sun decks

### THE HOTEL BRUSSELS, BELGIUM



- 421 newly renovated and redesigned rooms and suites
- Stylish business and leisure hotel with high level and modern security systems. High rise landmark building.
- City center location at the fashionable Boulevard Waterloo, close to all EU institutions
- 12 meeting rooms for up to 400 attendees – 1,800 m<sup>2</sup>
- Sophisticated F&B areas; the Restaurant and the Bar
- Roof-top Urban Spa & Fitness – 250 m<sup>2</sup> dedicated to relaxation and well-being

### INTERCONTINENTAL MONTREAL, CANADA



- 357 rooms
- 5-star business and leisure hotel in city center location with direct connection to Convention Centre
- Modern conference areas in newly renovated Nordheimer Building offering 21 meeting rooms and spacious exhibition areas
- Large, popular and modern F&B areas
- Roof-top fitness center with indoor lap pool

### HOLIDAY INN BRUSSELS AIRPORT, BELGIUM



- 310 rooms
- Airport location
- Charlie lobby, bar-restaurant with outdoor terrace and garden
- 13 newly renovated meeting rooms of various sizes for up to 500 participants
- Health and leisure club with large pool and outdoor terrace
- Spacious parking area

Pandox Operations is Pandox operating company with 1,600 employees and a turnover of some 220 million euro. The hotel portfolio includes 17 hotels with 5,300 rooms across seven countries in the Nordic region, continental Europe and North America. All the hotels are managed under a well-known or an independent brand.

Pandox Operations' mission is to run Pandox-owned hotels, and to enter into lease agreements with external hotel property owners when commercial conditions are in place.

#### HOTEL BLOOM! BRUSSELS, BELGIUM



- 305 rooms
- City center location
- Unique and inspiring hotel rooms, all decorated with original handpainted frescoes from 300 different international artists
- 2,000 m<sup>2</sup> of conference area, including 12 meeting rooms
- SmoodS Living Room and OO! – stylish and trendy restaurants
- Large underground car park

#### HILTON BRUSSELS CITY, BELGIUM



- 284 rooms
- City center location at the city square Place Rogier, close to the old town Grand Place, the Rue Neuve shopping district and the World Trade Center
- Popular hotel lobby restaurant – Bien Belge Living Lounge
- Scandinavian Wellness and Health Club with sauna and steam room

#### CROWNE PLAZA ANTWERP, BELGIUM



- 262 rooms
- High rise building in ring road location close to exhibition centre
- 7 multifunctional meeting rooms for to up to 500 delegates
- ANNA Living & Bar
- The largest hotel Pool & Wellness centre in Antwerp
- Large outdoor parking facilities

#### CROWNE PLAZA BRUSSELS – LE PALACE, BELGIUM



- 354 rooms
- Premium business hotel at the city centre square Place Rogier
- Historic landmark in Brussels built in 1908 in Art Nouveau/ Art Deco style
- Restaurant Nouveau Taste and Deco Verre Bar
- Large and modern conference facilities with 18 conference rooms
- Popular Fitness & Sauna Center

# 17 hotels, 1,600 employees

RADISSON BLU DORTMUND, GERMANY



- 190 rooms
- Located at the city centre ring, Westfalen exhibition centre and football arena
- 15 meeting rooms of various sizes accommodating up to 450 participants
- New stylish restaurant and bar
- Health club with large pool, gym and sauna
- Large outdoor parking facilities

HOLIDAY INN LÜBECK, GERMANY



- 159 rooms
- Central location at entrance gate, old city
- Flexible conference facilities catering for up to 350 people
- Popular restaurant “Kochwerk” with sun terrace
- Swimming pool, gym and sauna
- Large underground car park

FIRST HOTEL COPENHAGEN, DENMARK



- 215 rooms
- Ring road location, along the road from city to Kastrup Airport
- Attractive and modern conference facilities catering for up to 550 people
- High class restaurant and bar
- Spa and fitness centre

HOTEL BERLIN, BERLIN, GERMANY



- 701 rooms – the third largest in Berlin
- 4-star superior hotel in city center location
- Conference and event area covering a total of 3,000 m<sup>2</sup> – including 21 conference rooms for up to 550 participants in the largest room
- Large outdoor parking facilities

# and a €220 million turnover

RADISSON BLU BREMEN, GERMANY



- 235 rooms
- Prime location in historic city center
- Flexible and spacious meeting area
- Attractive meeting & event location – the “Himmelssaal”
- Fresh and new F&B atrium area – “The L.O.B.-Y”
- Health club with pool, gym and sauna
- Large underground car park

HOTEL KORPILAMPI, HELSINKI, FINLAND



- 151 rooms
- Resort location surrounded by nature, offering excellent possibilities for outdoor recreation
- 15 flexible meeting rooms and conference auditorium for up to 350 people
- Sauna & pool and facilities nearby for golf, fishing, and skiing

GRAND HOTEL OSLO, NORWAY



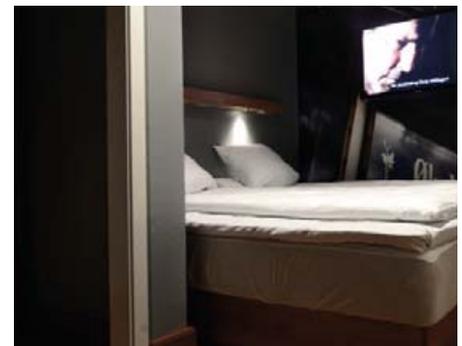
- 292 rooms
- Classical and well-known landmark hotel with prime location in central Oslo
- The famous Grand Café, Palmen restaurant and the top floor bar Etoile
- Conference areas accommodating up to 110 participants
- Exclusive spa with pool and fitness

PELICAN BAY, LUCAYA, THE BAHAMAS



- 186 rooms
- Resort location
- Premium business and leisure hotel at the heart of the Grand Bahama Island
- 2,800 m<sup>2</sup> of event space
- Easy access to white sand beaches

URBAN HOUSE COPENHAGEN, DENMARK



- 950 beds /225 rooms
- New concept – hybrid between a traditional hotel and a modern design hostel
- Central location in the middle of Vesterbro, one of Copenhagen's most vibrant areas
- Lobby bar with stage events and concerts
- Self-service kitchen facilities, a tattoo studio, cinema and a laundromat

# Hotel management Expertise, skills, creativity and a passion for service



Frank Ruecker



Bente Brydegaard Johansen



Frank Senger



Vieri Biticchi



Bernard Chenevert



Raymond Soumako



Hans Wils



Charles Boelen



Jan-Patrick Krüger



Roger Hurkman



Jan Joris Kriele

Pandox's core management philosophy is more about inspiration than control, and more about the individual than the system. It is the individual people at Pandox that make the company unique.

The principle ingredients are experience, entrepreneurship, the will to constantly improve, to find new opportunities and to win – as well as a good dose of responsibility and power of initiative.

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Caroline Tjeerde



Dieter Ulbricht



Magnus Alnebeck



Nina Peltola



Fredrikke Næss



Thomas Bagger

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# Asset Management

# Professional hotel property management

The Pandox Group continues to expand and strengthen its offering by establishing the new business area, Pandox Asset Management during 2015. The new company's mission will be to efficiently manage hotel properties on behalf of external owners.

In line with the previous launch of Pandox Operations, our own operating company, this new addition to Pandox's business can be seen as a natural effect of the changes taking place within the hotel industry which has gone through significant changes over the last 15 years. The majority of international hotel companies have changed their business model to become pure, "brand companies", while traditional hotel companies which are still focussing on operational issues have become less common.

Pandox Asset Management offers external hotel property owners a professional partner and manager with unsurpassed experience in both market analysis and property development within the hotel industry. At present, Pandox Asset Management is commissioned to manage eight hotel properties with 1,500 rooms.

Interested? For more information about Pandox Asset Management, please send an email to:



Leif Kristen Olsen



Erik Hvesser

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## The Pandox Asset Management offer

- Market analysis and real estate development
- Individual risk analysis and risk mitigation plans
- To establish a maintenance plan for each hotel property including a guarantee of efficient execution
- Ongoing property operations and investments with the aim to increase the long term property value
- Developing and implementing short term, intermediate and long term strategies to improve the value of the portfolio

## Hotels properties managed by Pandox Asset Management

### CLARION COLLECTION

#### GABELSHUS

- 114 rooms
- 5,800 sq.m
- Central location, Oslo

### CLARION COLLECTION

#### FOLKETEATRET

- 160 rooms
- 7,500 sq.m
- City location, Oslo

### SCANDIC GARDERMOEN

- 135 rooms
- 4,500 sq.m
- Airport location, Oslo

### SCANDIC HELSFYR

- 253 rooms
- 11,100 sq.m
- Ring road location, Oslo

### SCANDIC HOLBERG

- 133 rooms
- 7,200 sq.m
- City location, Oslo

### SCANDIC HOLMENKOLLEN PARK

- 336 rooms
- 34,000 sq.m
- Resort location, Oslo

### SCANDIC OSLO CITY

- 175 rooms
- 11,100 sq.m
- City location, Oslo

### SCANDIC VICTORIA

- 199 rooms
- 11,600 sq.m
- City location, Oslo



# Active ownership

Pages 30–37



# A consistent strategy enables stability and risk diversification

## One type of asset – three business areas

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. The company is active within three areas:

### Pandox Hotel Properties

The company's fully owned property portfolio where we manage the hotel properties and sign lease agreements with strategic collaboration partners. The company actively looks for hotels in good locations which have a minimum of around 200 rooms, and aims to acquire underperforming hotels in need of investment and active ownership. The property portfolio includes 104 fully owned hotels properties with a total of 22,000 rooms and a congress centre.

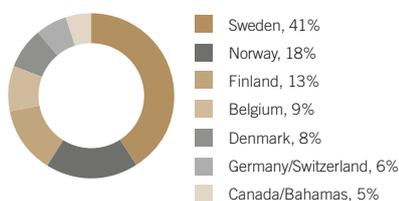
### Pandox Operations

Our operating company which runs a number of our own hotel properties as well as those of external owners. The business area comprises 17 hotels in seven countries with a total of 5,300 rooms. Read more on page 22.

### Pandox Asset Management

This business area efficiently manages hotel properties on behalf of external owners. The current assignments include eight hotels with 1,500 rooms. Read more on page 28.

### Geographical spread, proportion of hotel rooms\*



\* Including the new hotels that were added within the Pandox Operations and Pandox Asset Management assignments.

## 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 dynamics in the hotel economic cycle.

**Business position:** Pandox operates in nine countries, and Sweden is the company's largest market. Major sub-markets are Brussels, Copenhagen, Helsinki, Stockholm, Oslo and Montreal. Overall, Pandox owns hotel properties in 51 cities which cater to a mix of international and domestic demand.



## 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. The average number of rooms is 210, significantly more than the average hotel in each respective market.



## Prioritised market segments

The hotels in the property portfolio should mainly belong to 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.*



## 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. The Hotel and Hotel BLOOM!, both Brussels, Hotel Berlin, Berlin and Quality Hotel Park in Södertälje are examples of successful repositioning projects.*



## Brand names and partners

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

**Business position:** *Pandox currently collaborates with twelve hotel chains using 16 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.*



# From financial crisis to successful hotel property company

When Pandox started in 1995, the company owned 18 hotels with a total of 3,000 rooms in nine Swedish towns and cities. The business model was new and untried. The company had weak profitability and limited financial resources.

The road to success was to acquire under-performing hotels, develop them and thereby increase the company's cash flow and value – which in turn was used for further expansion. All in all, transactions with a total value of more than 2 billion euro have been completed. Applying a consistent strategy, Pandox has shown durable and profitable growth while increasing the geographical spread.

**Founded in 1995.** Pandox traces its origins to the financial and property crises at the beginning of the 1990s. The company was formed by Securum and Skanska in 1995. The mission was to take over and restructure a hotel portfolio, and prepare it for sale.

**The original hotel property portfolio.** In the beginning, Pandox comprised 18 hotel properties and three small operating units. All of the hotels were in Sweden, most of them

were small with unattractive locations, and often in bad condition.

**Stock-exchange listing.** In 1997, Pandox was floated on the Stockholm Stock Exchange with a new and untried business concept. The company's portfolio was valued at SEK 1.3 billion and the market capitalisation was SEK 520 million. The listing resulted in 4,000 new shareholders. After the listing, Pandox expanded rapidly, with acquisitions of

Today Pandox is one of the leading players in the European hotel market with activities covering 114 hotels with a total of 24,000 rooms across nine countries – Sweden, Norway, Denmark, Finland, Germany, Belgium, Switzerland, Canada and the Bahamas.

Key indicators	2014	2013
Number of hotels*	114	120
Number of hotel rooms*	24,000	25,000
Property revenues, SEK M	1,789	1,813
Cash flow, SEK M	888	815

\* Including the hotels within the Pandox Operations and Pandox Asset Management assignments. In addition to this, Pandox owns one congress and fair centre in Finland.

large hotels in strong locations, while its smaller hotels were sold.

**Internationalisation.** In 2000, Pandox expanded its geographical footprint to Northern Europe through the acquisition of Hotel-lus with 16 hotel properties.

**Privatised again.** In 2004, Pandox was acquired by industrial investors Eiendomsspar AS and Sundt AS and delisted as a result.

Pandox strategy and business model has proven to create value. Since the company was formed, Pandox has generated an average annual return of 18 per cent. During the same period, the world has gone through three financial crises.

+ 18%

**Stronger in Europe.** After the privatization, Pandox grew quickly again, with several large hotels being acquired in Berlin, Brussels, Basel, Copenhagen, Stockholm and Malmo – establishing 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 acquisition of Norgani Hotels, with a portfolio of 73 hotels in Sweden, Finland, Norway and Denmark, in a deal worth one billion euro. As a result of the acquisition, Pandox now became one of Europe's leading hotel focused property companies in terms of geographical spread and number of hotels and brands.

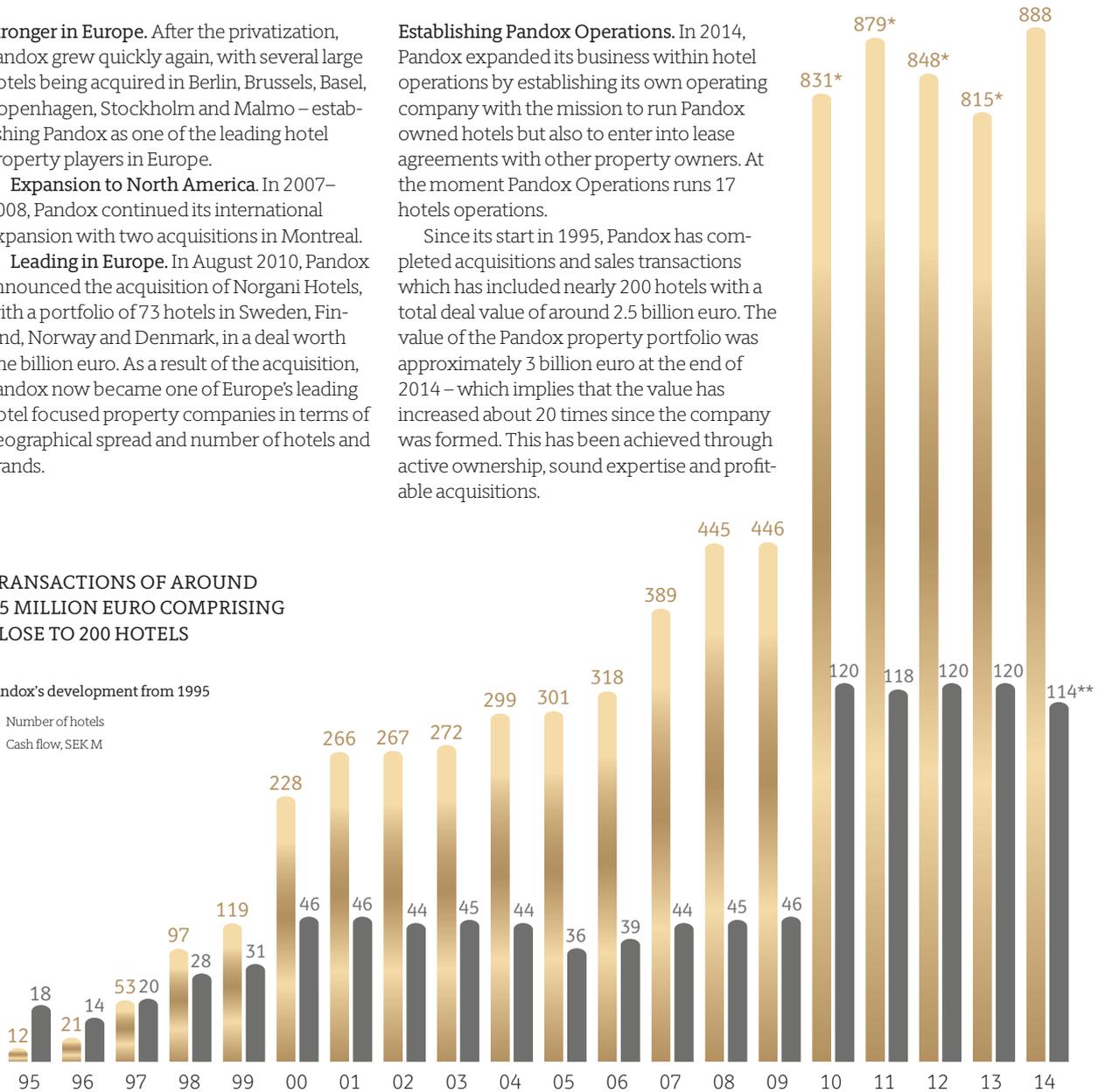
**Establishing Pandox Operations.** In 2014, Pandox expanded its business within hotel operations by establishing its own operating company with the mission to run Pandox owned hotels but also to enter into lease agreements with other property owners. At the moment Pandox Operations runs 17 hotels operations.

Since its start in 1995, Pandox has completed acquisitions and sales transactions which has included nearly 200 hotels with a total deal value of around 2.5 billion euro. The value of the Pandox property portfolio was approximately 3 billion euro at the end of 2014 – which implies that the value has increased about 20 times since the company was formed. This has been achieved through active ownership, sound expertise and profitable acquisitions.

**TRANSACTIONS OF AROUND 2.5 MILLION EURO COMPRISING CLOSE TO 200 HOTELS**

Pandox's development from 1995

■ Number of hotels  
■ Cash flow, SEK M



\* Refers to 100 per cent of Norgani's and Pandox' ongoing cash flow for each respective full year. Since December 2013, Pandox holds sole ownership of all hotels except for one which is managed on behalf of one of Pandox' owners.

\*\* During 2014, 15 hotel properties were sold including Hilton London Docklands as well as a Swedish hotel portfolio with 14 hotel properties. Today the portfolio comprises 114 hotels across 9 countries including the 9 new hotels that were added within the Pandox Operations and Pandox Asset Management assignments.

# Calculating a profitable hotel investment

TREND ANALYSIS by Anders Nissen

This article was published in UpGrade no 1, 2014.

*“Correct revenue assumptions are crucial to assess profitability in new projects!”*

An increasing number of property owners without prior experience of the hotel industry are showing an interest in, and are investing in, hotels. Reports from Stockholm Business Region and other organizations are predicting a future capacity shortage which is attracting new players into the Stockholm market. But many of these new investments are based on the wrong assumptions and lack a comprehensive profitability analysis. Many other factors than just an increase in demand will decide whether the investment in a new hotel property will be profitable, states Pandox CEO Anders Nissen in this trend analysis.

According to Visita, 18,000 new hotel rooms are required in Sweden up until 2020, mainly in the larger cities. This prediction is made mainly by projecting historical demand into the future and lacks any analysis of the developments of average price, segments or profitability. Basing a hotel investment solely on predictions of a future capacity shortage is a risky business. Several other factors need to be considered and carefully analysed in order for a hotel investment to succeed:

1. Our industry survives not only on demand, but by a formula that includes average price as well as demand.
2. In addition, it requires sound knowledge of how the industry's different segments will look in the future to be successful.
3. And finally, it is vital that the future hotel property owner has knowledge of what drives value in these types of properties and understands the differences between a hotel property and a traditional property.

Let's go through these parameters one by one:

## **1. PROFITABILITY IS NOT SOLELY CREATED BY INCREASED OCCUPANCY!**

Location, location, location is a well-known motto in the property industry. In the hotel industry we need to add RevPAR, RevPAR, RevPAR (revenue per available room). Higher visitor numbers and an increase in demand are obviously indicators of the attraction of a destination, but an investment case mainly based on a demand and occupancy increase misses the necessary average price parameter.

To achieve solid profitability in a hotel property, it is vital that price and RevPAR also develop in a positive manner, but it's not often that this is brought up when ongoing hotel developments are discussed. It is absolutely vital to combine solid occupancy numbers with a high average price to reach high profitability in a hotel property.

Hotel experts agree that a high price is to be preferred to a high occupancy rate. A higher price drives higher profitability. The logic behind the argument is that an “average price-dollar” to a larger extent ends up as profit compared to an “occupancy-dollar” as the latter requires more resources from opera-

tions in the shape of variable costs such as cleaning, staff, laundry, breakfast, commissions, etc.

## **A historical review...**

Since 2007, new hotel rooms have increased the total supply by 30 per cent in Stockholm. During the same period, demand increased by 25 per cent, which means that the added capacity more than covers the increased demand and that the new hotels have not been completely absorbed by the market.

At the same time, we can see that average nominal price is the same as in 2007. This means that the average inflation adjusted price has decreased by almost 7 per cent. The decrease has also brought about a decrease in RevPAR.

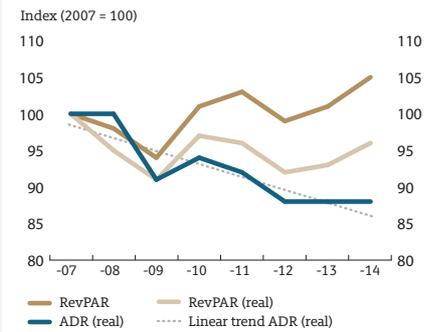
After the first six months of 2014, RevPar in real terms was more than 10 per cent lower than in 2007 which is also illustrated in the adjacent graph. Specific hotels may have slimmed their operations and thus managed to keep profitability at the same level as in 2007, but if one looks at the average numbers, a lower RevPAR means that the hotels profitability today is lower than it was in 2007. This important aspect seems to be completely



Supply demand, price and RevPAR (indexed and inflation adjusted)



Average price and RevPAR in real terms Stockholm



ignored in the advisory reports about the industry that have been published recently.

## 2. GUEST SEGMENTS ARE CHANGING IN THE CITIES: IT'S NOT NEW BUSINESS HOTELS THAT ARE MISSING!

During the last few years, demand in the Stockholm market has increased in every segment apart from the conference segment. The greatest increase can be found in the leisure segment: this is a clear trend that we have observed for some time. In contrast, the increase for Group travel was only marginal. A similar shift in guest segments seems to be taking place in Gothenburg and Malmö.

These segment changes have brought about a downward price pressure as an effect of the fact that leisure guests are more likely to choose lower priced options. Furthermore, the additional capacity added in recent years has contributed to the downward pressure as well as increasing competition. The trend is most obvious in Gothenburg and Malmö, with weaker growth during the week while the weekends have seen stronger growth, thus the negative effects are mainly hitting business and conference hotels.

As a hotel property owner, it is vital to have knowledge of the market in which one operates and to closely monitor market trends. This is another important topic which is nowhere to be seen in the industry reports.

## 3. THE UNIQUENESS OF THE HOTEL PROPERTY MARKET: IT DEMANDS ACTIVE OWNERSHIP AND CONSIDERABLE INVESTMENTS.

There is a real risk that new players in the industry underestimate the uniqueness of hotel properties. The traditional property market and the market for hotel properties are completely different industries with different drivers and different processes to achieve value growth.

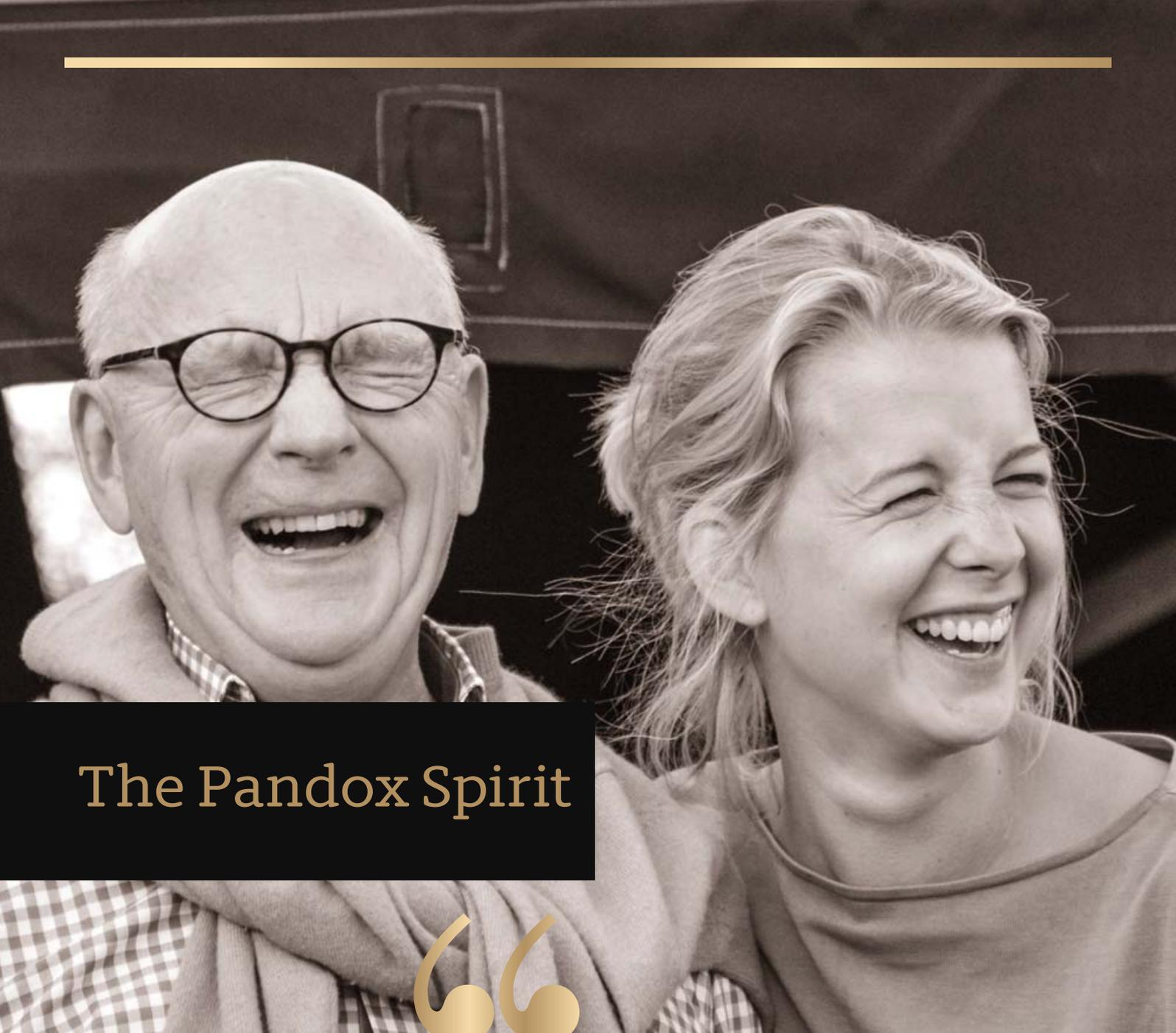
The hotel property market demands a completely different type of active ownership than the traditional property market. Simply put, one can say that the focus in the hotel industry is in developing hotel operations while in the rest of the property sector, it's about developing buildings.

The industries also differ as far as agreement structures. In the hotel industry, an active cooperation between the property owner and the operator is needed and both

parties need to be highly engaged. For this to work, turnover-based rent agreements, where the two parties share in the upside as well as in the joint risk for a potential decrease in value when a hotel does poorly, are imperative.

It is reasonable to assume larger investment costs in a hotel property than in an office building. Historically, the operator has shouldered most of the costs for development and refurbishment of the hotels but present agreement structures demand that the property owner takes on more of the investment costs and share the risk. So called, "Triple-Net" agreements where the lease is responsible for all the upkeep is practically nonexistent within today's hotel industry.

In conclusion, we can see that a predicted increase in demand is not enough to motivate a decision to invest in a new hotel property. Detailed knowledge and understanding of average prices, market development and actual hotel operations are at least as important and must not be overlooked. And this is something that most industry reports published over the last years are indeed overlooking.



## The Pandox Spirit



*Have fun! It's really quite simple: People who share a good time together will also work well together.*

Pandox has established an informal management style, where a high level of know-how is combined with minimal bureaucracy and effective methods for follow up.

The corporate culture is characterized by extensive development opportunities, individual freedom, creativity and passion, all while having a good time together. The objective is to develop ourselves and the company every day. We call this the Pandox Spirit.

### HEALTH...

At Pandox we believe that people grow through doing other things with their colleagues than just work. For this reason, we often organize activities and events simply aimed at allowing employees to have fun together.

Pandox also works actively for the wellbeing of all employees. Physical activity is an important step in finding the right balance between work and leisure, and is encouraged by the company. For this reason, we have

created Pandox Movement, our very own sports association. In recent years, Pandox Movement has gathered a number of brave Pandox employees who have challenged themselves by participating in various adventurous happenings: a ski training camp, the Vasaloppet cross-country ski-race, yoga training, the Våruset running race, the Berlin half marathon, the Stockholm marathon and the individual "Olympic Challenge 2015" with advanced physical tests.



*Push the boundaries! Inspiration, simplicity, speed and prominent leadership are our key words.*

**... AND HANDBALL**

At Pandox we love sports! Participating in them motivate and excite us: we enjoy the action and the drama as well as the thrill. Especially close to our hearts is handball, without doubt one of the world's toughest sports. Watching a handball game is always exciting: hard shots, tough tackling, a high pace and many goals always guarantee the spectator an exciting experience.

We also appreciate the similarities between handball and the business we are in: In a handball team every player is an essential element, success requires the cooperation of all parts of the team, and the development of the individual strengthens the team as a whole. Handball offers fair play, no doping or hooligans and has an equal share of female and male players.

For this reason, Pandox maintains close ties to handball: Staffan Olsson, Pandox's Director of Health, Sports and Coaching, is also the Manager of the Swedish Men's Handball team. Moreover, Pandox's social project in Nyeri, Kenya, is founded on the idea that giving children and young people the opportunity to play handball will help them improve their lives. Read more about the Kenyan project on page 43.



Read more on pages 40–43



*Why handball? Hard shots, a high pace and thrilling matches, as well as fair play, no doping or hooligans and an equal share of female and male players. We like that!*

# Hotel Market Day – Scandinavia’s top hotel industry event

The Hotel Market Day has grown to become one of Scandinavia’s largest and most dynamic hotel industry events. The theme for 2014, “changes in the media landscape”, attracted a full house yet again, with over 300 guests participating including an increasing number of international delegates.

Pandox introduced the Hotel Market Day in 1996, the year after the company was established. The primary reason was to market Pandox to investors before floating the company on the stock market one year later. However, once the listing was completed, the Hotel Market Day evolved into an annual event and a dynamic meeting place for the hotel industry. The event is held each November at the Pandox-owned hotel property, Hilton Stockholm Slussen.

During the day, participants attend interesting lectures, network and make new contacts, and take part in Pandox’s hotel forecast for the coming year. The evening concludes with mingling and dinner in a pleasant and relaxed atmosphere.

Over the years, the seminar theme has covered a wide range of topics, including the significance of budget airlines and shopping tourism, the importance of the term “brand profitability”, hotel architecture and design, and the effect of global demographic changes on the hotel industry. This time, the theme was “Changes in the media landscape”, and the message from the seminar speakers was that the digital revolution will continue to provide the hotel industry with new challenges:

- New web based travel agencies have caused hotels’ commission costs to increase dramatically. At the same time, new players are entering the market, offering alternatives to traditional hotel accommodation.
- The new internet-based media landscape has brought about dramatic changes for the hotel business. This journey has only just started; the future has a lot more in store.



# UpGrade

Swedish and international hotel industry news and trends



THE SPEAKERS AT THE HOTEL MARKET DAY WERE, AMONG OTHERS:

**Jan Häggström, Senior Economist at Handelsbanken:**

“The Euro needs to decrease by another 20 percent against the US dollar.”

**Jan Scherman, previously CEO, TV4 and today, strategic advisor at Aftonbladet TV, board member and writer:**

“We live in a world with no pause – we are constantly online and never relaxed.”

**Ehsan Fadakar, Director of Social Media, Aftonbladet:**

“Used correctly, social media can give you enormous impact even though your budget is limited.”

**Cindy Estis Green, CEO, Kalibri Labs:**

“The internet has caused hotels’ commission costs to increase dramatically.”

**Hans Vestberg, CEO, Ericsson:**

“Companies need to change in order to remain relevant.”

**Katalin Paldeak Pålsson, COO, Nordic Choice Hotels:**

“It’s no longer about who shouts the loudest – today it’s all about selective and intelligent marketing.”

**Anders Nissen, CEO, Pandox:**

“Overall, 2015 looks positive for the hotel industry, but the outlook differs between markets.”

**Pandox™**

## UpGrade

Market information from Pandox.  
Pandox - Excellence in hotel ownership and operations.

# Calculating a profitable hotel investment

HOTEL INVESTMENTS ARE OFTEN BASED ON THE WRONG ASSUMPTIONS

SPOTLIGHT

**4** Positive outlook on many hotel markets

**8** The sharing economy is growing fast

**12** New operating company within Pandox!

Pandox UpGrade is issued on a regular basis, covering market trends and current Swedish and international hotel market topics as well as news from Pandox.

When Pandox was formed in 1995, a newsletter was started in order to promote the company to investors in preparation for its float on the stock exchange. The publication later became part of the public reports that Pandox issued.

Despite the company no longer being listed on the Stockholm Stock Exchange, Pandox continues to maintain the flow of information to those who are interested in

the hotel industry and the hotel property market.

Pandox UpGrade covers a wide range of topics: hotel industry news and hotel market analysis, Pandox events, as well as Swedish and international trends.

You are most welcome to become a subscriber. Pandox UpGrade is free of charge and can be ordered at [info@pandox.com](mailto:info@pandox.com).

# Sustainability: Reducing our environmental impact every step of the way

For many years, the hotel industry has placed considerable focus on environmental and sustainability procedures. At Pandox, environmental investments are seen not only as a means to lower costs, but also as a necessity – we should all do what we can to contribute to a global long-term sustainable development.

This implies that Pandox endeavours to fulfil by a good margin the environmental demands placed within the countries where Pandox Operations has operations; that we carefully monitor the energy consumption of all our hotels; and that we primarily use suppliers, partners and consultants who have clear and comprehensive environmental policies. Developmental measures are often implemented in cooperation with the hotel operators.

Through active investment programmes, we strive to reduce energy and water usage in order to decrease our hotels' environmental impact. In many cases, environmental investments, while reducing our carbon footprint, also result in



Hotel BLOOM!

reduced costs and improved results. As an example, see the story about Hotel BLOOM's successful environmental work below.

We also include the environmental aspects in our day to day working procedures and processes, examples of which can be simple things such as minimising paper use and

energy consumption on our premises. We sort waste and recycle as much as possible. And naturally, the coffee and fruit in our premises are ecological and KRAV-labelled.

We endeavour to reduce our own as well as our operative units' environmental impact!

## Hotel BLOOM!'s journey to becoming one of Northern Europe's lowest energy consumers

Hotel BLOOM!, Brussels, was first audited for energy and water consumption in 2008. Through a series of investments, the hotel's costs for energy and water has decreased from 7 euro per room and day in 2008 to about 4 euro in 2014.

The energy action plan was launched in 2009 and the first phase included the introduction of timers, flowrate reducers and set-points management. The 20,000 euro investment was recovered in less than one year.

In a second step, large savings were achieved in 2011 and 2012 through the investment in new ventilation groups with heat recuperation from the rooms as well as a new boiler. These investments totalled 200,000 euro which was repaid within three years. Today, this installation is completely refunded.

Finally, the year 2013 saw the installation of a combined heat and power generation plant, leading to a 50 per cent decrease in electricity consumption. As the equipment

generates about 20 per cent less CO<sub>2</sub> emissions, compared to a conventional boiler or electricity coming from the grid, the hotel is also awarded green certificates as a subsidy from the Belgian government. The total investment of 270,000 euro has an estimated ROI of 2.5 years, and the installation will be completely refunded by June 2015. Its lifetime is estimated to ten years, which means this investment will generate total incomes estimated to be in the region of 800,000 euro.

## Social responsibility

# Aiding Kenyan children and Indian women



### THE YOUTH HANDBALL MOVEMENT

In the town of Nyeri, Kenya, Pandex established the Youth Handball Movement in 2011 in cooperation with the Kenyan handball club Mount Kenya Sports Group (MSG).

The objective is to provide children and young people with purposeful leisure time through sports and, in particular, handball training. Sports is a good way to establish contact with children and young adults and the



For more info, please visit: [www.msgkenya.com](http://www.msgkenya.com)

project also includes a yearly training camp where Swedish coaches offer teachers and children the opportunity to learn about team spirit, health care, injury prevention and, not least, more about handball tactics and techniques.

A lot has happened since the project started 4 years ago. The number of club members has increased from 400 to 1,200 children from the age of 11 and upwards (with an equal number of boys and girls), while the MSG arranged tournament "Partille Cup Kenya Trophy", has grown into the largest event in Kenya with over 120 participating teams from all over the country.

MSG has also developed a structured league system as well as a scholarship program, where poor children and youth are given the possibility to receive clothes, school supplies, medicine, etc. Most important though, is that the youth get to have fun together and that they feel a sense of belonging; something which is incredibly important, particularly for the many children that have grown up in poverty in the city's slum areas.

### FREESSET

Pandex also supports the fair-trade company Freeset in Calcutta. The company offers employment to women who have been drawn into prostitution in Sonogacchi, Calcutta's largest and most notorious area for sex trafficking. In this area, more than 10,000 women are forced into prostitution every day. The women are mainly from Bangladesh, Nepal, or 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.

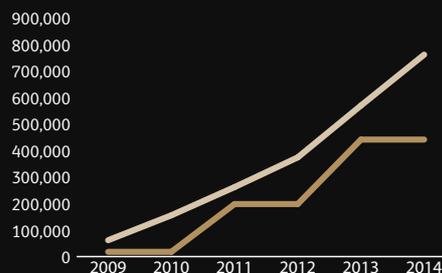


For more info, please visit: [www.freesetglobal.org](http://www.freesetglobal.org)

Hotel BLOOM! is now among the lowest energy consumers among hotels in Northern Europe.

The next challenge concerns water, which is becoming increasingly expensive and environmentally problematic. Investments have been scheduled in 2015 for all Belgian Pandex hotels in order to monitor water consumption and generate alarms in case of abnormal consumption or leaks.

Electricity, gas and water savings and investments in Euro per year 2009-2014 (base year 2008)



At Hotel BLOOM!, Brussels, investments of 490,000 euro from 2009 to 2014 have resulted in decreased costs for energy, gas and water of 846,000 euro during the period, including 160,000 euro in green certificates.

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# Team Pandox Group of Competence





#### MANAGEMENT

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ebba.grundel@pandox.se, Assistant Group Controller  
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ann-sophie.forsmark@pandox.se, Property Accountant  
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staffan.olsson@pandox.se, Director of Health, Sports and Coaching  
sanna.andersson@pandox.se, Receptionist



# Board of Directors and Management



Pages 48-51

# Board of Directors

## Giving management a helping hand



**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, Mini Bottle Gallery AS and C. Ludens Ringnes Foundation.

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 Aurora LPG Holding ASA  
Board member of Alfarveg AS

Board member of Eiendomsspar AS, Skibs AS Tudor.



**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 Hemfosa Fastigheter AB and Skånska Byggvaror AB.

Board member of Indutrade AB, ICA Gruppen AB, Plastal Industri AB, Swegon AB and others.

## BOARD OF DIRECTORS

In an international hotel property company such as Pandox, competence and experience within the following areas are essential: hotel operations and the 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's 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

## LEGAL STRUCTURE

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



### 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, Bergesens Almennyttige Stiftelse.



### 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 and Sundt Air Holding AS.



### MATS WÅPLING

Member of the Board of Pandox since 2003.

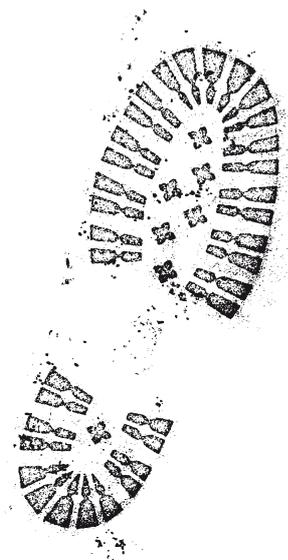
#### Other appointments:

Board member of Vasakronan, Besqab, Infratek Security, Vesper, Instalco, PKM Invest and Nordic Modular Group.

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# Management

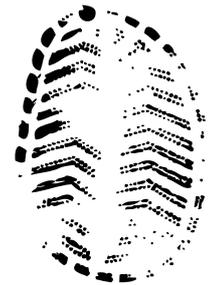
## Making a clear mark on the hotel industry



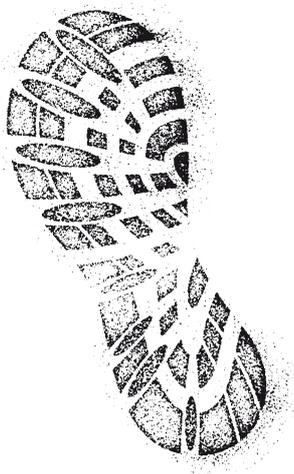
**ANDERS NISSEN**  
President & CEO.  
Employed since 1995.



**LIJA NÔU**  
Senior Vice President,  
CFO.  
Employed since 2007.



**NILS LINDBERG**  
Senior Advisor,  
Finance & Insurance.  
Employed since 1995.



**LARS HÄGGSTRÖM**  
Senior Vice President,  
Asset and Technical  
Development.  
Employed since 2000.



**ERIK HVESSE**  
Vice President,  
Area Manager,  
Sweden & Finland.  
Employed since 2006.



**ALDERT SCHAAPHOK**  
Senior Vice President,  
Director International  
Operations.  
Employed since 2004.

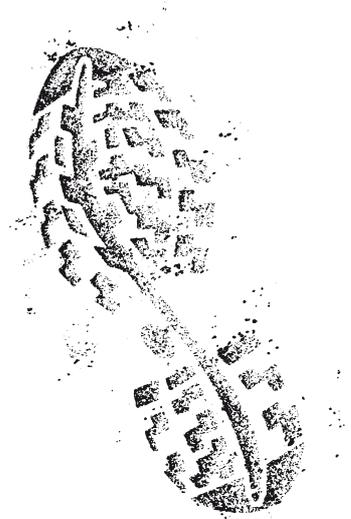




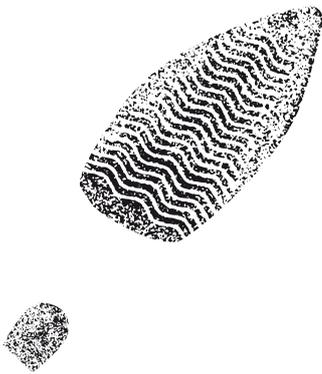
**HELGE KROGBØL**  
Vice President,  
Director Operations  
Scandinavia.  
Employed since 2012.



**LEIF KRISTEN OLSEN**  
Vice President, Area Manager,  
Sweden & Norway.  
Employed since 2010.



**JONAS TÖRNER**  
Vice President,  
Business Intelligence.  
Employed since 2005.



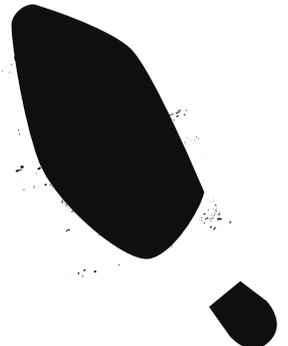
**CORNELIA KAUSCH**  
Vice President  
Development,  
Pandox Operations  
Employed since 2006.



**MR HARRY**  
Deputy President,  
Corporate Dog,  
Head of Fun.  
Employed since 2011.



**JOSEFIN BERGOVIST**  
Senior Analyst,  
Acquisition & Investment,  
Business Intelligence.  
Employed since 2006.



A photograph of a modern hotel room. The room features a bed with white linens and several pillows. A desk with a chair is visible in the background. The walls are covered in dark wood paneling. A lamp is mounted on the wall above the desk. A window with curtains is on the right side of the room. A dark horizontal bar is at the top of the page.

# Padox hotel portfolio



Pages 54-69





Scandic	Highway	City centre	Resort	No. of hotels
Sweden	18	14		32
Norway <sup>1</sup>	1	3		4
Finland <sup>2</sup>	1	6	1	8
Denmark	3	1		4
Belgium	1	1		2
<b>TOTAL</b>	<b>24</b>	<b>25</b>	<b>1</b>	<b>50</b>

<sup>1</sup> Excluding the hotels within the Pandox Asset Management assignment  
<sup>2</sup> In addition, Pandox owns one congress and fair centre in Finland.  
 See also the summary list on pages 66–69 for more information.





BRUSSELS

STOCKHOLM

HELSINKI

Hilton is a global hotel company with American origins. There are several 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 are owned by the American private equity company, Blackstone.

Four Hilton hotels in Brussels, Helsinki and Stockholm are included in Pandox's portfolio. The hotels represent close to 10 per cent of revenues in the Pandox portfolio.



**CLARION COLLECTION**

OSLO

HARSTAD

CLARION

HELSINGBORG

ÖSTERSUND

**QUALITY**

MOLDE

LINKÖPING

GOTHENBURG

STOCKHOLM

SKÖVDE

SÖDERTÄLJE

LULEÅ

**QUALITY RESORT**

FAGERNES

ØYER

KRISTIANSAND

**COMFORT**

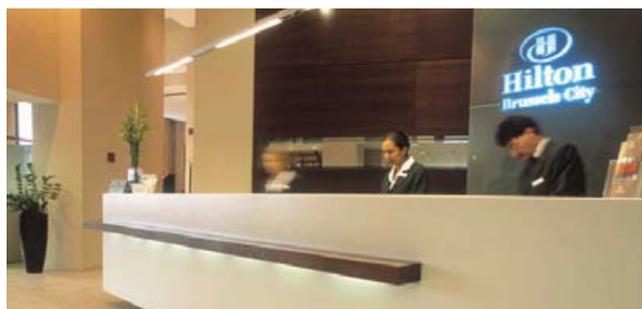
OSLO

BERGEN



Hilton	Country	City	No. of rooms
Hilton Stockholm Slussen	Sweden	Stockholm	289
Hilton Brussels City	Belgium	Brussels	284
Hilton Helsinki Kalastajatorppa	Finland	Helsinki	238
Hilton Helsinki Strand	Finland	Helsinki	190
<b>TOTAL</b>			<b>1,001</b>

See the summary list on pages 66–69 for more information. ■ Pandox Operations





# INTERCONTINENTAL®

## INTERCONTINENTAL HOTELS GROUP

InterContinental Hotels Group (IHG) is one of the world's largest hotel companies with more than 4,700 hotels in nearly 100 countries. IHG owns brands such as InterContinental, Crowne Plaza, Holiday Inn, Hualuxe Hotels & Resorts, EVEN Hotels and Hotel Indigo. Most of the company's hotels are operated in franchise form.

Pandox's portfolio currently includes five hotels from the IHG brand family located in Antwerp, Brussels, Lübeck and Montreal.

InterContinental Montreal was acquired by Pandox in 2007 and has since been developed and repositioned through a major investment program including changes in layout, design, management and style. The hotel has been given a complete new concept with a boutique feel and is today one of the city's leading hotels. During the year, conference areas in the adjacent Nordheimer building have also received a complete make-over to ensure a consistent and updated product. The five-star hotel is centrally located and has 357 spacious rooms, including 23 suites.

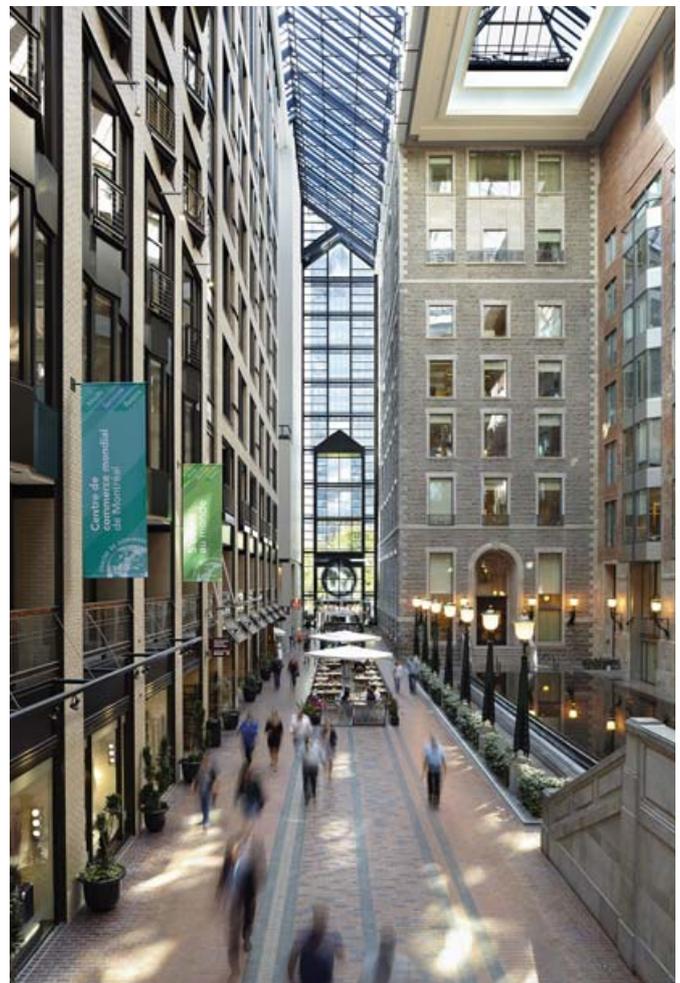


## NORDIC CHOICE HOTELS

Nordic Choice Hotels is the Nordic Region's fastest growing hotel company and is one of Pandox's largest partners, with a total of 20 hotels included in the portfolio. The hotels in the Nordic Choice family represent 12 per cent 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 these brands in its portfolio, with Quality Hotel making up almost half with nine hotels located in Norway and Sweden.

Nordic Choice Hotels	Country	No. of hotels
Clarion Collection <sup>1)</sup>	Norway	2
Clarion Hotel	Sweden	2
Quality Hotel	Norway, Sweden	7
Quality Resort	Norway	3
Comfort Hotel	Norway	2
<b>TOTAL</b>		<b>16</b>

<sup>1)</sup> Excluding the hotels within the Pandox Asset Management assignment  
See the summary list on pages 66–69 for more information.





The Crowne Plaza brand name is owned and promoted 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 after which it underwent a comprehensive investment program. 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 program that was completed in the autumn of 2011, and is now one of the city's leading business and meeting hotels.

IHG	Country	City	No. of rooms
Crowne Plaza	Belgium	Antwerp	262
Crowne Plaza	Belgium	Brussels	354
Holiday Inn	Belgium	Brussels (airport)	310
Holiday Inn	Germany	Lübeck	159
InterContinental	Canada	Montreal	357
<b>TOTAL</b>			<b>1,442</b>

See the summary list on pages 66–69 for more information. ■ Pandox Operations

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 2007, when the hotel required substantial refurbishment and development. Today, the hotel is a runner-up in its market adjacent to Brussels International Airport. The hotel is owned and operated by

Pandox under a franchise agreement with IHG.

The Holiday Inn Lübeck is centrally located and has 159 rooms. In connection with the 2013 Pandox Operations takeover, the hotel was also rebranded and is now run as a franchise with IHG. A major refurbishment and repositioning project was successfully completed in 2014. See also page 17.



- ANTWERP
- BRUSSELS
- LÜBECK
- MONTREAL



Hyatt is an American, listed hotel company with headquarters in Chicago. The company has eight different brands, including Pandox's 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 2008 and has since developed it in cooperation with Hyatt, ensuring a consistent and strong market position. During the year, the upper and lower lobbies were upgraded and redesigned, giving the hotel a more modern and chic feel.

The hotel, right at the heart of downtown Montreal, has 605 rooms, extensive conference facilities seating 1,000 people, as well as direct underground access to several points of interest, shops and the Metro.

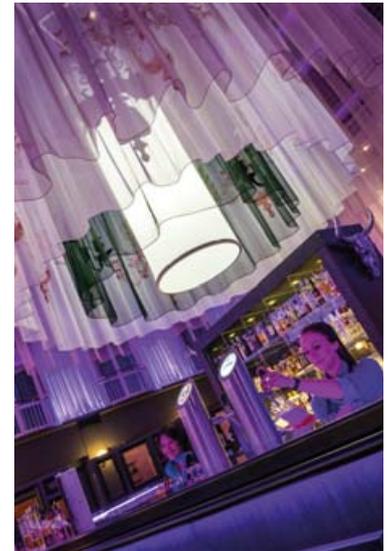


**REZIDOR HOTEL GROUP**

Rezidor Hotel Groups 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. Pandox has a longstanding relationship with Rezidor.

Radisson Blu is a first class hotel brand in the upper segments. Pandox currently owns seven hotel properties located in Sweden, Norway, Germany and Switzerland that are marketed under the Radisson Blu brand.



Rezidor	Country	City	No. of rooms
Radisson Blu Arlandia Hotel	Sweden	Stockholm	339
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 Bremen	Germany	Bremen	235
Radisson Blu Hotel Basel	Switzerland	Basel	206
<b>TOTAL</b>			<b>1,693</b>

See the summary list on pages 66–69 for more information. ■ Pandox Operations



- STOCKHOLM
- MALMÖ
- LILLEHAMMER
- BODØ
- DORTMUND
- BREMEN
- BASEL



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

See the summary list on pages 66–69 for more information. ■ Pandox Operations

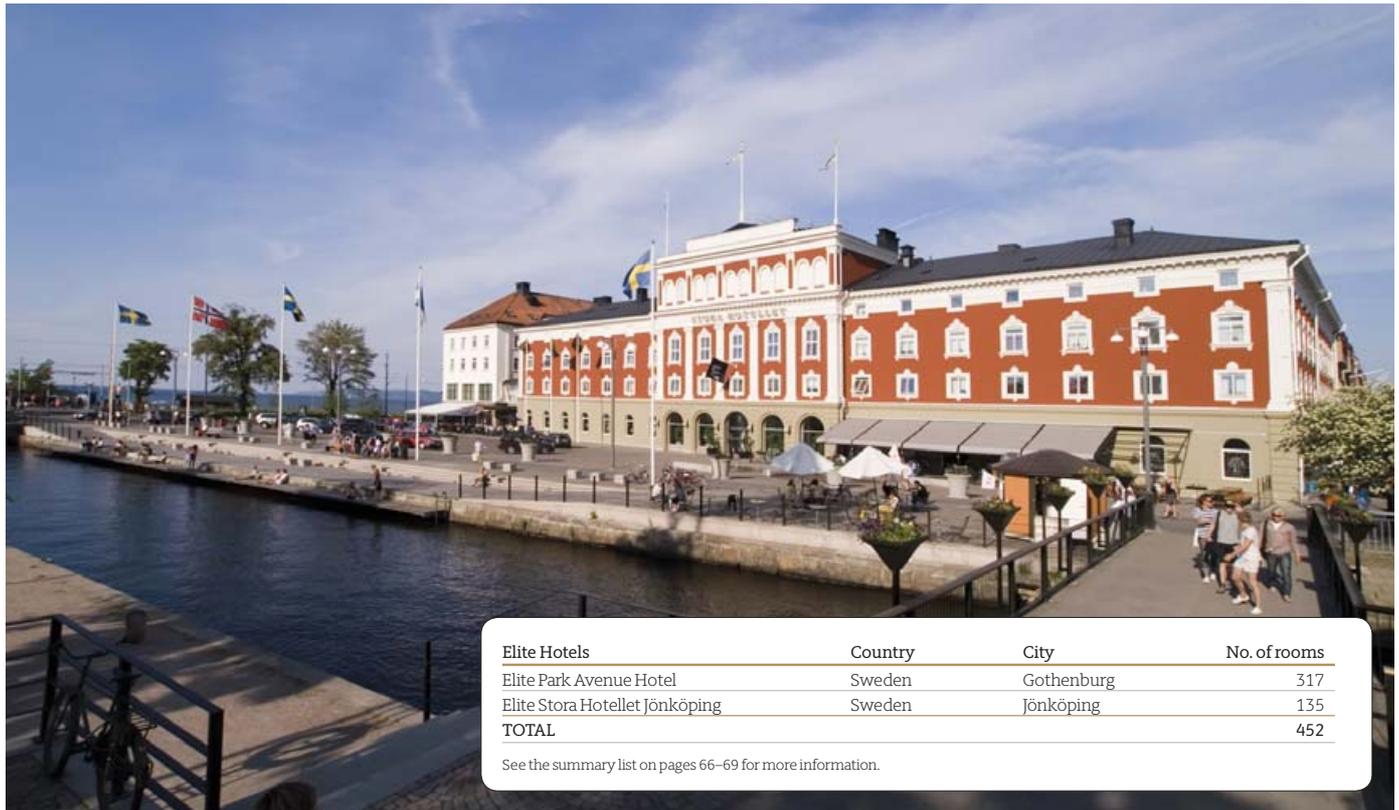


**ELITE HOTELS**  
**OF SWEDEN**

Elite Hotels is a privately owned hotel chain with 27 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.



**GOTHENBURG JÖNKÖPING**



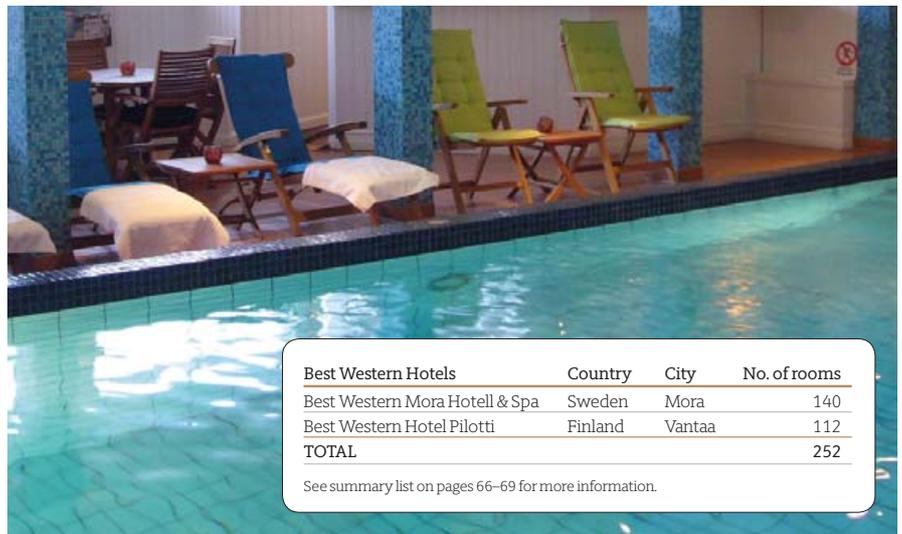
Elite Hotels	Country	City	No. of rooms
Elite Park Avenue Hotel	Sweden	Gothenburg	317
Elite Stora Hotellet Jönköping	Sweden	Jönköping	135
<b>TOTAL</b>			<b>452</b>

See the summary list on pages 66–69 for more information.



**MORA**  
**VANTAA**

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 two hotels that are members of Best Western Hotels. The Best Western Mora Hotell & Spa is a centrally located four-star hotel and the Best Western Hotel Pilotti is located in Vantaa, Finland, close to Helsinki airport.



Best Western Hotels	Country	City	No. of rooms
Best Western Mora Hotell & Spa	Sweden	Mora	140
Best Western Hotel Pilotti	Finland	Vantaa	112
<b>TOTAL</b>			<b>252</b>

See summary list on pages 66–69 for more information.

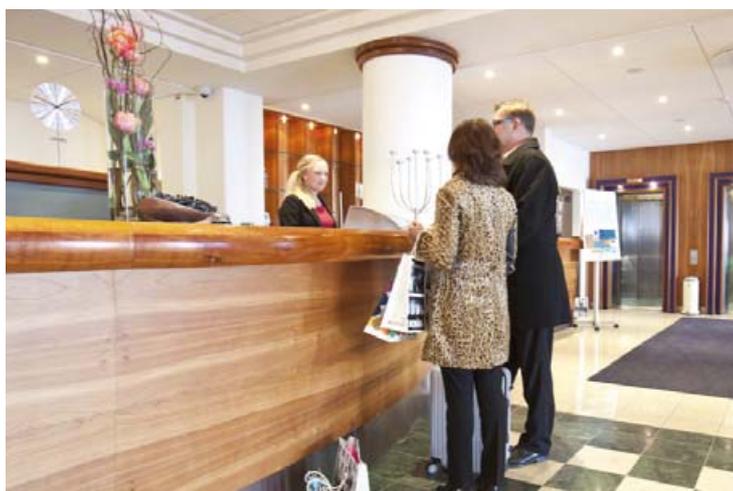


STOCKHOLM

BORÅS

HALMSTAD

COPENHAGEN



First Hotels is a Scandinavian hotel chain with 55 centrally located hotels in 43 selected destinations throughout Sweden, Norway and Denmark. The Pandox portfolio contains seven hotels under this brand, three in Sweden and four in Denmark.

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 Mayfair	Denmark	Copenhagen	106
First Hotel Excelsior	Denmark	Copenhagen	100
First Hotel Twentyseven	Denmark	Copenhagen	200
<b>TOTAL</b>			<b>985</b>

See the summary list on pages 66–69 for more information. ■ Pandox Operations



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.

Other brand names	Country	City	No. of rooms
Rantasipi Imatran Valtionhotelli	Finland	Imatra	137
<b>TOTAL</b>			<b>137</b>

See summary list on pages 66–69 for more information.



# Independent hotels

Independent hotels	Country	City	No. of rooms
Pelican Bay	Bahamas	Lucaya	186
The Hotel Brussels	Belgium	Brussels	421
Hotel BLOOM!	Belgium	Brussels	305
Urban House Copenhagen	Denmark	Brussels	225 (950 beds)
Airport Hotel Bonus Inn	Finland	Vantaa	211
Hotel Korpilampi	Finland	Espoo	151
Hotel Berlin, Berlin	Germany	Berlin	701
Grand Hotel Oslo	Norway	Oslo	292
Vildmarkshotellet Kolmården	Sweden	Norrköping	213
Mr Chip, Kista	Sweden	Stockholm	150
Stadshotellet Princess Sandviken	Sweden	Sandviken	84
<b>TOTAL</b>			<b>2,939</b>



See the summary list on pages 66–69 for more information. ■ Pandox Operations

## BRUSSELS

### hotelbloom!<sup>®</sup> Brussels

Pandox acquired Hotel BLOOM! in 2005, and since 2007 it has been refurbished and undergone a complete face lift. Today, the Hotel BLOOM! is a unique hotel product with its own concept based on art and design.

With 305 rooms and large conference facilities in the city centre, it is a distinct

contender in the Brussels hotel market where it competes with all the major chains. The success of the concept has been confirmed by TripAdvisor's prestigious annual award, based on guest reviews. Hotel BLOOM! is operated by Pandox Operations.



BRUSSELS



With the aim of positioning The Hotel as the top meeting hotel of Brussels, a two-year repositioning and refurbishment project including redesigned rooms, corridors, restaurants, bar, lobby and public areas was completed in late 2013. The meeting and conference areas were also expanded and upgraded and the 27-storey building has been equipped with a new urban spa and fitness centre, modern energy systems and a more streamlined layout.

The success of the 35 million euro investment is demonstrated by a 60 per cent room rate growth and increased room revenues of 21 per cent versus the pre take over period. Since re-opening, The Hotel has improved its TripAdvisor position from number 69 to number six in Brussels. As one of the city's top three hotel luxury hotels, The Hotel has been rewarded with the TripAdvisor Travellers' Choice.

The Hotel Brussels was acquired in 2010 and is operated by Pandox Operations.



COPENHAGEN



URBAN HOUSE COPENHAGEN

On March 1st 2015, Urban House Copenhagen opened its doors with a complete new concept, a hybrid between a traditional hotel and a modern design hostel. Urban House is centrally located in the middle of Vesterbro, one of the most vibrant areas in Copenhagen and has 950 beds in 225 rooms. Read more on pages 10-11.

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BERLIN



**Hotel Berlin, Berlin**  
**Stay individual.**

**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 program 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 operated by Pandox Operations.



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BAHAMAS



**PELICAN BAY**

GRAND BAHAMA ISLAND

*Meet Happy*



**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.



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OSLO

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**GRAND HOTEL OSLO**

Grand Hotel Oslo was inaugurated in 1874 and is Norway's most prestigious and classical hotel. The hotel is located at the center of Karl Johan, the main parade street in Oslo and has 292 rooms, including 54 suites, a large conference area, as well as the famous Grand Café etc.

Pandox Operations assumed the responsibility of operations on March 1st 2015. Read more on pages 11 and 20.



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KOLMÅRDEN

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**VILDMARKSHOTELLET**

Vildmarkshotellet is one of Sweden's best-known holiday 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 complete new family spa centre was completed in 2010 with waterway, relaxation areas and treatment room.



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OTHER

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**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, a bar and restaurant and is 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 the Helsinki railway station. The hotel is located next to the Leija Business Park, shopping facilities and a leisure centre.



**HOTEL KORPILAMPI, ESPO**

Hotel Korpilampi is located in Espo, less than half an hour's drive from the centre of Helsinki and from the airport. The hotel has 151 rooms, 17 conference rooms, a restaurant and swim and sauna facilities. The hotel is operated by Pandox Operations.



**STADSHOTELLET PRINCESS, SANDVIKEN**

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

# Pandox Hotel Properties

Name and location	Operator/Brand	Type of lease/ agreement <sup>1)</sup>	Country	Town/city	Location	No. of rooms
<b>Best Western</b>						
Best Western Mora Hotell & Spa	Private/Best Western	OG	Sweden	Mora	Central	140
Best Western Hotel Pilotti, Vantaa	Private/Best Western	OG	Finland	Vantaa	Airport	112
<b>Nordic Choice Hotels</b>						
Clarion Collection Hotel Arcticus, Harstad	Choice Hotels/Clarion Collection Hotel	OG	Norway	Harstad	Ring road	75
Clarion Collection Hotel Bastion, Oslo	Choice Hotels/Clarion Collection Hotel	O	Norway	Oslo	City	99
Cornfort Hotel Holberg, Bergen	Choice Hotels/Cornfort Hotel	OG	Norway	Bergen	Central	149
Cornfort Hotel Børsparken, Oslo	Choice Hotels/Cornfort Hotel	OG	Norway	Oslo	City	248
Quality Hotel Alexandra, Molde	Choice Hotels/Quality Hotel	OG	Norway	Molde	Central	165
Quality Resort Fagernes	Choice Hotels/Quality Hotel & Resort	O	Norway	Fagernes	Resort	139
Quality Kristiansand	Choice Hotels/Quality Hotel & Resort	OG	Norway	Kristiansand	Resort	210
Quality Resort Hafjel, Øyer	Choice Hotels/Quality Hotel & Resort	OG	Norway	Øyer	Resort	210
Clarion Hotel Grand, Helsingborg	Choice Hotels/Clarion Hotel	OG	Sweden	Helsingborg	Central	158
Clarion Hotel Grand, Östersund	Choice Hotels/Clarion Hotel	OG	Sweden	Östersund	Central	176
Quality Hotel Winn, Gothenburg	Choice Hotels/Quality Hotel	OG	Sweden	Gothenburg	Ring road	121
Quality Hotel Ekoxen, Linköping	Choice Hotels/Quality Hotel	OG	Sweden	Linköping	Central	190
Quality Hotel Luleå	Choice Hotels/Quality Hotel	OG	Sweden	Luleå	Central	218
Quality Hotel Prisma, Skövde	Choice Hotels/Quality Hotel	OG	Sweden	Skövde	Central	107
Quality Hotel Prince Phillip, Stockholm	Choice Hotels/Quality Hotel	OG	Sweden	Stockholm	Ring road	208
Quality Hotel Park, Södertälje	Choice Hotels/Quality Hotel	OG	Sweden	Södertälje	City	157
<b>Elite</b>						
Elite Stora Hotellet, Jönköping	Elite Hotels	OG	Sweden	Jönköping	Central	135
Elite Park Avenue Hotel, Gothenburg	Elite Hotels	OG	Sweden	Gothenburg	City	317
<b>First</b>						
First Hotel Twentyseven, Copenhagen	First/First Hotels	OG	Denmark	Copenhagen	City	200
First Hotel Excelsior, Copenhagen	First/First Hotels	OG	Denmark	Copenhagen	City	100
First Hotel Grand, Borås	Private/First Hotels	OG	Sweden	Borås	Central	158
First Hotel Mayfair, Copenhagen	First/First Hotels	OG	Denmark	Copenhagen	City	106
First Hotel Mårtenson, Halmstad	First/First Hotels	OG	Sweden	Halmstad	Central	103
First Hotel Royal Star, Stockholm	Private/First Hotels	OG	Sweden	Stockholm	Exhibition centre	103
<b>Hilton</b>						
Hilton Helsinki Kalastajatorppa	Scandic/Hilton	OG	Finland	Helsinki	Ring road	238
Hilton Helsinki Strand	Scandic/Hilton	OG	Finland	Helsinki	Central	190
Hilton Stockholm Slussen	Hilton/Hilton	O	Sweden	Stockholm	City	289
<b>Rezidor/Radisson Blu</b>						
Radisson Blu Hotel Bodø	Rezidor/Radisson Blu	O	Norway	Bodø	Central	191
Radisson Blu Lillehammer Hotel	Private/Radisson Blu	O	Norway	Lillehammer	Central	303
Radisson Blu Hotel, Basel	Rezidor/Radisson Blu	OG	Schweiz	Basel	Central	206
Radisson Blu Arlandia Hotel, Arlanda	Rezidor/Radisson Blu	OG	Sweden	Stockholm	Airport	339
Radisson Blu Hotel, Malmö	Rezidor/Radisson Blu	OG	Sweden	Malmö	City	229
<b>Rantasipi</b>						
Rantasipi Imatran Valtionhotelli	Restel/Rantasipi	OG	Finland	Imatra	Central	137
<b>Scandic</b>						
Scandic Antwerp	Scandic	O	Belgium	Antwerp	Ring road	204
Scandic Grand Place, Brussels	Scandic	O	Belgium	Brussels	City	100
Scandic Copenhagen	Scandic	O	Denmark	Copenhagen	City	486
Scandic Glostrup	Scandic	O	Denmark	Copenhagen	Ring road	120
Scandic Hvidovre	Scandic	O	Denmark	Copenhagen	Ring road	207
Scandic Kolding	Scandic	OG	Denmark	Kolding	Ring road	186
Scandic Esbo	Scandic	OG	Finland	Esbo	Ring road	96
Scandic Grand Marina, Helsinki	Scandic	OG	Finland	Helsinki	City	462
Scandic Jyväskylä	Scandic	OG	Finland	Jyväskylä	Central	150
Scandic Kajaanin Kajaani	Scandic	OG	Finland	Kajaani	Exhibition centre	181
Scandic Kuopio	Scandic	OG	Finland	Kuopio	Central	137
Scandic Marina Congress Center, Helsinki	Scandic	OG	Finland	Helsinki	City	0
Scandic Park, Helsinki	Scandic	OG	Finland	Helsinki	City	523
Scandic Rosendahl	Scandic	OG	Finland	Tampere	Resort	213
Scandic Tampere City	Scandic	OG	Finland	Tampere	Central	263
Scandic Bergen Airport	Scandic	OG	Norway	Bergen	Airport	199
Scandic Bodø (former Rica Bodø)	Scandic	OG	Norway	Bodø	Central	113
Scandic Ringsaker (former Rica Hamar)	Scandic	OG	Norway	Hamar	Central	176
Scandic Solli, Oslo	Scandic	OG	Norway	Oslo	City	226
Scandic Alvik, Stockholm	Scandic	OG	Sweden	Stockholm	Central/Ring road	324
Scandic Backadal, Gothenburg	Scandic	OG	Sweden	Gothenburg	Ring road	236
Scandic Billingen, Skövde	Scandic	O	Sweden	Skövde	Central	124
Scandic Bollnäs	Scandic	OG	Sweden	Bollnäs	Central	114
Scandic Crown, Gothenburg	Scandic	O	Sweden	Gothenburg	City	338
Scandic Elmia, Jönköping	Scandic	OG	Sweden	Jönköping	Exhibition centre	283
Scandic Ferrum, Kiruna	Scandic	OG	Sweden	Kiruna	Central	171
Scandic Grand, Örebro	Scandic	O	Sweden	Örebro	Central	221
Scandic Hallandia, Halmstad	Scandic	O	Sweden	Halmstad	Central	156
Scandic Hasselbacken, Stockholm	Scandic	OG	Sweden	Stockholm	City	113
Scandic Helsingborg Nord	Scandic	OG	Sweden	Helsingborg	Ring road	237
Scandic Järva Krog, Stockholm	Scandic	O	Sweden	Stockholm	Ring road	215
Scandic Kalmar Väst	Scandic	OG	Sweden	Kalmar	Airport/Ring road	148

<sup>1)</sup> 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

Total surface (m <sup>2</sup> )	Of which hotel (m <sup>2</sup> )	Tenure	Property designation
9,161	7,670	Freehold	Stranden 37:3
3,068	3,068	Freehold	92-51-317-1
3,540	3,443	Freehold	Gnr 61 Bnr 331, Snr 12-22
4,688	4,688	Freehold	Gnr 207 Bnr 262 og 265
5,720	5,720	Freehold	Gnr 165 Bnr 1083 Snr 1 og 2
9,736	9,149	Freehold	Gnr 207 Bnr 343 og 344
17,421	17,033	Freehold	Gnr 24 Bnr 812, 815 og 1312
10,310	10,310	Freehold	Gnr22 Bnr 177, Gnr 25 Bnr 4, 96, 97, 259 og Gnr 26 Bnr 5
9,940	9,940	Freehold	Gnr 63 Bnr 760, 822 og 823
9,540	9,540	Freehold	Gnr 17 Bnr 25
8,555	7,135	Freehold	Högvakten 8
8,766	8,766	Freehold	Borgens 6
5,800	5,800	Freehold	Backa 1491 & 866:397
14,671	12,221	Freehold	Ekoxen 9 & 11
12,166	12,166	Freehold	Tjädern 19
3,687	3,687	Freehold	Liljekonvaljen 14
7,400	7,400	Leasehold	Måsholmen 25
10,292	10,110	Freehold	Herkules 13
11,378	9,379	Freehold	Alhambra 1
21,998	21,998	Freehold	Lorensberg 28:4
7,568	7,568	Freehold	169 Vester Kvarter København
3,600	3,600	Freehold	Matrnr 212-213 seksjon 1-2
9,593	9,365	Leasehold	Prometeus 3
3,805	3,805	Freehold	Matrnr 214
6,657	6,350	Freehold	Gillestugan 1
4,900	4,900	Leasehold	Herrgården 2
23,291	23,291	Freehold	91-30-1-5,91-30-3-2-LI
10,250	10,250	Freehold	91-11-300-7
18,416	15,725	Freehold	Överkikaren 31
15,546	13,064	Freehold	Gnr 138 Bnr 3502
18,000	18,000	Freehold	Gnr 59 Bnr 103, 104, 138, 275, 432, 434 og 468
17,800	17,000	Freehold	-
15,260	15,260	Leasehold	Benstocken 1:5
18,969	18,969	Freehold	Carolus 33
10,097	10,097	Freehold	153-12-1-1
13,200	13,200	Freehold	Gnr.138 Bnr 2189 og 2247
4,500	4,500	Freehold	24th div, Borgerhout 1st div, Ar
31,500	25,200	Freehold	-
5,767	5,767	Freehold	99943-2
9,005	9,005	Freehold	Matr. Nr 204, Brøndbyøster
10,472	10,472	Freehold	Matr. Nr 223-A mfl. Avedøvre by
5,245	5,245	Freehold	Matr. Nr 11Æ Bramdrup by
23,660	23,660	Freehold	49-54-17-7
7,360	7,360	Freehold	91-8-187-8
10,468	10,468	Freehold	179-3-52-23
7,113	7,113	Freehold	205-14-7-5
11,500	0	Freehold	297-1-41-6-LI
30,000	30,000	Freehold	-
14,662	14,662	Freehold	91-14-468-3
14,457	13,705	Freehold	837-134-495-1-LI
9,654	9,654	Freehold	837-112-187-35,837-112-187-37
8,381	7,981	Freehold	Gnr 114 Bnr 213
9,250	9,250	Freehold	Gnr.138 Bnr 2189 og 2247
12,562	12,562	Freehold	Gnr 790 Bnr 228 Snr 2
12,075	12,075	Freehold	Gnr 209 Bnr 275
9,397	9,397	Leasehold	Racketen 9
7,743	7,194	Freehold	Backa 105:1
5,150	5,150	Freehold	Fjolner 7
24,380	21,800	Freehold	Sundsbro 10
11,230	11,230	Leasehold	Stampen 5:5
11,100	11,100	Leasehold	Aminne 1
12,900	10,900	Leasehold	Hovmästaren 1
7,617	6,813	Freehold	Mältaren 1
10,025	10,025	Leasehold	Erik Dahlberg 14 & 15
9,399	9,399	Freehold	Hasselbacken 1
11,300	11,300	Leasehold	Floretten 1
5,485	5,485	Leasehold	Tanken 2
		Leasehold	Hammaren 4

## Market segments (excl. the Asset Management assignment)

### Sweden

Number of hotels	52
Number of rooms	9,864
Property revenues, SEK M	869



### Rest of Nordic Region

Number of hotels*	38
Number of rooms	7,704
Property revenues, SEK M	575



\* In addition, Pandox owns one congress and fair centre in Finland.

### Other Europe

Number of hotels	13
Number of rooms	3,731
Property revenues, SEK M	302



### International\*

Number of hotels	3
Number of rooms	1,148
Property revenues, SEK M	43



\*Canada/Bahamas

### Pandox Operations

Number of hotels	17
Number of rooms	5,252
Property revenues, SEK M	1,598
Operating net, SEK M	346



Name and location	Operator/Brand	Type of lease/ agreement <sup>1)</sup>	Country	Town/city	Location	No. of rooms
Scandic Klarälven, Karlstad	Scandic	OG	Sweden	Karlstad	Ring road	143
Scandic Kramer, Malmö	Scandic	O	Sweden	Malmö	City	113
Scandic Kungens Kurva, Stockholm	Scandic	OG	Sweden	Stockholm	Ring road	257
Scandic Linköping Väst	Scandic	OG	Sweden	Linköping	Ring road	150
Scandic Luleå	Scandic	OG	Sweden	Luleå	Ring road	160
Scandic Malmen, Stockholm	Scandic	OG	Sweden	Stockholm	City	332
Scandic Mölndal, Gothenburg	Scandic	O	Sweden	Gothenburg	City	208
Scandic Norrköping Nord	Scandic	OG	Sweden	Norrköping	Ring road	150
Scandic Park, Stockholm	Scandic	O	Sweden	Stockholm	City	201
Scandic Plaza, Borås	Scandic	O	Sweden	Borås	Central	169
Scandic S:t Jörgen, Malmö	Scandic	OG	Sweden	Malmö	City	288
Scandic Segevång, Malmö	Scandic	OG	Sweden	Malmö	Ring road	166
Scandic Star Sollentuna	Scandic	OG	Sweden	Stockholm	Central/Ring road	269
Scandic Sundsvall Nord	Scandic	OG	Sweden	Sundsvall	Ring road	159
Scandic Södertälje	Scandic	OG	Sweden	Södertälje	Ring road	131
Scandic Umeå Syd	Scandic	OG	Sweden	Umeå	Ring road	161
Scandic Winn, Karlstad	Scandic	O	Sweden	Karlstad	Central	199
Scandic Örebro Väst	Scandic	OG	Sweden	Örebro	Ring road	204
Scandic Östersund Syd	Scandic	OG	Sweden	Östersund	Ring road	129
<b>Independent hotels</b>						
Airport Hotel Bonus Inn, Vantaa	Private	OG	Finland	Vantaa	Airport	211
Mr Chip Hotel, Kista	Private	OG	Sweden	Stockholm	Business park	150
Stadshotellet Princess, Sandviken	Private	OG	Sweden	Sandviken	Central	84
Vildmarkshotellet, Kolmården	Private	OG	Sweden	Norrköping	Resort	213

## Operated by Pandox Operations

Name and location	Operator/Brand	Type of lease/ agreement <sup>1)</sup>	Country	Town/city	Location	No. of rooms
<b>Crowne Plaza</b>						
Crowne Plaza Antwerp	Pandox Operations/Crowne Plaza	FR	Belgium	Antwerp	Central	262
Crowne Plaza Brussels - Le Palace	Pandox Operations/Crowne Plaza	FR	Belgium	Brussels	City	354
<b>First Hotel</b>						
First Hotel Copenhagen	Pandox Operations/First Hotels	FR	Denmark	Copenhagen	Ring road	215
<b>Hilton</b>						
Hilton Brussels City	Pandox Operations/Hilton	FR	Belgium	Brussels	City	284
<b>Holiday Inn</b>						
Holiday Inn Brussels Airport	Pandox Operations/Holiday Inn	FR	Belgium	Brussels	Airport	310
Holiday Inn Lübeck	Pandox Operations/Holiday Inn	FR	Germany	Lübeck	Ring road	159
<b>Hyatt</b>						
Hyatt Regency, Montreal	Pandox Operations/Hyatt Hotels	M	Canada	Montreal	City	605
<b>InterContinental</b>						
InterContinental Montreal	Pandox Operations/InterContinental	M	Canada	Montreal	City	357
<b>Rezidor/Radisson Blu</b>						
Radisson Blu Dortmund	Pandox Operations/Radisson Blu	FR	Germany	Dortmund	City/exhibition centre	190
Radisson Blu Bremen	Pandox Operations/Radisson Blu	FR	Germany	Bremen	City	235
<b>Independent hotels</b>						
Grand Hotel Oslo*	Pandox Operations/Independent	IO	Norway	Oslo	City	292
Hotel BLOOM!, Brussels	Pandox Operations/Independent	IO	Belgium	Brussels	City	305
Hotel Berlin, Berlin	Pandox Operations/Independent	IO	Germany	Berlin	City	701
Hotel Korpilampi, Esbo	Pandox Operations/Independent	IO	Finland	Esbo	Resort	151
Pelican Bay, Lucaya, Grand Bahama Island	Pandox Operations/Sundt GB Mgmt/Independent	AM	Bahamas	Lucaya	Resort	186
The Hotel, Brussels	Pandox Operations/Independent	IO	Belgium	Brussels	City	421
Urban House Copenhagen**	Pandox Operations/Independent	IO	Denmark	Copenhagen	City	225
<b>SUM PANDOX OPERATIONS</b>						<b>5,252</b>

## Managed by Pandox Asset Management

Name and location	Operator/Brand	Type of lease/ agreement <sup>1)</sup>	Country	Town/city	Location	No. of rooms
<b>Clarion Collection</b>						
Clarion Collection Hotel Gabelshus	Clarion Collection	AM	Norway	Oslo	Central	114
Clarion Collection Hotel Folketeatret	Clarion Collection	AM	Norway	Oslo	City	160
<b>Scandic</b>						
Scandic Gardermoen	Scandic	AM	Norway	Oslo	Airport	135
Scandic Helsfyr	Scandic	AM	Norway	Oslo	Ring road	253
Scandic Holberg	Scandic	AM	Norway	Oslo	City	133
Scandic Holmenkollen Park	Scandic	AM	Norway	Oslo	Resort	336
Scandic Oslo City	Scandic	AM	Norway	Oslo	City	175
Scandic Victoria	Scandic	AM	Norway	Oslo	City	199
<b>SUM PANDOX ASSET MANAGEMENT</b>						<b>1,505</b>

\* Pandox Operations runs the hotel from 1st March 2015 through a lease agreement with the property owner Eiendomsspar AS. \*\* Previously Ormena Copenhagen, new concept Urban House Copenhagen opened 1st March 2015.

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

■ Pandox Hotel Properties ■ Pandox Operations ■ Pandox Asset Management

Total surface (m <sup>2</sup> )	Of which hotel (m <sup>2</sup> )	Tenure	Property designation
5,694	5,694	Leasehold	Sandbäcken 1:3
6,913	6,373	Freehold	Gripen 1
11,581	9,456	Freehold	Radien 1
6,105	6,105	Freehold	Osten 2
5,565	5,565	Leasehold	Mjølkudden 3:45
15,130	15,130	Leasehold	Gråberget 29
11,000	11,000	Freehold	Laken 1
6,768	6,768	Freehold	Blyet 8
12,290	10,290	Freehold	Lönnen 30
10,592	7,961	Freehold	Balder 6
21,485	14,655	Freehold	St Jörgen 11
6,284	6,284	Leasehold	Kirseberg 14:95
18,573	18,573	Leasehold	Centrum 12
4,948	4,948	Freehold	Vårdhuset 1
5,630	5,630	Freehold	Reparatören 2
5,955	5,955	Freehold	Reparatören 4
10,580	10,580	Freehold	Tingvallastaden 3:2
7,621	7,621	Freehold	Vindmotorn 2
4,019	4,019	Leasehold	Särrimmer 1
8,414	8,414	Freehold	92-51-203-4
5,517	5,517	Leasehold	Knarrarnäs 7
7,003	4,890	Freehold	Grillen 8
10,300	10,300	Freehold	Marmorbrottet 1:18

Total surface (m <sup>2</sup> )	Of which hotel (m <sup>2</sup> )	Tenure	Property designation
18,340	16,780	Leasehold	-
28,095	28,095	Freehold	-
9,500	9,500	Freehold	Matr. Nr 406 Kgs Enghave
13,850	13,850	Freehold	Saint-Josseten-Noode (1div) 032
21,072	21,072	Freehold	-
9,700	8,800	Freehold	Grundbuch Lübeck, Blatt 54545
44,148	29,000	Freehold	-
31,091	31,091	Freehold	-
12,500	11,300	Freehold	Grundbuch Dortmund, Blatt 897
21,000	15,100	Freehold	Grundbuch Altstadt IV, Blatt 60
27,207	23,900	Freehold	Karl Johansg. 27/31, Gnr 207, Bnr 103/104
23,445	23,445	Freehold	-
41,093	41,093	Freehold	-
9,777	9,777	-	49-429-3-216
7,983	7,983	-	-
33,000	33,000	Part freehold/part leasehold	-
8,000	7,300	Freehold	Matrnr 89

Total surface (m <sup>2</sup> )	Of which hotel (m <sup>2</sup> )	Property designation
5,800	5,800	Gabelsg. 16/ Fr. Stangsg. 3 Gnr/Bnr: 212/368 and 212/289
7,500	7,500	Storgata 21-23, Gnr/Bnr: 208/639
4,500	4,500	Jessheimvegen 467, Gnr/Bnr: 137/40
11,100	11,100	Strømsveien 108, Gnr/Bnr: 130/152
7,200	7,200	Holbergs plass 1, Gnr/Bnr: 209/87
34,000	34,000	Kongeveien 26, Gnr/Bnr: 33/5
11,100	11,100	Karl Johans gate 3, Gnr/Bnr: 207/82
11,600	11,600	Rosenkrantz gate 13, Gnr/Bnr: 209/315



Scandic Hotel Copenhagen



# Financial overview

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# Well-weighted risk profile

## Financial policy

The basic objective of Pandox's 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's 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 point 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. The present value (of the securities) calculated using hedge accounting is SEK -990.9 M.

## 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's 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 12,876.6 M (14,562.9). The loan portfolio has a spread due-date structure with an average fixed-capital period of 4.6 years is without financial covenants and has an average fixed-interest period of 3.8 years (4.0). The average interest rate on loans at 31 December was 3.6 per cent (3.9). 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 320.7 M (588.6). In addition, there was an unutilised credit facility of SEK 1,580.5 M.

## Equity capital

The Group's equity capital as per the balance sheet at 31 December 2014 amounted to SEK 5,548.3 M of which SEK 779.5 M was restricted equity and SEK 4,768.8 M unrestricted equity.

The Pandox Group's cash flow from current operations, amounted to SEK 887.8 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 STRUCTURE<sup>1)</sup>, SEK M

Year due	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share,%	Interest,% <sup>2)</sup>
2015	1,003.3	544.8	1,186.1	220.7	210.5	754.6	3,920.0	30.4	3.1
2016	380.0	-	475.8	-	-	249.7	1,105.5	8.6	4.3
2017	200.0	-	257.0	-	246.9	184.0	887.9	6.9	4.5
2018	250.0	-	237.9	-	-	210.3	698.2	5.4	4.4
2019	250.0	-	118.9	-	-	-	368.9	2.9	4.4
2020 and later	3,475.0	646.4	1,774.6	-	-	-	5,896.1	45.8	3.6
<b>Total</b>	<b>5,558.3</b>	<b>1,191.2</b>	<b>4,050.3</b>	<b>220.7</b>	<b>457.4</b>	<b>1,398.6</b>	<b>12,876.6</b>	<b>100.0</b>	<b>3.6</b>
Share,%	43	9	31	2	4	11	100	-	-
Average interest rate,%	3.6	2.9	3.6	3.0	3.9	4.3	3.6	-	-
Average interest rate period, years	4.9	4.1	3.6	0.1	1.6	1.3	3.8	-	-

<sup>1)</sup> Converted to SEK.

<sup>2)</sup> Average interest rate in per cent.

## Factors that affect Pandox



Pandox's 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's 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, in other words, 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, and the occurrence of extraordinary events.

### New capacity

New capacity introduced to the market implies an increased risk for local players. Depending on how fast demand is growing, the expansion of local room capacity through the construction of new hotels may 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, representing 96 per cent of total rental revenue in 2014 for Pandox wholly owned properties.

Approximately 59 per cent of total rental revenue contained a guaranteed rent, meaning that 37 per cent of rental revenues were fully variable downwards. As a consequence, a change in the occupancy rate and the average room revenue affects Pandox very differently, depending on the direction of change.

The choice of agreement is made to optimise the distribution of cash flow between Pandox

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

### Partners

Pandox's 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 operative and financial risks. Pandox's largest tenants in terms of revenue are Scandic, Nordic Choice Hotels, Hilton, Rezidor, Elite Hotels, InterContinental Hotels Group and First Hotels, which together accounted for 86 per cent of all rental revenue in 2014.



#### Leasing level

The leasing level in Pandox's wholly owned portfolio as of 31 December was 99.8 per cent. Vacant space amounting to 2,210 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's specialist expertise in the hotel sector, the risk of vacant hotel space must be seen as extremely low.

For other commercial space, which represents approximately 6.3 per cent of total space in the Company's properties, Pandox is exposed to the same fluctuations in supply and demand for premises as other property owners.

#### Changed risk profile

Historically, the hotel industry and hotel property sector have always been associated with high risk. However, in recent years the market has changed significantly. 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 transparency within the industry. The proportion of established strong brand

names with efficient operations has increased. For streamlined companies who combines active ownership 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 historically.

#### 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's Swedish properties amounts to 1.0 per cent of the tax assessment value. Changes in the tax rate or in the tax assessment value affect Pandox's earnings. However, an increase only has a limited impact on the earnings because many lease agreements are formulated so that the property tax cost is passed on to the tenant. Property tax on properties outside of Sweden is generally less than one per cent of the book value. About 47 per cent of property tax costs were passed on to tenants in 2014, which means that the net effect on Pandox's earnings amounted to SEK 44.7 M.

#### Site leasehold rents

In the wholly owned portfolio as of 31 December 2014, Pandox held 19 properties via site leasehold 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's largest single cost item. As a result, fluctuations in interest rates will have a large impact on Pandox's earnings. In order to limit the financial risk, the Company's average fixed interest period is 3.8 years which means that the full effect of a change in interest rates is not felt by Pandox until after this period.

#### Currency risk

Pandox's 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 using a valuation model based on the properties' cash flow which is adapted to the specific characteristics of the hotel industry.

The cash flow calculation is built up from the ground up, with the property operator's income statement as the starting point. This statement is, in turn, based on assumptions of how the underlying hotel market will develop in terms of occupancy and average rates, as well as on how each specific operator's respective key ratios and figures will develop. The operating 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 net present value of the next ten years' cash flow, plus the net present value of the hotel properties' residual value at the end of the 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 based on each country's inflation outlook 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's wholly owned hotel properties in accordance with this method resulted in a total value of approximately SEK 27 billion as of December 2014 which substantially exceeds the book value. During the year, also an external valuation of all properties has been made, which confirms the internal valuations. 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 2014 amounted to SEK 18,013.2 M excluding equipment, of which the consolidated surplus values amounted to SEK 4,341.8 M.

## Accounting of deferred tax

Pandox applies the Swedish Accounting Standards Board's general recommendation on income tax accounting (BFNAR 2012:1). 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's consolidated balance sheet as of 31 December 2014 includes a deferred tax liability in the net amount of SEK 335.2 M corresponding to the difference between a deferred tax liability of SEK 1,023.9 M and a deferred tax claim of SEK 688.7 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 respective 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 per cent 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 per cent. 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 2014, there were remaining deficit deductions totalling

SEK 3,144.7 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 2014.



Crowne Plaza, Brussels – Le Palace

# Condensed consolidated income statement\*

SEK M	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Property operations</b>										
Rental revenue	548.8	605.0	747.5	872.3	850.6	884.2	923.1	920.4	950.0	1,729.3
Other property revenue	25.2	29.9	34.7	43.2	44.6	39.1	38.3	40.2	47.4	59.5
<b>Total property revenue</b>	<b>574.0</b>	<b>634.9</b>	<b>782.2</b>	<b>915.5</b>	<b>895.2</b>	<b>923.3</b>	<b>961.4</b>	<b>960.6</b>	<b>997.4</b>	<b>1,788.8</b>
Operating and maintenance costs	-103.8	-111.5	-126.3	-132.8	-117.0	-140.6	-141.8	-122.5	-134.7	-258.5
<b>Operating net</b>	<b>470.2</b>	<b>523.4</b>	<b>655.9</b>	<b>782.7</b>	<b>778.2</b>	<b>782.7</b>	<b>819.6</b>	<b>838.1</b>	<b>862.7</b>	<b>1,530.3</b>
Depreciation	-78.2	-91.3	-129.3	-163.8	-193.6	-194.3	-191.3	-194.0	-223.4	-314.4
<b>Income from property operations</b>	<b>392.0</b>	<b>432.1</b>	<b>526.6</b>	<b>618.9</b>	<b>584.6</b>	<b>588.4</b>	<b>628.3</b>	<b>644.1</b>	<b>639.3</b>	<b>1,215.9</b>
<b>Hotel operations</b>										
Operating revenue	250.2	420.0	788.8	1,105.3	1,095.0	1,208.6	1,244.0	1,156.0	1,285.6	1,598.3
Operating costs	-239.4	-407.7	-768.2	-1,084.5	-1,129.0	-1,202.8	-1,241.7	-1,157.2	-1,284.6	-1,563.4
Operating income hotel operations	10.8	12.3	20.6	20.8	-34.0	5.8	2.3	-1.2	1.0	34.9
<b>Gross income</b>	<b>402.8</b>	<b>444.4</b>	<b>547.2</b>	<b>639.7</b>	<b>550.6</b>	<b>594.2</b>	<b>630.6</b>	<b>642.9</b>	<b>640.3</b>	<b>1,250.8</b>
Administrative costs	-42.5	-51.9	-55.4	-64.6	-68.3	-72.4	-82.3	-72.4	-81.8	-143.3
Other revenue/realisation results	444.4	39.9	3.4	6.9	-	-	-	-	-	-
<b>Operating income</b>	<b>804.7</b>	<b>432.4</b>	<b>495.2</b>	<b>582.0</b>	<b>482.3</b>	<b>521.8</b>	<b>548.3</b>	<b>570.5</b>	<b>558.5</b>	<b>1,109.5</b>
Non-recurring financial income & costs	-	-	-	-	79.5	431.2	63.6	-	-	935.2
Profit from associate companies	-	-	-	-	-	5.7	156.2	171.2	118.8	-
Net financial items for current operations	-137.4	-166.4	-232.4	-294.7	-229.8	-214.0	-254.5	-283.4	-317.3	-536.1
<b>Income after financial items</b>	<b>667.3</b>	<b>266</b>	<b>262.8</b>	<b>287.3</b>	<b>332.0</b>	<b>744.7</b>	<b>513.6</b>	<b>458.3</b>	<b>360.0</b>	<b>1,508.6</b>
Year-end adjustments	-	-	-	-	-	-	-	-	-	-174.8
Deferred tax	36.8	-33.0	-23.5	34.2	-10.1	-65.7	-46.1	-88.0	-56.0	-102.3
Tax	-15.8	-31.4	-9.3	-22.2	-20.4	-111.2	-55.2	-6.1	-197.0	-15.9
<b>Income/loss for the year</b>	<b>688.3</b>	<b>201.6</b>	<b>230.0</b>	<b>299.3</b>	<b>301.5</b>	<b>567.8</b>	<b>412.3</b>	<b>364.2</b>	<b>107.0</b>	<b>1,215.6</b>

\* On January 1st 2014, the K3 accounting framework came into effect. However, for the years 2005 to 2012, no recalculation has been made to accommodate the new accounting principle in the comparative numbers.

# Condensed consolidated balance sheet\*

SEK M, as of 31 December	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Assets</b>										
Properties including hotel equipment	5,477.5	6,907.5	8,223.8	9,212.5	9,348.0	9,200.5	9,549.6	9,522.5	20,110.1	19,182.0
Other fixed assets	113.7	172.8	139.0	794.6	843.3	1,170.3	1,277.4	1,803.6	45.3	26.3
Current assets	201.7	174.4	223.1	241.2	158.4	276.0	443.4	329.4	931.8	1,004.0
Cash and bank	236.4	174.1	272.8	347.7	326.4	385.1	337.9	287.2	588.6	320.7
<b>Total assets</b>	<b>6,029.3</b>	<b>7,428.8</b>	<b>8,858.7</b>	<b>10,596.0</b>	<b>10,676.1</b>	<b>11,031.9</b>	<b>11,608.3</b>	<b>11,942.7</b>	<b>21,675.8</b>	<b>20,533.0</b>
<b>Equity and liabilities</b>										
Shareholders' equity	2,307.7	2,272.3	2,407.7	2,729.2	2,996.7	2,977.5	3,108.3	3,118.7	5,201.4	5,548.3
Deferred tax liability	208.5	279.7	352.5	335.2	363.0	389.1	424.8	393.0	1,029.7	1,023.9
Interest bearing liabilities	3,165.3	4,398.5	5,516.8	6,808.6	6,850.5	7,025.8	7,406.6	7,991.3	14,562.9	12,876.6
Non-interest bearing liabilities	347.8	478.3	581.7	723.0	465.9	639.5	668.6	439.7	881.8	1,084.2
<b>Total equity and liabilities</b>	<b>6,029.3</b>	<b>7,428.8</b>	<b>8,858.7</b>	<b>10,596.0</b>	<b>10,676.1</b>	<b>11,031.9</b>	<b>11,608.3</b>	<b>11,942.7</b>	<b>21,675.8</b>	<b>20,533.0</b>
<b>Key data</b>										
<i>Property related key data</i>										
Book value of properties including hotel equipment, SEK M	5,477.5	6,907.5	8,223.8	9,212.5	9,348.0	9,200.5	9,549.6	9,522.5	20,109.3	19,181.1
Total property revenue, SEK M	574.0	634.9	782.2	915.5	895.2	923.3	961.4	960.6	997.4 (1,812.5)	1,788.8
Operating net, SEK M	470.2	523.4	655.9	782.7	778.2	782.7	819.6	838.1	862.7 (1,549.8)	1,530.3
<i>Financial key data**</i>										
Interest coverage ratio, multiple	3.2	2.9	2.7	2.5	4.5	3.5	3.9	3.4	3.0 (2.3)	2.7
Return on equity, % (excl and incl non-recurring items)	32.5	8.8	9.8	11.7	10.5	19.5	13.4	11.5	3.2 (4.0)	25.4 (8.3)
Equity/assets ratio, %	38.3	30.6	27.2	25.8	28.1	27.0	26.8	26.1	24.0 (24.0)	27.0
Cash flow from current operations, SEK M	301.4	317.6	389.0	444.5	446.4	518.9	691.2	664.5	652.4 (814.7)	887.8
Investments excluding acquisitions, SEK M	165.1	282.6	274.9	269.3	312.5	197.7	349.2	335.6	302.4 (660.7)	527.5
Property acquisitions, SEK M	661.3	1,327.8	1,063.4	370.9	163.3	332.0	206.4	-	-	-

\* On January 1st 2014, the K3 accounting framework came into effect. However, for the years 2005 to 2012, no recalculation has been made to accommodate the new accounting principle in the comparative numbers.

\*\* For 2013 figures in brackets are pro forma figures.

# Quarterly data 2013–2014

## CONDENSED INCOME STATEMENTS

SEK M	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total property revenue	204.7	257.8	235.4	299.5	419.7	466.2	458.5	444.4
Operating net	168.8	227.6	203.3	263.0	350.2	404.5	398.8	376.8
Income from property operations	120.0	175.7	147.6	196.0	270.1	328.1	323.8	293.9
Income from hotel operations	-30.6	20.3	-3.1	14.4	-24.1	35.9	13.6	9.5
Operating income	73.8	172.9	126.8	185.0	216.1	332.5	301.9	259.0
Net financial items	-46.2	-40.0	-41.5	-70.8	-143.8	-141.2	-119.2	-131.9
Income after financial items	27.6	132.9	85.3	114.2	72.3	191.3	182.7	127.1
Income after tax	20.2	102.9	36.8	-52.9	53.9	1,089.4	144.5	-72.2

## CONDENSED CONSOLIDATED BALANCE SHEETS

SEK M	2013				2014			
	31 Mar	30 Jun	30 Sep	31 Dec	31 Mar	30 Jun	30 Sep	31 Dec
<b>Assets</b>								
Properties including hotel equipment	9,388.3	9,595.0	9,564.9	20,109.3	20,194.3	18,870.0	18,946.5	19,181.1
Other fixed assets	1,825.3	1,765.2	1,813.0	46.1	25.4	26.2	26.0	27.2
Current assets	344.5	405.0	378.0	931.8	887.2	973.2	1,018.5	1,004.0
Cash and bank	250.1	124.7	117.2	588.6	648.8	341.5	406.2	320.7
<b>Total assets</b>	<b>11,808.2</b>	<b>11,889.9</b>	<b>11,873.1</b>	<b>21,675.8</b>	<b>21,756.7</b>	<b>20,210.9</b>	<b>20,397.2</b>	<b>20,533.0</b>
<b>Equity and liabilities</b>								
Shareholders' equity	3,129.9	3,071.3	3,101.3	5,201.4	5,192.6	5,343.0	5,459.1	5,548.3
Deferred tax liability	395.3	418.1	429.8	1,029.7	1,028.4	994.0	1,040.2	1,023.9
Interest bearing liabilities	7,866.4	7,920.4	7,866.3	14,562.9	14,582.2	12,946.7	12,973.2	12,876.6
Non-interest bearing liabilities	416.6	480.1	475.7	881.8	892.5	927.2	924.7	1,084.2
<b>Total equity and liabilities</b>	<b>11,808.2</b>	<b>11,889.9</b>	<b>11,873.1</b>	<b>21,675.8</b>	<b>21,756.7</b>	<b>20,210.9</b>	<b>20,397.2</b>	<b>20,533.0</b>

## FINANCIAL KEY DATA

	2013				2014			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Interest coverage ratio, multiple	2.3	3.0	3.0	3.0	2.1	2.5	2.7	2.7
Return on equity, % (excl and incl non-recurring items)	3.3	8.6	7.6	3.2	2.6	30.7 (9.5)	35.6 (9.7)	25.4 (8.3)
Equity/assets ratio, %	26.5	25.8	26.1	24.0	23.9	26.4	26.8	27.0
Cash flow from current operations, SEK M	92.3	201.5	159.6	199.0	152.4	267.7	257.7	210.0
Investments excluding acquisitions, SEK M	89.3	45.4	74.7	93.0	159.0	143.8	85.4	139.3

# 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 2014

## PROPERTY REVENUES AND TOTAL REVENUES

Pandox's property revenues for 2014 amounted to SEK 1,788.8 M (1,812.5), which for comparable units, including adjustment for currency effects, is an improvement by 5.1 per cent.

## CASH FLOW

Cash flow from ongoing operations, including share of profits from associate companies, amounted to SEK 887.8 M (814.7).

## PROFITS

Profit before tax, decreased to SEK 573.4 M (479.0).

## NON-RECURRING REVENUES

Non-recurring revenues amounted to SEK 935.2 M contributable to the disposition of 15 hotel properties. Of the total capital gains of SEK 935.2 M, SEK 227.2 M is attributable to the disposal of Hilton London Docklands to H.I.G Capital and the remaining 708.0 million to the 14 hotel properties that was sold to Fastighets AB Balder on the 29th of April.

On December the 1st 2013, Pandox AB (publ) acquired the outstanding 50 per cent share of the Norgani group. As a result, the Norgani group will be consolidated as a fully owned subsidiary of Pandox AB (publ) from that date. For comparable units, a pro forma Income statement for the Pandox group is presented on page 84. Comparisons in this annual report are made with the corresponding Income statement.

After the disposals, Pandox manage a hotel property portfolio comprising 105 hotels, with an approximate room total of 22,000, plus a conference centre. The company operates across 9 countries, in 51 locations and under 16 different brands.

Hilton Kalastajtorppa, Helsinki, Finland

# 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 2014.

## 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's 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 an increase in total cash flows as well as a reduction in risks.

Pandox manages a hotel portfolio consisting of 105 hotels and one congress and fair centre. Pandox operates sixteen hotels of which one via an asset management assignment. Pandox owns and develops assets in Sweden, Denmark, Finland, Norway, Belgium, Germany, Switzerland, Canada and the Bahamas.

## Accounting principles

Pandox does not apply IFRS. As an unlisted company, Pandox is not subject to IFRS reporting requirements. Pandox applies the Swedish Annual Accounts Act and generally accepted

accounting principles and, unless otherwise stated, the guidelines of the Swedish Accounting Standards Board. 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.

## Macro-economic outlook

The global economic recovery is expected to continue to gain speed during the next few years, albeit at a slow pace. The beginning of 2015 has been signified by somewhat higher insecurity and the differences in economic development between regions seem to increase. A lower oil price should have a positive impact on global growth but acts as a drag on inflation at the same time. The US is still one of the global growth engines while continued weak growth in Europe and lower growth in China are obstacles to recovery. A tense geopolitical situation with, for example, continued unrest in the Ukraine and the Middle East, makes predictions uncertain. Despite those facts, most hotel markets are still showing a positive trend. The US is still the engine for global growth and commentators expect the American economy to keep growing by about 3,5 per cent in 2015. The development is driven by increased activity, in among other things, private consumption, exports, investments and public sector consumption. The property market has stabilized, unemployment is down and property prices continue to rise, lifting many households out of a paralyzing debt trap. Wage growth is still lagging though. During the third and fourth quarter, GDP growth stagnated within the eurozone and the predictions for 2015 keep being revised down from already low levels. The Euro has been weakened, high youth unemployment has a steady grip on many countries and inflation is still too low. Recent developments, including the Greek elections and a tense situation as regards Russia as well as IS, contribute to the uncertainty. Among the green shoots are indications of increasing exports and an improving labour

market in Germany. Outside the Eurozone, the UK is at the forefront of the global economic cycle and has seen stable development including solid improvement in employment and a stronger currency.

The Swedish economy continues to perform better than most European countries but is still not really taking off, as the weak global demand dampens exports. Growth is supported by a low oil price, a weak currency and low central bank interest rates. Since mid-February, the main interest rate on deposits has been negative for the first time in history, in an attempt by the central bank to kick-start the economy and up inflation. Unemployment rates continue to go down, and are expected to keep falling during the year, at the same time as private consumption and property investments continue to form a foundation for stable growth.

The Norwegian economy was a positive surprise in 2014 with GDP growth for the year landing at 2.2 per cent, which was much better than expected. A number of challenges remain however and the future outlook is clouded. The oil industry makes up around 20 per cent of the Norwegian economy and a 50 per cent cut in prices will have repercussions. Among other things, we can expect lower investments in the property and oil industries.

The Danish economy has been signified by zero growth for a number of years, but during 2014 the economy turned upwards somewhat, mainly due to more solid private consumption levels, stronger exports, lower household debts and improving property prices. A low inflation puts downward pressure on interest rates and the central bank's deposit rate is in negative territory similar to the Swedish situation. The outlook for 2016 is uncertain, but commentators are expecting growth to come in at around 2 per cent.

The negative economic development in Finland seems difficult to shake and there are no signs of an imminent recovery. The country still finds itself in recession and in need of a global economic recovery to regain traction in exports. The continued unrest in Russia and the Ukraine where the conflict has escalated further, puts an added gloom on the outlook for the year.

### The North American Hotel Market

The US remains to be one of the engines for global growth and also has a positive effect on the American hotel market which is expecting to continue on its positive trend line with growth in both volume and price. In 2014, RevPAR growth on the American hotel market amounted to 8.3 per cent.

During the year, New York saw lower growth, +2 per cent measured by RevPAR. One explanation could be the segment shift which has been ongoing for some time where the hotels are replacing budget travellers with those prepared to pay more for the product. This aggressive pricing strategy coupled with increased capacity has lowered RevPAR growth.

Los Angeles, Boston and San Francisco continued its strong trends with significantly higher prices. All three cities showed double digit RevPAR growth for 2014. Also in Miami, one of the world's most expensive hotel cities, price continued to drive the development, with RevPAR growth landing at 7 per cent for the year.

### The European Hotel Market

RevPAR growth in Europe came in at about 6 per cent for 2014. Northern European hotel markets developed the best, while Eastern markets displayed negative numbers for both price and occupancy, mainly due to negative growth in the Russian market. Southern Europe displayed a steady and very welcome growth in RevPAR numbers.

The best development could be found in Athens, Budapest and Dublin, with all three showing double digit growth numbers for 2014. The worst performer was the hotel market in Moscow which lost 11 per cent in RevPAR.

The Brussels hotel market saw positive developments and RevPAR improved by 3 per cent in 2014. Growth was mainly driven by increased volumes while prices were only marginally higher. The meetings segment developed well during the autumn months, following a fairly weak first half of the year, with the exception of May when the important Sea-food fair took place in the city. The demand from the leisure segment was also up during the second half of the year which can be seen as a break in the trend pattern for Brussels, as the city hotel market is traditionally dominated by the business and meetings segments.

Berlin's hotel market experienced a relatively weak start to the year, but picked up during the latter parts of the year. Demand was the main driver, but average prices were also up during the year. RevPAR growth landed at 5 per cent in the city where the MICE-segment displayed a positive trend, despite the number of large conferences being fairly small. The leisure segment also continues to show relentless growth.

In Scandinavia, Copenhagen showed the best numbers with RevPAR growth just shy of 4 per cent. The increase was driven by volume, while prices just barely managed to stay level despite only very small additions to capacity in the city. However, during 2015, a number of new hotels are due to open their doors.

In Stockholm, the leisure segment continued to show the best development; a trend we have seen over a longer period. The business segment also displayed a similar pattern, while group and conference segments were stable. Prices were pegged back on average, mainly due to an increased share of leisure travellers. As before, prices improved the most in city centre hotels. During the year, 1,000 new rooms have been added in Stockholm, a volume that seems to have been absorbed by the market. In total, RevPAR was up by 2 per cent.

The hotel market in Oslo showed gains in RevPAR during the first quarter, but fell back during the second mainly due to the timing of Easter and the fact that there was no large NOR/Shipping fair. In the third quarter, the short term trend indicated somewhat higher prices and volumes, only to fall flat during the last quarter. RevPAR growth for the full year stopped at 0.9 per cent with the mid-priced segment showing the strongest gains.

In Helsinki, the markets defied a gloomy national economy, low levels of domestic travel and lower demand from Russia, by displaying a growth number of 2.0 per cent which must be considered as very positive, considering the circumstances.

### Pandox's hotel portfolio

Pandox's hotel property portfolio continued to do well in its respective markets.

In Stockholm, Pandox's city hotels developed the strongest during the reporting period, mainly driven by increased demand from leisure travellers. In general, average prices have been pegged back in most sub markets. Southern Stockholm continues to show weak

growth while the northern parts have experienced an upturn and managed to partly absorb large additional capacity.

The Copenhagen hotel market continued its upward trend during 2014, albeit at a slower pace than before. Pandox's hotels also developed well, in particular those located outside the city centre.

In most of Pandox's Finnish hotels considerable renovation projects have been completed and the hotels have just started to recapture market shares in line with the hotels business plans. A number of regional markets have seen large additions in capacity, which has had a negative effect on prices during recent years.

In many European cities, Brussels for example, the leisure segment has shown the strongest development which has led to significantly increased volumes but at a lower average price. All in all, Brussels improved RevPAR by 3 per cent. In this market, Pandox's Holiday Inn Brussels Airport and Hotel Bloom! showed the best improvements in their respective sub markets, while The Hotel Brussels continues its positive development in accordance with the business plan, after being totally renovated and repositioned.

The market in Montreal continued its steady rise, partly due to the fact that a number of competing hotels have been converted for alternative uses. Of the two Pandox hotels, InterContinental was the winner as it could take advantage of its location in a year filled with meetings and events.

The hotel operations in Dortmund, Bremen and Lübeck have all surpassed expectations showing healthy developments as regards revenues and profits, partly as a result of the renovations and repositioning that they have gone through.

### Revenues and operating net – property operations

Property management revenues for the year amounted to SEK 1,788.8 M (1,812.5). For comparable units and currencies, the portfolio's compensation rate increased by 5.1 per cent compared to 2013. The increase was explained by renovated hotels now operating with full capacity, among others, The Hotel Brussels which have been operated with full capacity during 2014. Property management costs excluding depreciation amounted to SEK 258.5 M (262.7). The increase is mainly due to

increased maintenance costs. The operating net decreased overall by SEK 19.5 M to SEK 1,530.3 M (1,549.8).

#### **Revenues and profit – hotel operations**

Total revenues from hotel operations amounted to SEK 1,598.3 M (1,307.7). For comparable units, and adjusted for currency effects, revenues increased by 18.2 per cent compared to the previous year. The overall profit from hotel operations was SEK 34.9 M (–0.4).

#### **Portion of profits from Norgani**

On December the 1st 2013, Pandox AB (publ) acquired the outstanding 50 per cent share of the Norgani group. As a result, the Norgani group will be consolidated as a fully owned subsidiary of Pandox AB (publ) from that date.

#### **Profit**

The Group's profit before tax, excluding non-recurring items, was SEK 573.4 M (479.0). The increase was mainly due to an improved international market, more capacity since renovated hotels are operated with full capacity, improved profit from hotel operations and lower financing costs.

During the reporting period, 15 hotel properties have been disposed of, which has generated a capital gain of SEK 935.2 M.

#### **Financing and cash flow**

Net financial items relating to current operations for the period January to December 2014 amounted to SEK –536.1 M (–607.1). The Group's interest bearing liabilities as of December 31st 2014 amounted to SEK 12,876.6 M (14,562.9). The loan portfolio has due dates that are staggered over time and the average loan repayment period is 3.8 years. The average

interest rate on loans, as of December 31st 2014, was 3.6 per cent. The Swedish portfolio is financed in Swedish kronor, while properties outside of Sweden are, in the main, financed in each respective local currency. Available liquid funds, including unutilized bank overdraft and credit facilities totalling SEK 1,580.5 M, amounted to SEK 1,901.2 M (1,265.5). Cash flow before changes in working capital and investments, and excluding non-recurring items and tax, was SEK 887.8 M (814.7).

#### **Investments**

The Pandox Group's investments, excluding acquisitions, totalled SEK 527.5 M (660.7) during the year. The investments concerned, among other parts, the investment program SHARK, Radisson Blu Arlandia, Radisson Blu Bremen, Radisson Blu Dortmund, Holiday Inn Lübeck, as well as product improvements in a large number of properties. The hotel properties' net book value including hotel fixtures and fittings totalled SEK 19,181.1 M (20,109.3). The market value of the hotel properties significantly exceeds its book value which amounted to approximately SEK 27 billion.

#### **Personnel**

Central administration counted 22 employees as at 31 December. Figures concerning average number of employees, as well as salaries and other remuneration are set out in Note 15.

#### **The work of the Board of Directors 2014**

During 2014, 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 2014 amounted to SEK 55.6 M (56.7). The profit for the year amounted to SEK 734.7 M (–147.2).

#### **Outlook for 2015**

Increasing political tensions and general unrest in the world is expected to have a dampening effect on global growth, particularly in the areas that are directly affected. In general, the hotel market is assumed to continue with its positive trend line, particularly in the shape of increased demand. Pandox's prediction is that the global hotel industry, in general, will experience increasingly lower growth levels while the Scandinavian market will still show stable improvements.

In this climate, Pandox have the prerequisites to develop better than the industry on average, in terms of revenues as well as cash flow. The company has recently completed a mega investment program which has created a hotel property portfolio of utmost quality. In combination with our well-oiled machinery for hotel operations in the subsidiary Pandox Operations, it will lead to ensure that the very positive trend in profitability that we experienced during the second half of 2014 will continue into 2015.

# Pro forma Income statement

Pandox's pro forma income statement including 100 per cent of Sech Holding for year 2014 and 2013.

SEK M	Group	
	2014	2013
<b>Property operations</b>		
Rental revenue	1,729.3	1,745.9
Other property revenue	59.5	66.6
<b>Total property revenue</b>	<b>1,788.8</b>	<b>1,812.5</b>
Property costs	-258.5	-262.7
<b>Operating net</b>	<b>1,530.3</b>	<b>1,549.8</b>
Depreciation as per plan	-314.4	-335.7
<b>Income from property operations</b>	<b>1,215.9</b>	<b>1,214.1</b>
<b>Hotel operations</b>		
Operating revenue	1,598.3	1,307.7
Operating costs	-1,563.4	-1,308.1
Operating income from hotel operations	34.9	-0.4
<b>Gross income</b>	<b>1,250.8</b>	<b>1,213.7</b>
Administrative costs	-141.3	-127.6
Other revenue	-	-
<b>Operating income</b>	<b>1,109.5</b>	<b>1,086.1</b>
Interest income	4.8	7.6
Interest expense	-521.9	-606.7
Portion of profits from associate companies	-	-
Other financial income and costs	-19.0	-8.0
<b>Net financial items</b>	<b>-536.1</b>	<b>-607.1</b>
None-recurring revenues	935.2	-
<b>Income before tax</b>	<b>1,508.6</b>	<b>479.0</b>
Year-end adjustments	-174.8	-
Tax	-15.9	-197.0
Deferred tax	-102.3	-71.7
<b>INCOME FOR THE YEAR</b>	<b>1,215.6</b>	<b>210.3</b>

## Comments on The Pro forma Income statement

### Rental revenue

Rental revenue pertains to hotel premises, hotel furniture and equipment, and other commercial premises. Rental revenue for 2014 decreased in relation to the previous year and amounted to SEK 1,729.3 M (1,745.9). Including an adjustment for currency effects and divestments, rental revenues improved by 5.1 per cent.

### 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	2014	2013
Payment for operating costs	10.4	17.3
Invoicing of property tax	49.1	49.3
<b>Total</b>	<b>59.5</b>	<b>66.6</b>

### 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's 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 19 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's Swedish hotel properties are liable to property tax at the rate of 1 per cent 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	2014	2013
Operating costs	34.4	43.2
Maintenance costs	81.9	79.0
Ground rents	31.2	30.0
Property tax	83.8	94.7
Other costs	27.2	15.8
<b>Total</b>	<b>258.5</b>	<b>262.7</b>

#### Operating net

The operating net for 2014 amounted to SEK 1,530.3 M, representing an increase of SEK 19.5 M. Adjusted for divestments of properties, Operating net increased by 4.8 per cent compared to 2013.

#### Hotel operations

For accounting purposes, the hotel operations conducted by Padox 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.

Fifteen wholly owned hotel operations remains in Padox portfolio at the end of 2014 of which five were directly operated by Padox, seven via franchise contracts and three via management contracts.

#### 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 14 and 15.

#### Non-recurring revenues

Non-recurring revenues amounted to SEK 935.2 M contributable to the disposition of 15 hotel properties. Of the total capital gains of SEK 935.2 M, SEK 227.2 M is attributable to the disposal of Hilton London Docklands to H.I.G Capital and the remaining 708.0 million to the 14 hotel properties that was sold to Fastighets AB Balder on the 29th of April.

## Income statement

SEK M		Group		Parent Company	
		2014	2013	2014	2013
<b>Property operations</b>					
Rental revenue	note 1, 2, 3	1,729.3	950.0	-	-
Other property revenue		59.5	47.4	-	-
<b>Total property revenue</b>		<b>1,788.8</b>	<b>997.4</b>	-	-
Property costs		-258.5	-134.7	-	-
<b>Operating net</b>		<b>1,530.3</b>	<b>862.7</b>	-	-
Depreciation as per plan	note 4, 17	-314.4	-223.4	-	-
<b>Income from property operations</b>		<b>1,215.9</b>	<b>639.3</b>	-	-
<b>Hotel operations</b>					
Operating revenue		1,598.3	1,285.6	-	-
Operating costs		-1,563.4	1,284.6	-	-
Operating income from hotel operations	note 1, 2, 15	34.9	1.0	-	-
<b>Gross income</b>		<b>1,250.8</b>	<b>640.3</b>	-	-
Administrative costs	note 4, 14, 15	-141.3	-81.8	-95.6	-87.4
Other revenue	note 5	-	-	55.6	56.7
<b>Operating income</b>		<b>1,109.5</b>	<b>558.5</b>	<b>-40.0</b>	<b>-30.7</b>
Interest income	note 6	4.8	9.9	105.5	132.8
Interest expense		-521.9	-322.0	-226.2	-265.3
Portion of profits from associate companies	note 17	-	118.8	-	-
Dividend		-	-	1,264.7	129.3
Write down of shares in subsidiaries		-	-	-465.9	-64.7
<b>Other financial income and costs</b>	note 6	<b>-19.0</b>	<b>-5.2</b>	<b>-39.6</b>	<b>-86.4</b>
<b>Net financial items</b>		<b>-536.1</b>	<b>-198.5</b>	<b>638.5</b>	<b>-154.3</b>
<b>Non-recurring revenues</b>		<b>935.2</b>	<b>-</b>	<b>136.2</b>	<b>-</b>
<b>Income before tax</b>		<b>1,508.6</b>	<b>360.0</b>	<b>734.7</b>	<b>-185.0</b>
<b>Year-end adjustments</b>	note 16	<b>-174.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tax	note 7	-15.9	-197.0	-	-
Deferred tax	note 7, 17	-102.3	-56.0	-	37.8
<b>INCOME FOR THE YEAR</b>		<b>1,215.6</b>	<b>107.0</b>	<b>734.7</b>	<b>-147.2</b>
<b>Specification of external revenue</b>					
Revenue from property operations		1,788.8	997.4	-	-
Of which internal rentals		-311.5	-221.8	-	-
Revenue from hotel operations		1,598.3	1,285.6	-	-
<b>Total external revenue</b>		<b>3,075.6</b>	<b>2,061.2</b>	<b>-</b>	<b>-</b>

# Balance sheet

SEK M	Group		Parent Company		
	2014	2013	2014	2013	
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Tangible fixed assets</i>					
Properties	note 8, 17	18,013.2	18,999.7	–	–
Equipment	note 9	1,168.8	1,110.4	0.9	1.5
		<b>19,182.0</b>	<b>20,110.1</b>	<b>0.9</b>	<b>1.5</b>
<i>Financial fixed assets</i>					
Shares and participations in subsidiaries	note 10	–	–	6,572.4	6,855.4
Other shares and participations		–	–	–	–
Amounts due by Group companies		–	–	4,190.1	4,645.7
Other long-term receivables		26.3	45.3	7.3	5.1
		<b>26.3</b>	<b>45.3</b>	<b>10,769.8</b>	<b>11,506.2</b>
Deferred taxes recoverable	note 7	688.7	629.0	–	–
<b>Total fixed assets</b>		<b>19,897.0</b>	<b>20,784.4</b>	<b>10,770.7</b>	<b>11,507.7</b>
<b>Current assets</b>					
Inventories		10.8	9.6	–	–
Accounts receivables		152.9	159.5	–	–
Tax receivables		44.3	59.7	–	–
Other receivables		9.8	8.3	1.9	1.5
Receivables from group companies		0.7	–	–	–
Prepaid costs and accrued revenue		96.8	65.7	20.4	15.4
Cash and bank		320.7	588.6	133.3	144.0
<b>Total current assets</b>		<b>636.0</b>	<b>891.4</b>	<b>155.6</b>	<b>160.9</b>
<b>TOTAL ASSETS</b>		<b>20,533.0</b>	<b>21,675.8</b>	<b>10,926.3</b>	<b>11,668.6</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<i>Restricted equity</i>					
Share capital		375.0	375.0	375.0	375.0
Restricted reserves		404.5	238.1	10.1	10.1
<b>Total restricted equity</b>		<b>779.5</b>	<b>613.1</b>	<b>385.1</b>	<b>385.1</b>
<i>Unrestricted equity</i>					
Unrestricted reserves		3,553.2	4,493.1	1,300.5	2,550.2
Profit for the year		1,215.6	107.0	734.7	–147.2
The net effect on the share of profit after applying the new accounting principle	note 17	–	–11.8	–	–
Total unrestricted equity		4,768.8	4,588.3	2,035.2	2,403.0
<b>Total shareholders' equity</b>		<b>5,548.3</b>	<b>5,201.4</b>	<b>2,420.3</b>	<b>2,788.1</b>
<b>Provisions</b>					
Deferred tax liabilities	note 7, 17	1,023.9	1,029.7	–	–
Pension provisions		5.8	5.1	5.8	5.1
<b>Total provisions</b>		<b>1,029.7</b>	<b>1,034.8</b>	<b>5.8</b>	<b>5.1</b>
<b>Liabilities</b>					
Liabilities to credit institutions	note 11	12,876.6	14,562.9	4,591.9	5,052.1
Trade accounts payable		189.3	148.5	17.4	16.4
Liabilities to Group companies		207.7	32.9	3,833.3	3,756.5
Tax liabilities		18.7	12.1	–	–
Other liabilities		166.0	241.0	3.3	6.6
Accrued expenses and prepaid revenue	note 12	496.7	442.2	54.3	43.8
<b>Total liabilities</b>		<b>14,984.7</b>	<b>16,474.4</b>	<b>8,500.2</b>	<b>8,874.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,533.0</b>	<b>21,675.8</b>	<b>10,926.3</b>	<b>11,668.6</b>
Pledged assets	note 13	11,635.4	12,559.7	–	–
Contingent liabilities	note 13	5.8	4.3	3,919.8	3,955.3

## Comments on The balance sheet

### Properties and equipment

During the year, fifteen hotel properties have been sold. Depreciation of properties amounted to SEK 215.6 M (141.3), and the year's investments to SEK 374.9 M (192.0). The book value of equipment, including hotel furniture and fixtures amounted to SEK 1,168.8 M (1,110.4). Depreciation amounted to SEK 98.8 M (82.7) and investments to SEK 152.6 M (119.3).

The greater part of the book value of furniture, fixtures and equipment, representing SEK 1,168.8 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 19,182.0 M. Other items consist of administration equipment with a book value of SEK 0.9 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's 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 1,580.5 M.

### Liabilities to credit institutions

As at 31 December 2014, Pandox's total interest-bearing liabilities amounted to SEK 12,876.6 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 3,920.0 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 72.

### Deferred tax liability

In 2014 the deferred tax items are accounted for on a gross basis. Further details are set out in the Pandox's Tax Situation section on page 75.

### 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
<b>Group 2013</b>					
Opening balance	373.5	121.7	2,259.3	364.2	3,118.7
Appropriation of profits	-	-	364.2	-364.2	-
Other changes	-	26.6	-26.6	-	-
Dividend	-	-	-199.2	-	-199.2
Group contribution	-	-	-	-	-
Shareholders contribution	-	-	1,704.9	-	1,704.9
Translation differences	-	89.8	-43.0	-	46.8
Share issue	1.5	-	433.5	-	435.0
	<b>375.0</b>	<b>238.1</b>	<b>4,493.1</b>	<b>130.7</b>	<b>5,236.9</b>
Effects on equity as a result of the new accounting principles					
Net result before adjustments	-	-	-	130.7	130.7
Adjusted depreciations	-	-	-	-12.7	-12.7
Adjusted portion of profits from associate companies	-	-	-	-16.4	-16.4
Deferred tax effects	-	-	-	5.4	5.4
Net effect on portion of profits from associate companies	-	-	-11.8	-	-11.8
	<b>375.0</b>	<b>238.1</b>	<b>4,481.3</b>	<b>107.0</b>	<b>5,201.4</b>
<b>Group 2014</b>					
Opening balance	375.0	238.1	4,881.3	107.0	5,201.4
Appropriation of profits	-	-	107.0	-107.0	-
Dividend	-	-	-1,102.5	-	1,102.5
Shareholders contribution	-	-	-	-	-
Translation differences	-	154.8	79.0	-	233.8
Other changes	-	11.6	-11.6	-	-
Profit for the year	-	-	-	1,215.6	1,215.6
	<b>375.0</b>	<b>404.5</b>	<b>3,553.2</b>	<b>1,215.6</b>	<b>5,548.3</b>
<b>Parent Company 2013</b>					
Opening balance	373.5	10.1	523.0	-46.2	860.4
Appropriation of profits	-	-	-46.2	46.2	-
Other changes	-	-	-	-	-
Dividend	-	-	-199.2	-	-199.2
Shareholders contribution	-	-	1,704.9	-	1,704.9
Share issue	1.5	-	433.5	-	435.0
Group contribution	-	-	134.2	-	134.2
Profit for the year	-	-	-	-147.2	-147.2
	<b>375.0</b>	<b>10.1</b>	<b>2,550.2</b>	<b>-147.2</b>	<b>2,788.1</b>
<b>Parent Company 2014</b>					
Opening balance	375.0	10.1	2,550.2	-147.2	2,788.1
Appropriation of profits	-	-	-147.2	147.2	-
Other changes	-	-	-	-	-
Dividend	-	-	-1,102.5	-	-1,102.5
Shareholders contribution	-	-	-	-	-
Share issue	-	-	-	-	-
Group contribution	-	-	-	-	-
Profit for the year	-	-	-	734.7	734.7
	<b>375.0</b>	<b>10.1</b>	<b>1,300.5</b>	<b>734.7</b>	<b>2,420.3</b>

The number of shares as at 31 December 2014 amounted to 25,000,000 with one vote per share and a nominal value of SEK 15 per share.

# Cash flow statement

SEK M	Group		Parent Company	
	2014	2013	2014	2013
<b>Current operations</b>				
Profit/loss before financial items	1,109.5	558.5	-40.0	-95.3
Depreciation	315.0	224.0	0.6	0.6
Dividend from subsidiaries	-	-	1,264.7	-
Interest received	4.8	13.1	105.5	262.0
Interest paid and other financial costs	-540.9	-329.1	-266.6	-346.6
Resultat on divestments of properties	935.2	-	136.2	-
Tax paid	-7.3	-242.3	-	-
<b>Cash flow from current operations before change in working capital and investments</b>	<b>1,816.3</b>	<b>224.2</b>	<b>1,200.4</b>	<b>-179.3</b>
<b>Change in working capital</b>				
Increase/decrease (±) in operating receivables	-102.4	-63.2	-5.3	173.1
Increase/decrease (±) in operating liabilities	209.4	-476.5	653.7	388.7
<b>Total change in working capital</b>	<b>107.0</b>	<b>-539.7</b>	<b>648.4</b>	<b>561.8</b>
<b>Cash flow from current operations after change in working capital and investments</b>	<b>1,923.3</b>	<b>-315.5</b>	<b>1,848.8</b>	<b>382.5</b>
<b>Investment operations</b>				
Change in shares and participations	-	-1,697.3	-182.7	-2,134.4
Investments in properties and equipment	-527.5	-302.4	-	-
Divestments of properties	1,722.7	-	-	-
Acquisition of properties and equipment	-	-	-	-
Change in interest-bearing receivables	19.0	194.5	453.3	89.2
<b>Total investments</b>	<b>1,214.2</b>	<b>-1,805.2</b>	<b>270.6</b>	<b>-2,045.2</b>
<b>Cash flow after investments</b>	<b>3,137.5</b>	<b>-2,120.7</b>	<b>2,119.4</b>	<b>-1,662.7</b>
<b>Financing operations</b>				
Change in financial fixed assets	-	-	-	-
Change in interest-bearing loans	-2,120.7	462.9	1,027.6	-280.5
Share issue	-	435.0	-	435.0
Shareholders contribution	-	1,704.9	-	1,704.9
Dividend	-1,102.5	-199.2	1,102.5	-199.2
Year-end adjustments	-174.8	-	-	-
<b>Cash flow from financing operation</b>	<b>-3,398.0</b>	<b>2,403.6</b>	<b>-2,130.1</b>	<b>1,660.2</b>
<b>Change in liquid funds</b>	<b>-260.5</b>	<b>282.9</b>	<b>-10.7</b>	<b>-2.5</b>
Liquid funds at the beginning of the year	588.6	287.2	144.0	146.5
Exchange rate difference in liquid assets	-7.3	18.5	-	-
Liquid funds at the end of the year	320.7	588.6	133.3	144.0
<b>Change in liquid funds</b>	<b>-260.5</b>	<b>282.9</b>	<b>-10.7</b>	<b>-2.5</b>

# 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. Pandox's 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

Pandox 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 per cent.

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 Pandox 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

Tangible assets are recognized at acquisition cost less accumulated depreciation. In the acquisition cost is included costs that are directly attributable to the acquisition of the asset. When a component in a tangible asset is replaced, whatever remaining value of the old component is written off and the value of the new component is activated. Additional costs concerning assets which are not divided into components are added at acquisition value in accordance with the additional components contribution to the overall performance of the asset at the acquisition time. Expenses for ongoing repairs and maintenance are treated as costs.

Capital gains or losses, respectively, which are realised at divestment, are treated as non-recurring revenues or loss, respectively.

Tangible assets are systematically depreciated over the expected lifetime of the asset.

When the depreciation value of an asset is calculated, the potential residual value is taken into account. Land owned by the company is seen as having unlimited lifetime and is not depreciated. The straight line depreciation method is used for all other types of tangible assets.

	%
Buildings	
Foundation	0.5
Roof	2
Facade	2
Interior surfaces	5
Installations	4
Bathrooms	4
Special adaptations	2
Fixed interiors	4–6.7
Land improvements	3.5
Inventories	6.7–33

Pandox changed the depreciation rate for buildings from 1.5 per cent to 1 per cent 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**

Pandox 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's 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 2014	Stockholm	Gothenburg	Öresund	Rest of Sweden	Finland	Norway	International	Adjustment	Total
Property revenue	318.4	120.4	282.8	315.5	280.7	198.5	344.5	-311.5	1,477.3
Property costs	-50.2	-13.6	-41.4	-38.0	-62.5	-21.5	-31.3	-	-258.5
Operating net	268.2	106.8	241.4	277.5	146.2	177.0	313.2	-311.5	1,218.8
Book value of properties	3,029.2	925.7	2,808.2	2,478.7	2,934.4	2,199.3	4,804.6	-	19,181.1
Investments	53.3	10.7	52.8	119.3	127.9	22.1	141.4	-	527.5
Operating revenue – hotel operations	-	-	89.8	-	25.4	-	1,483.1	-	1,598.3
Operating costs – hotel operations	-	-	-93.0	-	-28.1	-	-1,442.3	311.5	-1,251.9
Operating profit – hotel operations	-	-	-3.2	-	-2.7	-	40.8	311.5	346.4

Year 2013	Stockholm	Gothenburg	Öresund	Rest of Sweden	Finland	Norway	International	Adjustment	Total
Property revenue	227.3	94.0	182.3	157.1	1.0	19.4	316.3	-221.8	775.6
Property costs	-41.4	-9.3	-19.2	-25.9	-6.2	-10.7	-22.0	-	-134.7
Operating net	185.9	84.7	163.1	131.2	-5.2	8.7	294.3	-221.8	640.9
Book value of properties	3,550.2	931.2	2,806.2	3,231.5	2,666.3	2,216.7	4,707.2	-	20,109.3
Investments	51.7	1.6	17.2	13.2	13.5	1.1	204.1	-	302.4
Operating revenue – hotel operations	-	-	-	-	0.1	-	1,285.5	-	1,285.6
Operating costs – hotel operations	-	-	-	-	-0.1	-	-1,284.5	221.8	-1,062.8
Operating profit – hotel operations	-	-	-	-	0.0	-	1.0	221.8	222.8

## NOTE 2 RENTAL REVENUE

Revenues from hotel operations pertain to seven businesses operated under franchise agreements, three hotel operations operated under management agreements as well as four 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 311.5 M for the year 2014 (221.8).

## NOTE 3 GEOGRAPHICAL DISTRIBUTION OF RENTAL REVENUE

%	2014	2013
Sweden	48	56
Denmark	9	8
United Kingdom	1	4
Germany	5	9
Belgium	10	13
Norway	12	1
Finland	11	2
Switzerland	2	3
Canada	2	4
<b>Total</b>	<b>100</b>	<b>100</b>

## NOTE 4 DEPRECIATION ACCORDING TO PLAN

SEK M	Group		Parent Company	
	2014	2013	2014	2013
Buildings	-214.4	-140.1	-	-
Land improvements	-1.2	-1.2	-	-
Equipment	-99.4	-82.7	-0.6	-0.6
<b>Total depreciation</b>	<b>-315.0</b>	<b>-224.0</b>	<b>-0.6</b>	<b>-0.6</b>

Depreciation amounts to a total of SEK 315.0M of which SEK 314.4 M (223.4) refers to property operations and SEK 0.6 M (0.6) 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 2014 amounted to SEK 55.6 M (56.7).

## NOTE 6 INTEREST INCOME AND OTHER FINANCIAL INCOME AND COSTS

The interest income of the Parent Company is divided into SEK 104.5 M (123.8) from Group companies, SEK 1.0 M (9.0) from external parties, and SEK 0.0 M (0.0) from dividends from subsidiaries. Of SEK -39.6 M (-86.4) in other financial income and cost in the Parent Company, SEK -34.6 M (-83.3) pertains to currency effects in valuation of liabilities in foreign currency at closing date exchange rate. Of SEK 4.8 M (9.9) in Group interest income, SEK 4.8 M (9.9) refers to external interest income and SEK 0.0 M (0.0) refers to dividends from other shares and participations. Other financial and costs in the Group amounts to SEK -19.0 M (-5.2).

## NOTE 7 DEFERRED TAX AND ACTUAL TAX

SEK M	Group		Parent Company	
	2014	2013	2014	2013
<b>Deferred tax expense for the year</b>				
Deferred tax expense relating to temporary differences	-43.7	-33.4	-	37.8
Deferred tax expense relating to deficit deductions	-54.7	-9.6	-	-
Deferred tax expense relating to other provisions	-3.9	1.9	-	-
Deferred tax expense relating to associate companies	-	-20.3	-	-
Deferred tax expense relating to new accounting principles	-	5.4	-	-
<b>Deferred tax reported in the income statement</b>	<b>-102.3</b>	<b>-56.0</b>	<b>-</b>	<b>37.8</b>
<b>Actual tax in the income statement</b>	<b>-15.9</b>	<b>-197.0</b>	<b>-</b>	<b>-</b>
of which relating to associate companies	-	-	-	-
<b>Difference between reported tax and nominal tax rate</b>				
Reported profit before tax	573.4	360.0	734.7	-185.0
Tax as per applicable tax rate	-126.1	-79.2	-161.6	40.7
Tax effect due to nontaxable income	212.9	97.7	30.2	26.1
Tax effect of nondeductible costs and other tax adjustments	-220.3	-246.6	131.4	-29.0
Tax effect relating to foreign operations	15.3	-24.9	-	-
<b>Reported tax expense</b>	<b>-118.2</b>	<b>-253.0</b>	<b>-</b>	<b>37.8</b>
<b>Deferred tax recoverable</b>				
Deficit deductions	664.4	604.3	-	-
Other deferred tax recoverable	24.3	24.7	-	-
<b>Total deferred tax recoverable</b>	<b>688.7</b>	<b>629.0</b>	<b>-</b>	<b>-</b>
<b>Deferred tax liabilities</b>				
Differences between book value and fiscal value of properties	1,023.9	1,039.7	-	-
<b>Total deferred tax liabilities</b>	<b>1,023.9</b>	<b>1,039.7</b>	<b>-</b>	<b>-</b>
<b>Total deferred tax liabilities/recoverable net</b>	<b>-335.2</b>	<b>-410.7</b>	<b>-</b>	<b>-</b>

The Group's nominal tax rate is estimated at 21.1 per cent and in the Parent Company it amounts to 22.0 per cent. The effective income tax rate in the Group amounted in 2014 to 20.6 per cent (66.4). See more detailed comments regarding the paid tax in the Report of the board of directors. In the Parent Company the effective income tax rate amounted to 0.0 per cent (20.5). Last year's actual tax in the income statement was the result after the Swedish Tax Agency's decision to increase the assessed income related to year 2007, resulting in a tax expense of SEK 138.0 M that was paid in December 2013.

## NOTE 8 LAND AND BUILDINGS

SEK M	Group	
	2014	2013
Opening acquisition value	20,549.5	10,142.6
Reclassified as equipment	-29.7	-131.6
Acquisition of properties	-	10,292.0
Investments	374.9	192.0
Disposals	-1,859.2	-
Translation differences – balance sheet	615.0	54.6
<b>Closing accumulated acquisition value</b>	<b>19,650.5</b>	<b>20,549.6</b>
Opening depreciation	-1,549.8	-1,357.5
Effects on the balance sheet after the transition to K3	-	-32.8
Effects on depreciations after the transition to K3	-	-12.7
Disposals	215.6	-
Depreciation for the year	-215.6	-128.6
Translation differences – balance sheet	-87.5	-18.2
<b>Closing accumulated depreciation</b>	<b>-1,637.3</b>	<b>-1,549.8</b>
<b>Closing residual value</b>	<b>18,013.2</b>	<b>18,999.7</b>

For information purposes, an appraisal of the real value of the properties is done each year. The real value is made up by a market value, based on recent prices in an active market, adjusted, if need be, by discrepancies from the norm as concerns the type, location or general status of the asset. If such information is not readily available, alternative methods of evaluation are used such as current prices in less active markets or a discounted cash flow analysis. External valuations are made when conditions have changed in such a way that they can be assumed to have a larger impact on the properties real value or at least every three years.

The property was valued at approximately SEK 27 billion in preparation for the year-end report, according to an internal cash-flow model which fulfils the demands for calculating the value as a going concern and in accordance with general accounting principles (during the year, an external valuation has also been carried out that supports the internal valuation). The evaluation took into account the present value of the predicted future cash flow as well as recent transaction between independent parties in similar markets with similar conditions. When calculating the property's present value, a 10 year calculation period was used.

## NOTE 9 EQUIPMENT

SEK M	Group		Parent Company	
	2014	2013	2014	2013
Opening acquisition value	1,803.8	1,337.9	3.0	3.0
Reclassified from land and buildings	29.7	131.6	–	–
Acquisition of equipment	–	187.3	–	–
Investments	152.6	119.3	–	–
Disposals	–167.6	–8.8	–	–
Translation differences – balance sheet	106.1	36.5	–	–
<b>Closing accumulated acquisition value</b>	<b>1,924.7</b>	<b>1,803.8</b>	<b>3.0</b>	<b>3.0</b>
Opening depreciation	–693.4	–598.4	–1.5	–0.9
Disposals	88.5	–	–	–
Depreciation for the year	–99.4	–82.7	–0.6	–0.6
Translation differences – balance sheet	–51.6	–12.3	–	–
<b>Closing accumulated depreciation</b>	<b>–755.9</b>	<b>–693.4</b>	<b>–2.1</b>	<b>–1.5</b>
<b>Closing residual value</b>	<b>1,168.8</b>	<b>1,110.4</b>	<b>0.9</b>	<b>1.5</b>

## NOTE 10 SHARES AND PARTICIPATIONS IN SUBSIDIARIES

	Corp. Reg. No.	Registered office	Number of shares	Par value	Per cent owned	Book value SEK M
<b>Parent Company</b>						
Hotab Förvaltnings AB	556475-5592	Stockholm	1,000	100	100	285.1
Pandox Förvaltning AB	556097-0815	Stockholm	5,500	100	100	304.7
Hotab 6 AB	556473-6352	Stockholm	1,000	100	100	0.1
Fastighets AB Grand Hotel i Helsingborg	556473-6329	Stockholm	1,000	100	100	15.9
Pandox Fastighets AB	556473-6261	Stockholm	1,000	100	100	21.9
Fastighets AB Mora Hotell	556475-9370	Stockholm	1,000	100	75	0.2
Fastighets AB Stora Hotellet i Jönköping	556469-4064	Stockholm	1,000	100	100	30.1
Pandox Belgien AB	556495-0078	Stockholm	1,000	100	100	4.0
Pandox Hotel Management AB	556469-9782	Stockholm	1,000	100	100	0.1
Hotellus Holding AB	556475-9446	Stockholm	1,000	100	100	16.1
Pandox Luxemburg AB	556515-9216	Stockholm	10,000	10	100	68.3
Pandox i Halmstad AB	556549-8978	Stockholm	1,000	100	100	8.7
Pandox i Borås AB	556528-0160	Stockholm	1,000	100	100	61.5
Grand i Borås Fastighets AB	556030-7083	Stockholm	6,506	100	100	10.0
Hotell Värmdövägen 84 AB	556286-4826	Stockholm	2,000	100	100	4.3
Hotellus International AB	556030-2506	Stockholm	7,480,000	100	100	970.2
KB Lorensberg 49:2	916833-3269	Gothenburg	–	–	100	0.0
Hotellus Östersund AB	556367-3697	Stockholm	1,000	100	100	3.0
Ademrac Holding 1 AB	556683-3371	Stockholm	10,093	100	100	219.4
Ademrac Holding 2 AB	556683-3363	Stockholm	10,010	100	100	219.6
Ademrac AB	556426-2748	Stockholm	1,790,042	100	6.6	3.4
Le Nouveau Palace SA	446188	Brussels	3,000	–	100	291.4
Convention Hotel International AG	270.3.001.168-3	Basle	14,000	–	100	6.2
Hotellus Denmark A/S	28970927	Copenhagen	5,000	–	100	66.2
Hotel Bloom SA	0476.704.322	Brussels	68,808	–	100	67.2
Pandox Belgium SA	0890.427.732	Brussels	100,000	–	100	1.1
Pandox i Malmö AB	556704-3723	Stockholm	1,000	100	100	142.0
Ypsilon Hotell AB	556481-4134	Stockholm	1,000	100	100	39.8
Pandox Kolmården AB	556706-8316	Stockholm	100,000	1	100	0.1
Hotellus Sverige Ett AB	556778-8699	Stockholm	1,000	100	100	0.1
Hotellus Sverige Två AB	556778-8707	Stockholm	1,000	100	100	0.1
Sech Holding AB	556819-2214	Stockholm	357,000	100	100	3,436.8
Pandox Portfölj 2 AB	556982-7040	Stockholm	500	100	100	0.1
Norgani Sollentuna Centrum 12AB	556660-3949	Stockholm	1,000	100	100	274.5
Pandox RMC	0552.929.692	Brussels	1,000	100	100	0.2
<b>Total Pandox AB (publ)</b>						<b>6,572.4</b>

Only companies directly owned by Pandox AB are included in Note 10. For information regarding other group related companies, please refer to the Annual Report filed with the Swedish Companies Registration Office.

## NOTE 11 LIABILITIES TO CREDIT INSTITUTIONS

SEK M	Group		Parent Company	
	2014	2013	2014	2013
Liabilities that fall due within one year following balance sheet date	1,122.4	123.4	937.1	120.0
Liabilities that fall due between one and four years following balance sheet date	3,877.2	8,685.1	3,654.8	2,194.4
Liabilities that fall due five or more years following balance sheet date	7,877.0	5,754.4	–	2,737.7
<b>Total</b>	<b>12,876.6</b>	<b>14,562.9</b>	<b>4,591.9</b>	<b>5,052.1</b>

## NOTE 12 ACCRUED ASSETS AND CONTINGENT REVENUE

SEK M	Group		Parent Company	
	2014	2013	2014	2013
Prepaid rents	65.3	89.2	–	–
Accrued interest expenses	60.8	83.9	19.8	20.6
Property tax	16.9	12.8	–	–
Unrealised hedge results	–	–	–	–
Other	353.7	256.3	34.5	23.2
<b>Total</b>	<b>496.7</b>	<b>442.2</b>	<b>54.3</b>	<b>43.8</b>

## NOTE 13 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK M	Group		Parent Company	
	2014	2013	2014	2013
<b>Pledged assets for loans from credit institutions</b>				
Property mortgages	11,628.4	12,552.7	–	–
Pledged deposit	7.0	7.0	–	–
Contingent liabilities	5.8	4.3	3,919.8	3,955.3

## NOTE 14 AUDIT FEES AND REMUNERATION

SEK M	Group		Parent Company	
	2014	2013	2014	2013
<b>KPMG</b>				
Audit assignments	5.2	4.3	1.0	1.4
Other assignments	1.4	1.1	0.5	0.3
<b>PwC</b>				
Audit assignments	2.7	–	–	–
Other assignments	0.4	–	–	–
<b>Other</b>				
Other assignments	0.1	0.1	–	–
<b>Total</b>	<b>9.8</b>	<b>5.5</b>	<b>1.5</b>	<b>1.7</b>

## NOTE 15 PERSONNEL

	Group		Parent Company	
	2014	2013	2014	2013
<b>Average number of employees</b>				
Men	709	657	12	11
Women	748	655	10	12
<b>Total</b>	<b>1,457</b>	<b>1,312</b>	<b>22</b>	<b>23</b>
Of whom employed in Sweden	22	23	20	23
Of whom employed in Belgium	558	521	–	–
Of whom employed in Germany	385	392	–	–
Of whom employed in Canada	422	376	–	–
Of whom employed in Denmark	41	–	–	–
Of whom employed in Finland	26	–	–	–
Of whom employed in Norway	3	–	–	–
<b>Board of directors and senior managers and executives</b>				
Men	8	9	8	8
Women	2	2	2	2
<b>Total</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>10</b>
<b>Wages, salaries and other remuneration, SEK M</b>				
<i>Board of Directors and CEO</i>				
Wages, salaries and other remuneration	6.8	6.8	6.8	6.8
Social security costs	2.7	2.3	2.7	2.3
Pension costs	1.5	1.5	1.5	1.5
<b>Total</b>	<b>11.0</b>	<b>10.6</b>	<b>11.0</b>	<b>10.6</b>
<i>Other employees</i>				
Wages, salaries and other remuneration	455.2	419.7	24.6	23.4
Social security costs	107.0	87.1	8.8	8.5
Pension costs	15.4	13.3	5.1	4.7
<b>Total</b>	<b>577.6</b>	<b>520.1</b>	<b>38.5</b>	<b>36.6</b>
<b>Wages, salaries and other remuneration per country, SEK M</b>				
<i>Sweden</i>				
Board of Directors and CEO	6.8	6.8	6.8	6.8
Other employees	24.6	23.5	24.6	23.5
<i>Belgium other employees</i>	171.8	151.8	–	–
<i>Germany other employees</i>	92.4	94.8	–	–
<i>Canada other employees</i>	132.4	156.4	–	–
<i>Denmark other employees</i>	19.2	–	–	–
<i>Finland other employees</i>	8.7	–	–	–
<i>Norway other employees</i>	6.1	–	–	–
<b>Total</b>	<b>462.0</b>	<b>433.3</b>	<b>31.4</b>	<b>30.3</b>

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, Hilton Brussels City and the Hotel BLOOM!. Personnel employed in Germany to Hotel Berlin, Berlin, Holiday Inn Lübeck, Radisson Blu Dortmund and Radisson Blu Bremen. Personnel employed in Canada relate to InterContinental Montreal and Hyatt Regency Montreal. Personnel employed in Denmark relate to the operator activities of First Copenhagen and Urban House. Personnel employed in Finland relate to the operator activities in Korpilampi.

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. 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.

## NOTE 16 YEAR-END ADJUSTMENTS

Year-end adjustments will be treated as group contributions to Pandox Holding AB in its entirety.

## NOTE 17 EFFECTS OF THE TRANSITION TO K3

This is the first time that the annual report for Pandox AB (publ) is produced in accordance with BFAR 2012:1 Annual Accounts and Consolidated Accounts (K3 rules). The accounting principles found on page 90 have been applied when the annual report was produced for the year ending on December 31, 2014 and for the comparable items for the year that ended December 31, 2013 as well as for the production of the reports concerning the group's opening balances on January 1, 2013.

The transition to K3 is reported in accordance to Chapter 35, the first time this general advice is applied. When transitioning to K3, an opening balance where the accounting and valuation standards of the K3 have been taken into account in retrospect is produced. When the company's opening balance was produced according to K3, all the items that were previously reported according to the general advice and rulings of the Swedish Accounting Standards Board were adjusted. A summary of how the transition from previous accounting standards has affected the financial position of the company is shown in the tables below and in the respective notes.

The following changes in accounting principles and transition rules affects the company. Component depreciation is applied. Effects on the income statement and the balance sheet due to the transition are shown below:

### EFFECTS ON THE INCOME STATEMENT

	2013-12-31	Justering	2013-12-31
Depreciations	-210.7	-12.7	-223.4
Portion of profits from associate companies	135.2	-16.4	118.8
Deferred tax	-61.4	5.4	-56.0
Income for the year	130.7	-23.7	107.0

### EFFECTS ON THE BALANCE SHEET

Buildings	19,045.2	-45.5	18,999.7
Income for the year	130.7	-23.7	107.0
Net effect of the portion of profits from associate companies		-11.8	
Deferred tax liabilities	1,039.7	-10.0	1,029.7

# Proposed disposition of earnings

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

Balance brought forward	SEK 2,403,027,908
Profit for the year	SEK 734,653,345
	<b>SEK 3,137,681,253</b>

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

Dividend to the shareholders, SEK 6.00 per share	SEK 150,000,000
Amount to be carried forward	SEK 2,987,681,253
	<b>SEK 3,137,681,253</b>

Stockholm, 20 February 2015

**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 20 February 2015.

**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 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 80–98.

### *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 2014 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 2014.

### *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 20, 2015

Per Gustafsson  
Authorized Public Accountant

Willard Möller  
Authorized Public Accountant

# CEO comments

## The hotel market is under change



2014 was another fantastic year for Pandox. Profits and cash-flow reached record levels in nominal as well as relative terms, despite the fact that we divested 15 hotels during the spring. The driving forces behind the positive developments were an improved international economy, positive developments within our own operations, profitable investments and lower financing costs.

Today, Pandox activities cover 114 hotels with a total of 24,000 rooms as well as one congress centre. The quality of the portfolio is high. Revenues have a good balance with about 65 per cent coming from highly dynamic international markets and approximately 35 per cent is derived from national markets with a stable domestic demand. The majority of the hotels in the portfolio have attractive natural locations and strong local market positions. The hotel products are of a high standard, mainly due to the development program that has been running over the last three years, where we have invested SEK 2 billion in existing hotel properties.

One of the major news during 2014 was the establishment of our own operations company – Pandox Operations. Despite the fact that Pandox had already run the operations at a number of hotels for several years, the move still surprised many people in the hotel industry and I would therefore like to take this opportunity to once again explain the reasons behind this decision.

During the last 15 years, the international hotel market has seen large structural changes. The majority of the large hotel companies have changed their business model and become what is known as “brand companies” focussing on distribution and brand development. This means that they have left their traditional role as hotel operators. The new strategy is to build strong brands and to channel customer room reservations through internal websites or other channels where each booking generates income. Another part of the brand companies’ strategy is to set up low risk franchise- or management agreements with the property owners which require little or no capital investment. This business model facilitates fast expansion with a rapid increase in room capacity which in turn leads to increased revenues from bookings. Parallel to this, we have also seen accelerated consolidation within the hotel industry through mergers, acquisitions and new developments. The large have grown larger.

As a result of these developments, the number of hotel companies with a clear focus on hotel operations have decreased, which has given the “brand companies” a position where they successively have been able to move business risk towards the property owners.

In this climate, Pandox’s current business development is not hard to understand. You could simply say that the establishment of

Pandox Operations is a logical and dynamic part of the industry’s development. By establishing a position as an operator, Pandox will decrease the influence of these “brand companies”.

Within the global hotel industry, a number of companies have acted in a way similar to Pandox. Blackstone, Westmont Hospitality and Starwood Capital are some examples of companies that have built business models that adapt to the situation of being able to act as property owners, operators or brand companies. As a result, it is possible to choose the position in the value chain which derives the best value growth. In Scandinavia, Nordic Choice Hotels/Home Properties and Olav Thon Gruppen have successfully built a similar structure which includes both property ownership and operations.

The conclusion is that changes within the hotel sector will also change the role of the pure property owner to be replaced by a more active ownership where one moves vertically along the value chain towards new positions that incorporate operations in order to regain the initiative.

The next few years will be very interesting. There are threats as well as opportunities and if you allow me, I would like to point out some of the major trends within the hotel industry which we will see already this year.

The first trend is the favorable outlook for 2015. If we gaze into our crystal ball, we can see



an increase in travelling, resulting in an increased demand for hotel rooms. There are a number of interesting target groups as well as geographical segments to pay attention to. Younger people, “the Millennials”, travel more often and for longer durations than before, city short breaks are up and event related tourism is popular. In addition, business travels as well as the conference segment are expected to gain as a result of an improved economy.

In Europe, demand from China is rapidly growing. In just a few years, China has grown to become the world's largest place of origin among global travellers. The American economy and the US hotel market continue to improve, which also improves the scope for increased travelling to Europe. And, on top of that, we can also see how Europeans travel more than ever, and when they do, mainly within Europe. Thus, the cake will grow even larger during 2015, a welcome development after a few indifferent years.

Another trend is that the OTAs (Online Travel Agencies) will become even more powerful. With Google's entry into the market for online hotel bookings, most of the global internet giants have chosen hotel reservations as a strategic business area. It is very likely that this will further increase the pressure on the hotel companies and add to the increasing complexity of “Revenue Management”. From the hotel companies’

point of view, one can hope that the increased competition within the OTA sector will decrease the commission cost.

A third area is the increased demands on the hotel's security routines. It is becoming more important to protect the hotels against “hackers” in order for business secrets, presented at meetings for example, not to be leaked and become everyone's property through their release into cyberspace.

Free and functional Wi-Fi connectivity will be as natural as ensuite showers and breakfast buffets. This requires investments in powerful broadband. The use of mobile check in and check out will explode. Guests will not accept waiting in line to check in or out of a hotel. The hotel product will become less generic and be replaced by concepts with a local connection.

Consolidation of the industry structure is expected to continue, which will create an opening for specialised management companies where they are offered assignments from property owners who see it as an alternative to entering into management agreements.

Most important of all, will be to find our place in the digital world which the hotels belong to these days. To work out strategies where one isn't completely in the hands of third party channels is already a key issue. Do you know your RevPAR after commissions? It's rather frightening that

some revenue channels will decrease by more than 20 per cent when looked at in such a way.

In 2015, Pandox will turn 20 years, and what a journey we have had: from being a small, financially weak player with an unproven business model to become one of Europe's largest actors! And the outlook towards the future has rarely looked better. Industrial, long term owners, strong cash flows, a high quality hotel property portfolio and a dedicated, professional organisation provides a solid foundation for an exciting future.

Financially we are expecting 2015 to deliver revenues, profit and cash-flow at all-time high levels.

And don't forget to book the 24th of November in your calendar. That's when we launch the 20th Pandox Hotel Market Day and the cake will be on us!

Yours sincerely,  
Anders



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