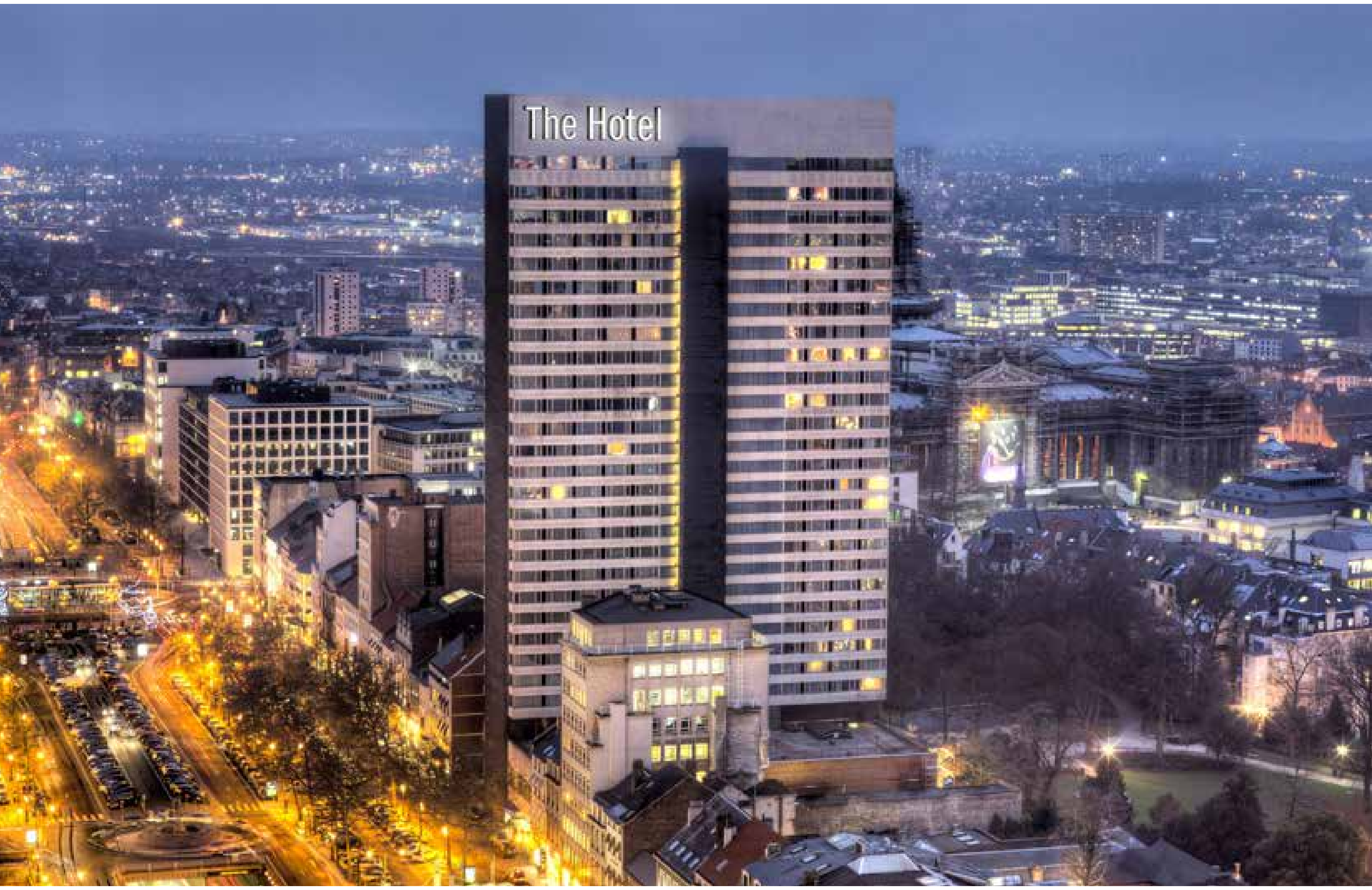
Invitation to acquire B shares in Pandox Aktiebolag (publ)



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Important information to investors

This offering circular (the "Offering Circular") has been prepared in connection with the offering to the public in Sweden and listing on Nasdaq Stockholm (the "Offering") of B shares in Pandox Aktiebolag (publ) (a Swedish public limited liability company). In the Offering Circular, "Pandox", the "Company" or the "Group" refers to Pandox Aktiebolag (publ), the group in which Pandox Aktiebolag (publ) is the parent company or a subsidiary of the group, as the context may require. The "Ultimate Owners" refers to Eiendomsspar AS, Helene Sundt AS and CGS Holding AS. The "Managers" refers to ABG Sundal Collier Norge ASA ("ABG"), Handelsbanken Capital Markets, a part of Svenska Handelsbanken AB (publ) ("Handelsbanken"), Morgan Stanley & Co. International plc ("Morgan Stanley"), Carnegie Investment Bank AB (publ) ("Carnegie"), DNB Markets, part of DNB Bank ASA, Sweden branch ("DNB Markets") and SEB Corporate Finance, Skandinaviska Enskilda Banken AB (publ) ("SEB"). See section "Definitions" for the definitions of these and other terms in the Offering Circular.

The figures included in the Offering Circular have, in certain cases, been rounded off and, consequently, the tables contained in the Offering Circular do not necessarily add up. In addition, certain percentages presented in the Offering Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers. All financial amounts are in Swedish kronor ("SEK"), unless indicated otherwise, and "MSEK" refers to millions of SEK.

Except as expressly stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular that is not part of the information audited or reviewed by the Company's auditor as outlined herein originates from the Company's internal accounting and reporting systems.

The Offering is not directed to the general public in any country other than Sweden. Nor is the Offering directed to such persons whose participation requires additional offering circulars, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden, that would allow any offer of the B shares to the public, or allow holding and distribution of the Offering Circular or any other documents pertaining to the Company or B shares in such jurisdiction. Applications to acquire B shares that violate such rules may be deemed invalid. Persons into whose possession the Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe all such restrictions. Neither the Company nor either of the Managers accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions.

The Managers make no representation or warranty, explicit or implicit, as to the accuracy, completeness or verification of the information contained in the Offering Circular and the contents of the Offering Circular neither is nor shall be relied upon as a promise or representation by the Managers in this respect, whether regarding the past or the future. The Managers assume no liability for the accuracy, completeness or verification of the Offering Circular and accordingly disclaim, to the greatest extent possible under applicable law, all liability that they otherwise may have been subject to for the information provided, regardless of whether such liability is based on contract law, tort law or other grounds.

The B shares in the Offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "Securities Act") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the B shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. All offers and sales of B shares will be made in compliance with Regulation S under the Securities Act. The B shares may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. For certain restrictions on transfer of the B shares, see section "Selling and transfer restrictions". Any reproduction or distribution of the Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The B shares in the Offering have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The Offering Circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); (iii) high net-worth entities falling within Articles 49(2)(a) to (d) of the Order; or (iv) other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). The Offering Circular is only directed at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

The Offering and the Offering Circular are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Offering Circular.

A separate prospectus in Swedish has been approved and registered by the Swedish Financial Supervisory Authority (Sw. Finansinspektionen) in accordance with Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (1991:1980) (Sw. lagen (1991:980) om handel med finansiella instrument). In the event of discrepancies between the Offering Circular and the Swedish prospectus, the Swedish prospectus shall prevail.

Stabilisation

In connection with the Offering, ABG as stabilising manager (the "Stabilising Manager") may, on behalf of the Managers, carry out transactions aimed at supporting the market price of the B shares at levels above those which might otherwise prevail in the open market. Such stabilisation transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the B shares on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. The Stabilising Manager is, however, not required to undertake any stabilisation and there is no assurance that stabilisation will be undertaken.

Stabilisation, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. Within one week of the end of the stabilisation period, the Stabilising Manager will make public whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

Forward-looking statements

The Offering Circular contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Offering Circular concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favourable than the results expressly or implicitly assumed or described in those statements. Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Offering Circular, including the following sections: "Summary", "Risk factors", "Market overview", "Business overview" and "Operating and financial review", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company, the Ultimate Owners or any of the Managers can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Offering Circular may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Offering Circular may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, changes affecting interest rate levels, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations, occurrence of accidents, environmental damages and the availability of financing.

After the date of the Offering Circular, none of the Company, the Ultimate Owners or any of the Managers assume any obligation, except as required by law or Nasdaq Stockholm's Rule Book for Issuers, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

Business and market data

The Offering Circular includes industry and market data pertaining to Pandox's business and markets. Such information is based on the Company's analysis of multiple sources.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of industry and market data contained in the Offering Circular that were extracted or derived from such industry publications or reports. Business and market data are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such data is based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market.

None of the Company, the Ultimate Owners or any of the Managers assumes responsibility for the correctness of any business or market data included in the Offering Circular. Information provided by third parties has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Important information about the selling of shares

Note that notifications about allotment to the public in Sweden will be made through distribution of contract notes, expected to be distributed on 18 June 2015. Institutional investors are expected to receive special notifications about allotment on or around 18 June 2015, whereafter the contract notes will be distributed. After payments for the allocated B shares have been processed by the Managers and Avanza, the duly paid B shares will be transferred to the securities depository account or the securities account specified by the acquirer. The time required to transfer payments and transfer duly paid B shares to the acquirers of B shares in Pandox means that these acquirers will not have B shares available in the specified securities depository account or the securities account until 23 June 2015, at the earliest. Trading in the Company's B shares on Nasdaq Stockholm is expected to commence on or around 18 June 2015. Accordingly, if B shares are not available in an acquirer's securities account or securities depository account until 23 June 2015 at the earliest, the acquirer may not be able to sell these B shares on Nasdaq Stockholm as from the time trading in the B shares commences, but first when the B shares are available in the securities account or the securities depository account.

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SUMMARY OF THE OFFERING

Price range
SEK 100–110 per B share

Application period for the general public in Sweden
9–16 June 2015

Application period for institutional investors
9–17 June 2015

Announcement of Offering price
18 June 2015

First day of trading in Pandox's B shares
18 June 2015

Settlement date
23 June 2015

Other information
Ticker: PNDX B
ISIN code: SE0007100359

FINANCIAL CALENDAR

Interim report for the period January–June 2015	20 August 2015
Interim report for the period January–September 2015	5 November 2015
Year-end report 2015	18 February 2016
Annual report 2015	March 2016

Certain definitions

ABG
ABG Sundal Collier Norge ASA.

Avanza
Avanza Bank AB.

Carnegie
Carnegie Investment Bank AB (publ).

DNB Markets
DNB Markets, part of DNB Bank ASA, Sweden branch.

Euroclear Sweden
Euroclear Sweden AB.

Handelsbanken
Svenska Handelsbanken AB (publ) or, as appropriate, Handelsbanken Capital Markets (a part of Svenska Handelsbanken AB (publ)).

Joint Bookrunners
ABG, Handelsbanken and Morgan Stanley.

Managers
ABG, Handelsbanken, Morgan Stanley, Carnegie, DNB Markets and SEB.

Morgan Stanley
Morgan Stanley & Co. International plc.

Nasdaq Stockholm
The regulated market operated by NASDAQ OMX Stockholm AB.

Pandox, the Company or the Group
Pandox Aktiebolag (publ), the group in which Pandox Aktiebolag (publ) is the parent company or a subsidiary of the group, as the context may require.

SEB
SEB Corporate Finance, Skandinaviska Enskilda Banken AB (publ).

SEK
Swedish krona.

Stabilising Manager
ABG.

SU-ES
SU-ES AB (previously Pandox Holding AB).

Ultimate Owners
Eiendomsspar AS, Helene Sundt AS and CGS Holding AS.

Summary

The summary is drawn up in accordance with information requirements in the form of a number of "paragraphs" which should include certain information. The paragraphs are numbered in sections A–E (A.1–E.7). This summary contains all the paragraphs required in a summary for the relevant type of security and issuer. However, as certain paragraphs are not required, there may be gaps in paragraph numbering sequences. Even if it is necessary to include a paragraph in the summary for the security and issuer in question, it is possible that no relevant information can be provided for that paragraph. In such instances, the information has been replaced by a brief description of the paragraph, along with the specification "not applicable".

SECTION A – INSTRUCTION AND WARNINGS		
A.1	**Introduction and warnings**	This summary should be read as an introduction to the Offering Circular. Any decision to invest in the securities should be based on an assessment of the Offering Circular in its entirety by the investor. Where statements in respect of information contained in an offering circular are challenged in a court of law, the plaintiff investor may, in accordance with member states' national legislation, be forced to pay the costs of translating the offering circular before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Offering Circular or if it does not, together with other parts of the Offering Circular, provide key information to help investors when considering whether to invest in the securities.
A.2	**Consent for use of the Offering Circular by financial intermediaries**	Not applicable. Financial intermediaries are not entitled to use the Offering Circular for subsequent trading or final placement of securities.

SECTION B – ISSUER		
B.1	**Company and trading name**	Pandox Aktiebolag (publ), reg. no. 556030-7885.
B.2	**Issuer's registered office and corporate form**	Pandox's registered office is in Stockholm. Pandox is a Swedish public limited liability company founded in Sweden under Swedish law and operating under Swedish law. Pandox's form of association is governed by the Swedish Companies Act (2005:551).
B.3	**Description of the Issuer's operations**	Pandox is a leading owner of hotel properties in Northern Europe with focus on sizeable hotels in key leisure and corporate destinations. Pandox's hotel property portfolio comprises 104 hotels with a total of 21,969 rooms across eight countries. Pandox's business is divided into two segments: Property management and Operator activities. As of 31 March 2015, Pandox's business segment Property management comprised 89 Investment properties with a total of 17,195 rooms in six countries, that are leased on a long-term basis to market leading regional hotel operators such as Scandic and Nordic Choice, or leading international hotel operators such as Hilton and Rezidor. In 2014, Pandox had a net operating income (before costs for property administration) from Property management of SEK 1,249 million and the market value of the portfolio as of 31 March 2015 amounted to SEK 21,233 million. Pandox's business segment Operator activities comprised 15 Operating properties with a total of 4,774 rooms in five countries, as of 31 March 2015. In addition to being the owner of the hotel properties, Pandox also operates hotels, either through well-known hotel brands such as Hyatt Regency or Holiday Inn, or through independent hotel brands owned by the Company. Revenue and income from the hotel operations within Operator activities accrue in full to Pandox. In 2014, total revenue Operator activities amounted to SEK 1,598 million, net operating income amounted to SEK 320 million and the market value of the portfolio as of 31 March 2015 amounted to SEK 5,763 million.
B.4a	**Trends**	Based on Pandox's strong position in the market, and strong property portfolio, in combination with: • continued improvement of the general economic conditions, • an increase in operator activities, • low interest rates, and • a positive trend in the travel sector, the Company expects to further improve cash earnings in 2015.

B.5	**Description of the Group and the issuer's position within the Group**	The Group comprises the parent company Pandox Aktiebolag (publ) and 182 directly and indirectly owned subsidiaries and one affiliated company.
B.6	**Major shareholders, control over the Company and notifiable individuals, larger shareholders and control**	As at the date of the Offering Circular, Pandox has one shareholder, SU-ES, which holds all A and B shares in the Company. All shares in SU-ES are indirectly owned by the Ultimate Owners and the Company's CEO Anders Nissen. Eiendomsspar AS indirectly holds 49.753 per cent of the shares in SU-ES, Helene Sundt AS indirectly holds 24.876 per cent of the shares in SU-ES, CGS Holding AS indirectly holds 24.876 per cent of the shares in SU-ES and Anders Nissen indirectly holds 0.495 per cent of the shares in SU-ES. Swedbank Robur Fonder, on behalf of its funds, and AMF have agreed to acquire B shares in the Offering to such extent that their ownership in the Company, following completion of the Offering, will amount to seven per cent each of the total number of shares in the Company and 3.5 per cent each of the total number of votes in the Company.
B.7	**Financial information in summary**	The following tables present a summary of Pandox's historical financial information as of, and for, the periods presented. The selected consolidated financial information in summary presented below has been derived from Pandox's audited historical consolidated financial statements as at and for the years ended 31 December 2014, 2013 and 2012, prepared in accordance with IFRS and audited by the Company's auditors, in accordance with what is stated in their report which is included in the historical financial statements. The information has also been derived from Pandox's unaudited interim report as at and for the three-month period ended 31 March 2015, prepared in accordance with IFRS and reviewed by the Company's auditors, in accordance with what is stated in their report which is included in the interim report.

Consolidated statement of profit and loss and other comprehensive income

MSEK	Q1 2015	Q1 2014	2014	2013	2012
Revenue Property management					
Rental income	319	344	1,418	1,523	1,540
Other property income	13	14	60	67	55
Revenue Operator activites	367	304	1,598	1,308	1,179
Total revenues	699	663	3,076	2,897	2,774
Costs Property management	–72	–81	–292	–313	–293
Costs Operator activites	–348	–296	–1,387	–1,200	–1,078
Gross profit	279	287	1,397	1,384	1,403
– whereof gross profit Property management	*260*	*278*	*1,186*	*1,277*	*1,302*
– whereof gross profit Operator activities	*19*	*9*	*211*	*108*	*101*
Central administration	–21	–15	–82	–64	–57
Finance income	1	1	5	8	14
Finance expenses	–115	–145	–541	–615	–600
Profit before changes in value	143	128	779	713	760
Changes in value					
Properties, unrealised	363	480	906	376	233
Properties, realised	—	—	291	—	29
Derivatives, unrealised	–33	–163	–622	321	–212
Profit before tax	473	445	1,354	1,409	811
Current tax	–5	–4	–16	–197	–9
Deferred tax	–95	–90	–85	–265	–305
Profit for the period attributable to the owners of the Parent Company	374	351	1,253	948	497
Other comprehensive income					
Items that have been or may be reclassified to profit or loss					
Translation differences foreign operations	–130	123	–3	–32	–82
Other comprehensive income for the period	–130	123	–3	–32	–82
Total profit for the period attributable to owners of the Parent Company	244	475	1,250	916	415
Earnings per share before and after dilution, SEK[1)]	2.5	2.3	8.4	6.3	3.3
Total earnings per share before and after dilution, SEK[1)]	1.6	3.2	8.3	6.1	2.8

1) The average number of shares for calculating earnings per share and total earnings per share have been adjusted to take account of the 6:1 split in May 2015.

B.7		Consolidated statement of financial position

Consolidated statement of financial position

MSEK	31-March 2015	31-March 2014	31-Dec 2014	31-Dec 2013	31-Dec 2012
ASSETS					
Non-current assets					
Operating properties	4,001	3,692	4,135	3,591	2,980
Equipment / Interiors	707	618	723	659	537
Investment properties	21,233	22,588	20,843	21,911	21,842
Deferred tax assets	898	788	923	773	801
Other non-current receivables	28	24	26	45	10
Total non-current assets	**26,867**	**27,710**	**26,651**	**26,979**	**26,170**
Current assets					
Inventories	10	9	11	10	7
Current tax assets	42	27	44	60	11
Trade accounts receivable	115	125	153	160	147
Prepaid expenses and accrued income	75	56	97	66	75
Other current receivables	12	35	11	8	23
Cash and cash equivalents	378	647	321	589	939
Total current assets	**632**	**897**	**636**	**891**	**1,201**
Total assets	**27,499**	**28,607**	**27,287**	**27,871**	**27,371**
EQUITY AND LIABILITIES					
Equity					
Share capital	375	375	375	375	374
Other paid-in capital	2,138	2,138	2,138	2,138	1,823
Reserves	–247	9	–117	–114	–82
Retained earnings, including profit for the period	8,379	8,381	8,005	8,029	7,281
Equity attributable to owners of the Parent Company	**10,645**	**10,903**	**10,402**	**10,429**	**9,395**
LIABILITIES					
Non-current liabilites					
Interest-bearing liabilities[1)]	11,600	14,497	11,786	14,402	14,839
Derivatives[2)]	933	441	900	278	599
Provisions	42	5	54	5	5
Deferred tax liabilities	2,074	1,786	1,993	1,708	1,457
Total non-current liabilities	**14,649**	**16,729**	**14,732**	**16,392**	**16,900**
Current liabilites					
Provisions	12	—	12	—	—
Interest-bearing liabilities[1)]	1,222	97	1,122	173	181
Tax liabilities	17	24	19	12	31
Trade accounts payable	143	115	189	149	188
Liabilities group companies[3)]	159	33	208	33	33
Other current liabilities	148	121	166	241	259
Accrued expenses and prepaid income	503	585	437	442	384
Total current receivables	**2,205**	**975**	**2,153**	**1,050**	**1,076**
Total liabilities	**16,853**	**17,704**	**16,885**	**17,442**	**17,976**
Total equity and liabilities	**27,499**	**28,607**	**27,287**	**27,871**	**27,371**
Pledged assets			11,635	12,560	15,807
Contingent liabilities			6	4	4

Note: Pledged assets and Contingent liabilities are not reported on a quarterly basis.

1) The reported values of interest-bearing instruments and other financial instruments are a reasonable approximation of their fair value.
2) The derivatives are reported at fair value according to Level 2-valuation according to IFRS, based on observable data, directly or indirectly.
3) Liabilities to group companies amounting to SEK 158.5 million have been repaid in May 2015.

B.7		**Consolidated cash flow statement**

MSEK	Q1 2015	Q1 2014	2014	2013	2012
OPERATING ACTIVITIES					
Profit before tax	473	445	1,354	1,409	811
Reversal of depreciation	32	25	110	102	88
Changes in value, Investment properties, realised	—	—	–291	—	–29
Changes in value, Investment properties, unrealised	–363	–480	–906	–376	–233
Changes in value, derivatives, unrealised	33	163	622	–321	212
Taxes paid	–5	–4	–7	–242	–3
Cash flow from operating activities before changes in working capital	171	149	881	573	846
Increase/decrease in operating assets	12	44	–13	–41	70
Increase/decrease in operating liabilities	–33	9	12	8	–277
Changes in working capital	–21	53	–1	–33	–207
Cash flow from operating activities	150	202	881	540	639
INVESTING ACTIVITIES					
Investments in Investment properties	–40	–128	–353	–452	–326
Investments in Operating properties	–31	–21	–87	–40	–13
Investments in equipment/interiors	–15	–10	–88	–169	–196
Divestment of subsidiaries, net affect on liquidity	—	—	2,607	—	232
Acquisitions of subsidiaries, net affect on liquidity	—	—	—	—	–560
Acquisitions of financial assets	0	–1	–2	–35	–6
Divestment of financial assets	2	22	24	0	3
Cash flow from investing activities	–85	–138	2,101	–696	–866
FINANCING ACTIVITIES					
New share issue	—	—	—	435	—
Group contributions to Parent Company's shareholders	—	—	–175	—	–15
Raised loans	—	—	422	160	1,396
Amortisation of debt	–8	–7	–2,387	–609	–564
Paid dividends	—	—	–1,103	–199	–337
Cash flow from financing activities	–8	–7	–3,242	–213	481
Cash flow for the year	57	57	–261	–369	253
Cash and cash equivalents at the beginning of year	321	589	589	939	685
Exchange difference in cash and cash equivalents	0	1	–7	19	1
Cash and cash equivalents at end of period	378	647	321	589	939
Information regarding interest payments					
Interest received	1	1	5	8	14
Interest paid	–114	–143	–522	–607	–592
Information regarding cash and cash equivalents at end of period					
Cash and cash equivalents consist of bank deposit	378	647	321	589	939

B.7		**Segment information**

Quarter 1 2015

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	193	29	46	49	14	332
revenue Operator activities	—	19	—	5	343	367
Properties	12,573	2,549	2,740	3,084	6,050	26,996
Investments in properties	28	19	1	12	26	86

Quarter 1 2014

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	220	27	44	46	21	359
revenue Operator activities	—	13	—	6	286	304
Properties	13,828	2,263	2,689	2,910	5,411	27,100
Investments in properties	63	9	7	30	50	159

2014

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	869	143	199	205	61	1,477
revenue Operator activities	—	90	—	25	1,483	1,598
Properties	12,349	2,578	2,636	3,103	5,839	26,504
Investments in properties	202	34	22	128	141	528
Realised changes in value, properties	249	—	—	—	42	291

2013

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	948	160	193	193	96	1,589
revenue Operator activities	—	2	—	23	1,283	1,308
Properties	13,326	2,203	2,620	2,906	5,226	26,282
Investments in properties	247	15	51	144	204	661

2012

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	957	97	201	208	132	1,596
revenue Operator activities	—	6	—	23	1,150	1,179
Properties	12,851	2,101	2,719	2,737	4,883	25,291
Investments in properties	190	54	30	46	215	535
Realised changes in value, properties	29	—	—	—	—	29

B.7		**Certain definitions and key figures**

The information set out below and under the heading " – Key figures", covering the financial years 2012–2014 and the first quarters 2014 and 2015, is of significant value to investors, since it enables a better evaluation of Pandox's financial condition and results. The information in the tables below and under the heading " – Key figures" has been calculated based on figures in Pandox's historical financial information covering the financial years 2012-2014 and the Interim financial report for the period January–March 2015. Please note that the tables and calculations below have not been included in the Company's historical financial information and are not encompassed by the audit report.

Net operating income, MSEK	Q1 2015	Q1 2014	2014	2013	2012
PROPERTY MANAGEMENT					
Investment properties					
Rental income	319	344	1,418	1,523	1,540
Other property income	13	14	60	67	55
Costs, exclusive costs for Property management	–56	–64	–229	–247	–228
Net operating income before Property management	**276**	**294**	**1,249**	**1,342**	**1,367**
Property management	–16	–16	–63	–66	–65
Net operating income – equivalent to gross profit/loss	**260**	**278**	**1,186**	**1,277**	**1,302**
OPERATOR ACTIVITIES					
Operating properties					
Income	367	304	1,598	1,308	1,179
Costs	–348	–296	–1,387	–1,200	–1,078
Gross profit/loss	**19**	**9**	**211**	**108**	**101**
Plus: Depreciation included in costs	32	25	109	102	88
Net operating income	**51**	**33**	**320**	**209**	**188**

EBITDA-reconciliation, MSEK	Q1 2015	Q1 2014	2014	2013	2012
Gross profit/loss	279	287	1,397	1,384	1,403
Plus: Depreciation included in costs operating activities	32	25	109	102	88
Less: central administration, excluding depreciation	–21	–15	–81	–64	–57
EBITDA	**289**	**296**	**1,425**	**1,422**	**1,434**

Cash earnings, MSEK	Q1 2015	Q1 2014	2014	2013	2012
EBITDA	289	296	1,425	1,422	1,434
Plus: Financial income	1	1	5	8	14
Less: Financial expenses	–115	–145	–541	–615	–600
Less: Current tax	–5	–4	–16	–197	–9
Cash earnings	**171**	**149**	**873**	**618**	**839**

Net asset value EPRA NAV, MSEK	Q1 2015	Q1 2014	2014	2013	2012
Recognised shareholders' equity	10,645	10,903	10,401	10,429	9,395
Plus: Revaluation of Operating properties	1,054	203	803	121	–68
Plus: Reversal of derivatives	933	441	900	278	599
Less: Deferred tax, derivatives	–205	–126	–219	–93	–179
Plus: Deferred tax, properities	2,011	1,732	1,930	1,653	1,426
EPRA NAV	**14,438**	**13,153**	**13,816**	**12,388**	**11,174**

B.7

SPECIFICATION OF COSTS

Investment properties, MSEK	2014	2013	2012
Operating costs	–37	–43	–44
Maintenance costs	–77	–79	–67
Property tax	–84	–95	–86
Site leasehold rent	–31	–30	–32
Property administration	–63	–66	–65
Costs, Investment properties	–292	–313	–293

Note: Specification of costs for Property management is not reported on a quarterly basis.

Operating properties, MSEK	2014	2013	2012
Employee costs	–641	–593	–560
Marketing and sales	–151	–132	–113
Repairs and maintenance	–28	–26	–22
Other operating costs	–458	–348	–295
Depreciation	–109	–102	–88
Costs, Operating properties	–1,387	–1,200	–1,078

Note: Specification of costs for Operator activities is not reported on a quarterly basis.

Key figures

Financial data	Q1 2015	Q1 2014	2014	2013	2012
Return on equity, %	3.6	3.3	12.0	9.6	5.4
Equity to asset ratio, %	38.7	38.1	38.1	37.4	34.3
Loan to value ratio, %	47.5	53.9	48.7	55.5	59.4
Interest cover ratio	2.5	2.1	2.6	2.3	2.4
Average cost of debt, %	–3.4	–3.9	–3.6	–4.0	–3.9
Net interest bearing debt, MSEK	12,444	13,948	12,587	13,986	14,081
Investments, ex acquisitions, MSEK	86.2	159.0	527.5	660.7	535.0
Per share data[1)]					
Earnings per share, SEK	2.5	2.3	8.4	6.3	3.3
Cash earnings per share, SEK	1.1	1.0	5.8	4.1	5.6
Shareholders' equity per share, SEK	71.0	72.7	69.3	69.5	62.9
Net asset value (EPRA NAV) per share, SEK	96.3	87.7	92.1	82.6	74.8
Dividend per share, SEK[2)]	—	—	6.9	1.4	1.3
Weighted average number of shares, after dilution, thousands[1)]	150,000	150,000	150,000	149,412	149,400
Property data					
Number of hotels[3)]	104	119	104	119	119
Number of rooms[3)]	21,969	24,780	21,969	24,780	24,661
WAULT, years	8.7	8.4	9.0	—	—
Property market value, MSEK	26,996	27,101	26,504	26,282	25,291
Market value, Investment properties, MSEK	21,233	22,588	20,843	21,911	21,842
Market value, Operating properties, MSEK	5,763	4,513	5,660	4,371	3,449

1) Retroactively adjusted for share split in May 2015. Total number of outstanding shares after full dilution amounts to 150,000,000, of which 75,000,000 are A shares and 75,000,000 are B shares. For the purpose of comparability, the total number of shares have been used to calculate the key figures.
2) 2014 includes the proposed dividends, as well as the resolved upon extraordinary dividend paid in 2014.
3) Hotel properties owned by Pandox.

B.7

DEFINITIONS

Return on equity, %
Profit or loss for the period, attributable to the shareholders of the parent company, as a percentage of average equity (shareholders'equity).

Equity to asset ratio, %
Reported shareholders' equity as a percentage of total assets at the end of the period.

Loan to value ratio, %
Interest-bearing liabilities as a percentage of the total market value of properties at the end of the period.

Interest cover ratio
Profit before value changes, plus financial expenses and depreciation, divided by financial expenses.

Average cost of debt, %
Average interest rate paid as a percentage of current interest-bearing debt.

Net interest bearing debt, MSEK
Total interest-bearing liabilities less cash and cash equivalents.

Investments, excluding acquisitions, MSEK
Investments in properties, excluding acquisitions.

Gross profit, Property management, MSEK
Revenue less directly related costs for Property management.

Gross profit, Operator activities, MSEK
Revenue less directly related costs for Operator activities and depreciation on fixed assets excluding acquisitions.

Net operating income, Property management, MSEK
Net operating income corresponds to gross profit Property management. See "– Certain definitions and key figures" for full reconciliation.

Net operating income, Operator activities, MSEK
Gross profit for Operator activities plus depreciation included in costs, Operator activities. See "– Certain definitions and key figures" for full reconciliation.

EBITDA, MSEK
Total net operating income less central administration excluding depreciation. See "– Certain definitions and key figures" for full reconciliation.

Cash earnings, MSEK
EBITDA plus financial income less financial expenses less current tax. See "Certain definitions and key figures" for reconciliation.

Cash earnings per share, SEK
EBITDA plus financial income less financial expenses less current tax, divided by the weighted average total number of shares outstanding.

Earnings per share, SEK
Profit for the period, attributable to the owners of the parent company, divided by the weighted average total number of shares outstanding.

Shareholders' equity per share, SEK
Reported shareholder's equity, attributable to the shareholders of the parent company, divided by the total number of shares outstanding at the end of the period.

Net asset value (EPRA NAV) per share, SEK
Recognised equity, attributable to the shareholders of the parent company, including reversal of derivatives and deferred tax and revaluation of Operating properties divided by the total number of diluted shares outstanding at the end of the period. See "– Certain definitions and key figures" for full reconciliation.

Dividend per share, SEK
Dividend for the year divided by the total weighted number of diluted shares outstanding at the end of the period.

Weighted average number of shares, before dilution
The weighted average number of shares incorporates any changes in the amount of outstanding shares, before dilution, over the reporting period.

Weighted average number of shares, after dilution
The weighted average number of shares incorporates any changes in the amount of outstanding shares, after dilution, over the reporting period.

Number of hotels
Number of owned hotel properties, at the end of the period.

Number of rooms
Number of rooms in owned hotel properties, at the end of the period.

WAULT (Investment properties), years
Average lease term remaining to expiry, across the Investment property portfolio, weighted by contracted rental income.

Property market value, MSEK
Market value of Investment properties plus market value of Operating properties.

B.7		**Significant events in the period 1 January 2012–31 March 2015** • Following Pandox's acquisition of Norgani Hotels in 2010, Pandox entered into an agreement with its largest tenant, Scandic, to refurbish and upgrade 40 hotels for a total of SEK 1.6 billion of which Pandox's part amounted to SEK 1.0 billion. In connection therewith, the lease agreements for the hotels in the project, called Shark, were renegotiated with improved conditions for Pandox (higher percentage rents). The Shark project is in its final phase and is expected to be completed according to the time plan during 2015. The project has remained within the original budget. • On 1 December 2013, the Company completed its acquisition of the Norgani Group by acquiring the remaining 50 per cent of the group. The Company had acquired the other 50 per cent of the group in 2010. However, the annual financial information for the years 2012 and 2013 included in this Offering Circular reflects Pandox accounts as if 100 per cent of the shares in Norgani Group had been acquired on 1 January 2012. In addition, on 31 December 2012, as part of the Norgani transaction, the Company acquired four hotel properties in Denmark, three located in Copenhagen and one in Kolding. • During 2013, the lease contracts for Hilton Bremen, Hilton Dortmund and Scandic Lübeck expired. As the leases expired, Pandox assumed responsibility for the hotel operations under separate franchise agreements, two with Rezidor for the hotels in Dortmund and Bremen (now Radisson Blu hotels) and one with InterContinental for the hotel in Lübeck (now the Holiday Inn Lübeck). In addition, in December 2013, Pandox took over the operations of First Hotel Copenhagen, Denmark, and entered into a franchise contract with First Hotels. Finally, in April 2014, Pandox took over the hotel operations for Omena Hotel in Copenhagen, Denmark. The hotel has changed its name to Urban House Copenhagen, and as of 1 April 2014, is reported under the Operator activities segment. • In 2012–2014 the Operator activites segment has grown from 10 hotel properties as of 31 December 2012 to 16 hotel properties as of 1 March 2015. • Pandox divested 14 hotel properties in Sweden to Fastighets AB Balder, in addition to the Hilton Docklands Hotel in London which was sold to H.I.G. Capital. Total proceeds from the divestments amounted to SEK 2.7 billion, or approximately 12 per cent above Pandox's estimate of market value as of 31 December 2013. **Significant events since 31 March 2015** On 23 April 2015, the Company announced that it will take over operations at Mr. Chip in Kista, Sweden, effective 1 June 2015. The hotel property has been owned by the Group since 2001 and is currently part of Property management. On 5 May 2015, the Company announced that Pandox and Elite Hotels had agreed on new long-term lease agreements for two hotels, Elite Park Avenue Gothenburg and Elite Stora Hotellet Jönköping (both located in Sweden). Following the renegotiation of the lease agreements both hotels will undergo refurbishments, see section "Business overview – The property portfolio – Projects". On 5 May 2015, at the Annual General Meeting of Pandox Aktiebolag (publ), the shareholders approved the board of directors' proposal to distribute a dividend of SEK 150 million to SU-ES and resolved to create two share classes, A shares and B shares, as well as a split of shares (6:1). For more information regarding Pandox's share capital structure, see section "Share capital and ownership structure". On 8 May 2015, the Company announced that it will take over operations at Quality Hotel & Resort Fagernes, Norway, effective 1 January 2016. The hotel property has been owned by the Group since 2010 and is currently part of the Property management segment. Nasdaq Stockholm's listing committee decided on 22 May 2015 to admit the Company's B share to trading on Nasdaq Stockholm, subject to customary conditions, such as the distribution requirements for the Company's B share being fulfilled no later than on the first day of trading.
B.8	**Pro forma accounting**	Not applicable. The Offering Circular does not contain pro forma accounting.
B.9	**Profit/loss forecast**	Not applicable. The Company has not presented any profit/loss forecast.
B.10	**Audit remarks**	Not applicable. There are no remarks in the audit report.
B.11	**Net working capital**	Not applicable. Pandox believes that the existing net working capital, together with available credit facilities and expected cash flow from operating activities, is sufficient to meet the Company's current needs for working capital over the next twelve month period.

SECTION C – SECURITIES		
C.1	**Securities offered**	B shares in Pandox Aktiebolag (publ), reg. no. 556030-7885. ISIN number: SE0007100359.
C.2	**Denomination**	The shares are denominated in SEK.
C.3	**Total number of shares in the Company**	As at the date of this Offering Circular, there are 75,000,000 A shares and 75,000,000 B shares in the Company, each with a quota value of SEK 2.5. Each share has been fully paid. No new shares will be issued in connection with the Offering.
C.4	**Rights associated with the securities**	The Offering only comprises the Company's B shares. Each A share entitles the holder to three votes at shareholders' meetings, whereas each B share entitles the holder to one vote at shareholders' meetings. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportional to the class of shares (A shares or B shares) and the number of such shares held prior to the issue. The shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the listing of the B shares. All shares in the Company give equal rights to the receipt of dividends and the Company's assets and possible surpluses in the event of liquidation.
C.5	**Restrictions in free transferability**	Not applicable. The B shares are not subject to any restrictions on transferability.
C.6	**Admission to trading**	Nasdaq Stockholm's listing committee decided on 22 May 2015 to admit the Company's B shares to trading on Nasdaq Stockholm, subject to customary conditions, such as the distribution requirements for the Company's B shares being fulfilled no later than on the first day of trading. If the Company's board of directors ultimately resolves to list the Company's B shares, trading in the Company's B shares is expected to begin on or about 18 June 2015.
C.7	**Dividend policy**	Pandox's target is a dividend pay-out ratio of between 40 per cent and 60 per cent of cash earnings, with an average payout ratio over time of approximately 50 per cent. Future dividends and the size of any such dividends are dependent on Pandox's future performance, financial condition, cash flows, working capital requirements, planned investments and other factors.

SECTION D – RISKS		
D.1	**Main risks related to the issuer or the industry**	Pandox's business and market are subject to certain risks which are completely or partly outside the control of Pandox and which could affect Pandox's business, financial condition and results of operations. Prior to any investment decision, it is important to carefully analyse the risk factors considered to be material to Pandox's future development. These risk factors include, among others, the main following sector risks and risks related to the operations: • **The value of the Company's assets is affected by macroeconomic fluctuations and the liquidity in the property market could decline.** The hotel property market, and thus also the Company, is affected by macroeconomic factors such as the level of inflation and the rate of economic growth. An economic downturn may decrease the market value of some or all of the Company's hotel properties. Further, liquidity in the property market may decline and, to the extent the Company wishes to engage in divestment activities, its ability to sell parts of its property portfolio could depend on the state of investment markets and on market liquidity. • **In its business, the Company is subject to risks related to repositioning and transforming hotel properties.** Part of Pandox's strategy is to acquire sizeable underperforming hotel properties in strategic locations which can be refurbished, restructured and/or repositioned. To the extent that the Company engages in such activities it will be subject to certain risks. These risks include, but are not limited to, the reduced availability and increased pricing of financing on favourable terms or at all, damage to third party property during refurbishment or renovation of properties, cost and timely completion of projects, the potential that the Company expends funds on and devotes management time to projects which it does not or cannot complete as well as the possibility that properties which have been renovated or refurbished might be leased at below-expected rental rates. • **The Company's costs of maintaining, replacing and improving its current properties could be higher than estimated.** The Company's lease agreements with tenants generally stipulate that the Company, as lessor, is responsible for property related investments and maintenance costs, such as the structure, technical installations and bathrooms. The Company is exposed to the risk that costs relating to the maintenance, replacements and upgrading of the properties for which the Company is responsible could be higher than estimated by the Company or reflected in the pricing of the relevant leases.

D.1	**Main risks related to the issuer or the industry, cont.**	• **The Company might be unable to identify and acquire suitable hotel properties.** The availability of and demand for hotel properties, planning and other local regulations or the availability of financing may restrict the supply of suitable hotel properties. The Company faces competition from international, regional and local hotel owners and real estate companies, which may have greater financial resources than the Company and may be willing to pay more for comparable properties. Accordingly, in the future the Company might not be successful in identifying or acquiring new hotel properties on satisfactory terms, or at all. • **The Company may from time to time carry out acquisitions of new hotel properties, which is subject to risks.** Property acquisitions are inherently associated with a certain amount of risk and uncertainty, including the risk of management time and resources being used to pursue acquisitions that are not successfully completed, the risk of over-paying for assets, the risk of incorrect assumptions regarding the future results of acquired operations, the risk of taking over lease agreements with provisions unfavourable to the lessor, as well as the risk of diverting the Company management's attention away from existing operations. • **The Company may be unable to retain, and recruit, key personnel in the future.** The Company's future success is to some extent dependent on its members of management and other key personnel who provide expertise, experience and commitment. If the Company is unable to retain members of management and other key personnel, or recruit new members of management or other key personnel to replace people who leave the Company this may have a material adverse effect on the Company's business, financial condition and results of operations. • **The Company depends on external operators' reputation, brand, ability to run their businesses successfully and financial condition.** As of the date of the Offering Circular, the Company owns 102 hotel properties located in northern Europe and two hotel properties located in Canada. 89 of those hotel properties are leased to external operators. Although most of the revenue-based lease contracts include provisions which stipulate a guaranteed minimum rent, the Company could be adversely affected if the levels of the guaranteed rent are not sustainable over time. The Company depends on its counterparties fulfilling their obligations towards the Company, including its operators' ability to pay their rents fully and on time. As of 31 March 2015, the Company's largest tenant, Scandic, constituted 49 per cent of the Company's number of rooms, whilst the second largest, Nordic Choice, constituted 12 per cent. If the Company's larger operators do not renew or prolong their contracts when they expire, there is a risk that the Company will not be able to find new operators for properties that are vacated or successfully operate the properties on its own. • **The Company is exposed to environmental risks.** Property investments are connected with the risk of the properties being contaminated. This means that, under certain conditions, claims could be made against Pandox for soil remediation or reclamation relating to the presence of suspicion of contamination in soil, catchment areas or groundwater. • **The Company is affected by interest rate fluctuations.** Interest expense is, and has historically been, the Company's largest expense item. Interest expense is affected by the level of market interest rates and by the margins of the relevant credit institutions, as well as by the Company's strategy in regards to interest rates. The Company maintains a majority of its credit facilities at floating interest rates. However, the Company enters into interest rate swaps in order to obtain fixed interest periods. There is a risk that the market interest rates rise, or that the Company fixes interest rates at a level that is higher than the market interest rate. • **The Company is exposed to the risk of being unable to refinance its facility agreements when they fall due.** The levels of indebtedness in property companies are often significant. The Company primarily finances its operations through borrowing and its own cash flows. There is a risk that additional capital cannot be obtained, or that this can be obtained only at terms that are disadvantageous to Pandox. If any of the abovementioned risks were to occur, it could have a material adverse effect on the Company's business, financial condition and results of operations. • **The Company is subject to certain risks common to the hotel industry, which are beyond the Company's control.** Pandox only invests in one type of asset: hotel properties. Pandox is therefore subject to certain risks common to the hotel industry, including but not limited to changes in national, regional or local political, economic or market conditions in the areas in which the Company operates, outbreaks of disease and health problems, threats of terrorism or actual terrorist events, extreme weather conditions, natural disasters or other factors that may affect travel patterns and the number of travellers, changes in the desirability of travel locations and changes in customers' travel patterns or in local or regional demand, etc. Any one or more of these factors could negatively impact the Company's revenue and profits. • **The hotel industry is characterised by intense competition and Pandox may be unable to compete effectively in the future.** Pandox operates in an industry that is exposed to intense competition. Pandox's competitiveness depends on the Company being able to predict future changes and trends in the industry and quickly adapt to current and future market needs. The Company's competitors may have greater resources than the Company and be able to better withstand industry downturns, compete more effectively, retain skilled personnel to a larger degree than the Company or respond more quickly to changes in local markets. If the Company is unable to compete successfully, its revenues or profits may decline.

D.1	**Main risks related to the issuer or the industry, cont.**	• **New business models may enter the hotel industry.** In the past few years, the hotel industry has witnessed the emergence of new market entrants with business models that are different from the traditional business models of hotel owners and operators. Such market entrants include AirBnB, Inc. and HomeAway, Inc., which have introduced potentially disruptive competition to the hotel market by competing on different terms than traditional hotel operators. If Pandox is unable to compete successfully, its revenues or profits may decline. • **The growth of online travel agencies ("OTAs") could materially and adversely affect Pandox's business and profitability.** Rooms are increasingly booked through online travel agencies, such as Expedia.com, Hotels.com and Booking.com. Growth in the number of bookings through OTAs could reduce the Company's margins and could affect its tenants' ability to pay rent, which could materially and adversely affect the Company's business, financial condition and results of operations. Furthermore, if the number of bookings through OTAs increases in the future, the Company or its operators may become dependent on distribution of their rooms through OTAs. The main sector risks and risks related to operations described above could have a material adverse effect on Pandox's business, results of operations, financial condition and future development. In addition, the Company is exposed to additional risks that are described in this Offering Circular as well as risks that are not currently known to the Company or that the Company currently believes are immaterial and that may have a material adverse effect on the Company's business, financial condition and results of operations.
D.3	**Main risks related to the securities**	Any investment in securities involves risks. Any such risks could also cause the trading price of Pandox's B shares to decline significantly and investors could potentially lose all or part of their investment. Risks related to Pandox's B shares include: • **An active, liquid and orderly trading market for Pandox's B shares may not develop, the price of its B shares may be volatile, and potential investors could lose a portion or all of their investment.** Prior to the Offering, there is no public market for trading in Pandox's B shares. There is a risk that an active and liquid market will not develop or, if developed, will not be sustained after completion of the Offering. The Offering price will be set by the Ultimate Owners in consultation with the Joint Bookrunners. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the B shares following the Offering. Investors may therefore not be able to resell B shares at or above the Offering price. • **Sales of shares by existing shareholders could cause the B share price to decline and could trigger change of control provisions.** The market price of Pandox's B shares could decline if there are substantial sales of the Company's B shares, particularly sales by the Company's directors, executive management, and significant shareholders, or otherwise when a large number of B shares are sold. Further, sales of B shares by SU-ES could further trigger change of control provisions in the Company's financing agreements. • **The Ultimate Owners, through SU-ES, will retain substantial control over Pandox after the Offering and this may limit new shareholders' ability to influence corporate matters.** The concentrated control maintained by the Ultimate Owners could limit other shareholders' ability to influence corporate matters and the Ultimate Owners could exercise influence over Pandox in a manner that is not in the best interest of the other shareholders. • **Pandox's ability to pay dividends is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors.** The amount of any future dividends that Pandox will pay, if any, will depend upon a number of factors, such as future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors. There is a risk that Pandox's shareholders may not resolve to pay dividends in the future or that the Company may not have sufficient distributable funds available. • **Differences in currency exchange rates may materially and adversely affect the value of shareholdings or dividends paid.** The shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects regarding the value of their shareholding and their dividends, when converted into other currencies, if SEK depreciates against the relevant currency. • **Shareholders in other countries outside Sweden may not be able to participate in any potential future cash offers.** If Pandox issues new shares in a cash issue, shareholders in the United States or other countries outside Sweden may be subject to limitations that prevent them from participating in such rights offerings, or that makes participation difficult or limited. • **The Cornerstone Investors may not fulfil their undertakings.** The Cornerstone Investors' undertakings are not secured through a bank guarantee, blocked funds, pledge of collateral or similar arrangement. Hence, there is a risk that the Cornerstone Investors will not be able to fulfil their undertakings.

SECTION E – OFFERING		
E.1	**Issue proceeds and issue costs**	No new shares or other securities are issued by Pandox in connection with the preparation of this Offering Circular, and accordingly, the Company will not receive any issue proceeds. Pandox's costs associated with the listing of the B shares on Nasdaq Stockholm and the Offering are expected to amount to approximately SEK 20 million. Such costs relate primarily to costs for auditors, attorneys, the printing of the Offering Circular and costs related to management presentations. Pandox will be reimbursed by SU-ES for these expenses.
E.2a	**Reasons for the Offering**	In view of the Company's growth since 2004, the Ultimate Owners wish to reduce Pandox's share within their respective property and investment portfolios. The Ultimate Owners and the board of directors are of the opinion that the time is appropriate to reduce the Ultimate Owners' ownership and make Pandox a listed company again. The Offering and the listing will expand Pandox's shareholder base and enable Pandox to access the Swedish and international capital markets, which will support the Company's continued growth and development. The board of directors and executive management of Pandox, supported by the Ultimate Owners, consider the Offering and listing of the Company's B shares to be a logical and important step in Pandox's development, as it will also increase the awareness of Pandox and its operations among current and potential customers and suppliers.
E.3	**Offering forms and conditions**	**The Offering** The Offering is directed to the general public in Sweden[1)] and to institutional investors[2)]. The Offering comprises 52,173,914 B shares, representing approximately 34.78 per cent of the total number of shares in the Company. **Over-allotment option** SU-ES intends to grant an over-allotment option whereby it pledges to, at the request of the Stability Manager on behalf of the Managers, within 30 days following the first day of trading in the Company's B shares on Nasdaq Stockholm, divest up to 7,826,086 additional B shares, representing a maximum of 5.22 per cent of the total number of shares in the Company. **Book-building procedure** With the purpose of achieving a price determination on market terms for the B shares covered by the Offering, institutional investors will be given opportunity to participate in a book-building procedure. The book-building procedure will take place during the period 9-17 June 2015. The Offering price is determined within the scope of this book-building procedure. The book-building procedure for institutional investors may be discontinued early or be extended. Notice regarding such possible discontinuation or extension is given through a press release before the expiration of the application period. **Offering price** The Offering price is determined through the abovementioned book-building procedure and is expected to be set within the price range SEK 100–110 per B share and is expected to be published on or around 18 June 2015 through a press release. The Offering price to the general public will not exceed SEK 110 per B share. Commission will not be charged. The price range has been determined by SU-ES in consultation with the Joint Bookrunners based on an assessment of investment interest from institutional investors. **Allotment** Decision on allotment of shares is made by SU-ES in consultation with the Joint Bookrunners, whereby the goal will be to achieve a broad distribution of the B shares among the general public and in order to facilitate a regular and liquid trading in the Company's B shares on Nasdaq Stockholm. The Cornerstone Investors are however guaranteed allotment in accordance with their respective undertakings. **Terms and conditions for fulfilment of the Offering** The Offering is conditional upon SU-ES, Pandox and the Joint Bookrunners entering into an agreement regarding placing of B shares in the Company, which is estimated to occur on or around 17 June 2015. The Offering is conditional upon the interest for the Offering being sufficiently large for trading in the B shares, that the placing agreement is entered into, that certain terms and conditions in the agreement are fulfilled and that the agreement is not terminated.

1) The general public is defined as private individuals and legal entities in Sweden that apply for acquisitions of no less than 100 B shares and no more than 10,000 B shares, in blocks of 100 B shares.
2) Institutional investors are defined as private individuals and legal entities that apply for acquisitions of no less than 10,000 B shares.

E.4	**Interests and conflict of interests**	ABG, Handelsbanken, Morgan Stanley, Carnegie, DNB Markets and SEB are acting as Managers in connection with the Offering. The Managers provide financial advisory and other services to the Company, SU-ES and the Ultimate Owners in connection with the Offering. From time to time, the Managers will provide services to the Ultimate Owners and parties affiliated to the Ultimate Owners in in the ordinary course of business and in connection with other transactions. In addition, SEB is acting as lender under one credit agreement with Pandox Aktiebolag (publ) and a Danish subsidiary of Pandox Aktiebolag (publ) as borrowers and as lender under one credit agreement with two Danish subsidiaries of Pandox Aktiebolag (publ) as borrowers and Pandox Aktiebolag (publ) as guarantor. Handelsbanken, directly or through its Hamburg branch, is acting as lender under four credit agreements entered into with Pandox Aktiebolag (publ) as borrower. DNB Bank ASA is acting as lender under nine credit agreements with Group companies as borrowers and Pandox Aktiebolag (publ) as guarantor. Moreover, Handelsbanken and DNB Bank ASA are jointly acting as mandated lead arrangers and original lenders in one credit arrangement with Pandox's subsidiaries as borrowers and guarantors. DNB Bank ASA is acting as agent and DNB Bank ASA and Handelsbanken's Norwegian branch are jointly acting as hedge guarantors under the same arrangement.
E.5	**Selling shareholder/Lock-up agreements**	SU-ES will sell B shares in the Offering. Under the placing agreement which is expected to be entered into on or around 17 June 2015, SU-ES and Anders Nissen will undertake, with certain exceptions, not to sell shares in the Company for a certain period after trading on Nasdaq Stockholm has commenced (the "Lock-up period") without prior written consent from the Joint Bookrunners. The Lock-up period for SU-ES will be 180 days. The Lock-up period for Anders Nissen will be 360 days. At the end of the respective Lock-up periods, the B shares may be offered for sale, which may affect the market price of the B shares. The Joint Bookrunners may make exceptions from this undertaking. Under to the agreement, the Company and SU-ES will undertake towards the Managers, with certain exceptions not to, *inter alia*, resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 180 days from the first day of trading of the Company's B shares on Nasdaq Stockholm without prior written consent from the Joint Bookrunners.
E.6	**Dilution effect**	Not applicable. No new shares are issued in connection with the Offering or the listing.
E.7	**Costs imposed on investors by the issuer or offerer**	Not applicable. Brokerage commission will not be charged.

Risk factors

An investment in Pandox's B shares involves various risks. A number of factors affect, or could affect, Pandox's business, both directly and indirectly. Described below, in no particular order and without claim to be exhaustive, are the risk factors and significant circumstances considered to be material to Pandox's business and future development. The risks described below are not the only risks that Pandox and its shareholders may be exposed to. Additional risks that are not currently known to Pandox, or that Pandox currently believes are immaterial, may also materially and adversely affect Pandox's business, financial condition or results of operations. Such risks could also cause the price of Pandox's B shares to fall significantly, and investors could potentially lose all or part of their investment. In addition to this section, investors should also take into consideration the other information contained in the Offering Circular. The Offering Circular also contains forward-looking statements that are subject to future events, risks and uncertainties. Pandox's actual results could differ materially from those anticipated in these forward-looking statements as a result of several factors, including the risks described below and elsewhere in the Offering Circular.

RISKS RELATED TO THE INDUSTRY AND PANDOX

The value of the Company's assets is affected by macroeconomic fluctuations and the liquidity in the property market could decline

The hotel property market, and thus also the Company, is affected by macroeconomic factors. Changes in general economic conditions, such as the level of inflation and the rate of economic growth, affect demand for and the value of real estate, the availability of financing for properties and the market for property sales. Macroeconomic and other factors beyond the Company's control include, but are not limited to, changes in gross domestic product, employment levels, gross disposable income, inflation, interest rates, demand for rooms and population growth. An economic downturn may decrease the market value of some or all of the Company's hotel properties.

The Company's Investment properties represent 79 per cent of the value of the properties in the Company's property portfolio as of 31 March 2015. Investment properties are recognised at fair value, and any change in value is recognised in the income statement. The value of the properties is affected by multiple factors. Some of these are property-specific, such as occupancy, rent levels and operating costs, and others are market-specific, such as yield requirements and cost of capital based on comparable transactions in the real estate market. If one or more properties, or the market in general, were to deteriorate, this could cause the value of the Company's Investment properties to decline. The Company has contracted independent expert appraisers to value the Company's properties and has based the fair value of the Investment properties on those valuations. Despite this, there is a risk that the fair values in the Company's balance sheet turn out to be incorrect as property valuations are inherently subjective and uncertain.

The Company's Operating properties are recognised at cost. Any decline in the value of the Company's Operating properties that would cause the value to fall below the book value of the relevant property, would require the difference to be recognised in the income statement.

Liquidity in the property market may decline and therefore, to the extent the Company wishes to engage in divestment activities, its ability to sell parts of its property portfolio could depend on the state of investment markets and on market liquidity. The property market in which the Company invests and operates may have lower liquidity than investment markets for other types of properties. Risks of this kind in particular could result from weaknesses in an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions and changes in the laws, regulations or fiscal policies of jurisdictions where the Company's properties are located. If the Company was required to liquidate any part of its property portfolio for any reason, there is a risk that the Company would not be able to sell all or any of its properties on favourable terms, or at all.

If any of the abovementioned risks were to occur, it could have a material adverse effect on the Company's business, financial condition and results of operations.

In its business, the Company is subject to risks related to repositioning and transforming hotel properties

Part of Pandox's strategy is to acquire sizeable, underperforming hotel properties in strategic locations which can be refurbished, restructured and/or repositioned. To the extent that the Company continues to engage in such activities, it will be subject to certain risks. These risks include, but are not limited to, reduced availability and increased price of financing on favourable terms or at all, damages to third party property during refurbishment or renovation of properties, increased cost and timely completion of projects (including risks beyond the Company's control, such as weather or labour conditions or shortages of material or components), the potential that the Company expends funds on and devotes management time to projects which it does not or cannot complete as well as the possibility that properties which have been renovated or refurbished might mistakenly be leased at below-expected rental rates (resulting from, for example, miscalculations by the Company or wrong assumptions regarding the investment needs, client base and demand for the property).

Furthermore, the Company uses, and expects to continue to use, the services of external construction companies and service providers in connection with repositioning and transforming projects. As a result, the Company could suffer losses and additional costs on projects, if, for example, a contractor should experience financial difficulties or other delays. In addition, the Company could also be exposed to cost overruns and delays, due to changes in plans, if additional work outside the scope originally agreed should become necessary during the construction phase or in the event of disputes with external construction companies or services providers. In addition, there is a risk that even though investment projects are carried out within its respective budgets, the expected return on investment might not materialise due to worse than expected development in for instance occupancy and average room rate performance, leading to lower rental income than expected in the Investment properties or less net operating income than expected in Operating properties.

Finally, the ability of the Company to attract new tenants also depends on a number of factors related to the property and the area where the property is located, see further "– The Company might be unable to identify and acquire suitable hotel properties".

The abovementioned risks, as well as other unforeseen events, could result in substantial unanticipated delays or expenses and could prevent the initiation of refurbishment and reconstruction activities or prevent the completion of refurbishment and reconstruction activities already undertaken, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's costs of maintaining and improving its current properties could be higher than estimated

The Company's lease agreements generally stipulate that the Company, as lessor, is responsible for property related investments and maintenance costs, such as the structure, technical installations and bathrooms. In general, tenants are responsible for the maintenance of all rooms, restaurants, the lobby areas and other public areas, including FF&E. The costs expected to be incurred by the Company for the maintenance and upgrading of its properties in the short to medium term depend on the condition of the properties. These costs are also affected by the construction costs in the regions in which the Company's properties are located. Demands from the market, government authorities or other legal requirements could result in substantial or unforeseen maintenance costs increases.

The Company is exposed to the risk that costs for the maintenance and upgrading of properties for which the Company is responsible pursuant to the lease agreements could be higher than estimated by the Company or higher than reflected in the pricing of the relevant leases, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company might be unable to identify and acquire suitable hotel properties

Part of the Company's strategy is to acquire underperforming, sizeable, hotel properties that are strategically situated and which meet the Company's criteria. The availability of and demand for hotel properties, planning and other local regulations or the availability of financing may restrict the supply of suitable hotel properties. The Company faces competition from international, regional and local hotel owners and real estate companies, which may have greater financial resources than the Company has and may be willing to pay more for comparable properties. Accordingly, the Company might not be successful in identifying or acquiring new hotel properties on satisfactory terms, or at all. If the Company is unable to identify or acquire suitable hotel properties, this could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, when a new property has been acquired, the Company's ability to attract tenants to that property depends on demand for space at the relevant property. The demand can be influenced by a number of factors, including the affordability of rents, the size and quality of the building, the facilities offered, the convenience, location and local environment of the relevant property, the amount of competing space available and the transportation infrastructure. Changes to the infrastructure, demographics and planning regulations, as well as the economic circumstances of the surrounding areas (for which the relevant property depends for its tenant base) could also materially and adversely affect the demand for the property in question. The supply of hotel property is influenced by construction and renovation activity, see "– The hotel industry is characterised by intense competition and the Company may be unable to compete effectively in the future". Accordingly, changes to any of these factors could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may from time to time carry out acquisitions of new hotel properties, which is subject to risks

Acquisitions of hotel properties are a part of the Company's strategy. Property acquisitions are inherently associated with a certain amount of risk and uncertainty, including the risk of management time and resources being used to pursue acquisitions that are not successfully completed, the risk of over-paying for assets, the risk of incorrect assumptions regarding the future results of acquired operations, the risk of taking over lease agreements that include provisions unfavourable to the lessor, as well as the risk of diverting the Company management's attention away from existing operations.

Acquisitions also include risks in regards to hotel operations. For example, current operators may not wish to vacate the property, the acquired operation's accounting records may be deficient, or the property may be the object of unforeseen environmental or tax requirements or other circumstances that have a negative impact on the value of the property. Although the Company performs an evaluation before every investment, which is designed to identify and, where possible, reduce the risks that may be associated with that investment, there is a risk that future operations or properties acquired could have a negative impact on Pandox's business, financial condition and results of operations.

Acquisitions might also entail risks related to the seller. With acquisitions from a seller who is experiencing or will experience financial difficulties, the Company's ability to obtain compensation of warranty claims may be limited. For acquisitions from foreign sellers, cultural differences may exist, or the acquisition agreement might stipulate that disputes are required to be resolved through foreign courts or arbitration boards, which could contribute to a greater uncertainty and higher costs for the Company.

In addition to the above, the integration and consolidation of acquisitions requires substantial personnel, financial and other resources, including management's time and attention. Moreover, a successful integration could depend on the Company's ability to replace the acquired business' existing management and employees and recruit acceptable replacements. If the Company is unsuccessful in identifying, executing and integrating acquisitions in a timely and cost-effective manner, the Company's business, financial condition and results of operations could be materially and adversely affected.

The Company may be unable to retain, and recruit, key personnel in the future

The Company's future success is to some extent dependent on its members of management and other key personnel who provide expertise, experience and commitment. The Company has entered into employment agreements or consultancy agreements with its key personnel and the Company believes these agreements are market-based. There is, however, a risk that the Company will not be able to retain or recruit qualified personnel in the future. If the Company is unable to retain members of management and other key personnel, or recruit new members of management or other key personnel to replace people who leave the Company, this may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company depends on external operators' reputation, brand, ability to run their businesses successfully and financial condition

As of the date of the Offering Circular, the Company owns 102 hotel properties located in northern Europe and two hotel properties located in Canada. 89 of those hotel properties are leased to external operators. The majority of the Company's lease agreements with external operators are revenue-based, meaning that the level of rent is linked to the level of revenue generated by the hotel business. If the operators' ability to attract hotel guests, or operate their hotels, deteriorates, whether due to external factors (such as changes in regulation or competition), or internal factors (such as a lowered focus on increasing or maintaining revenues or poor hotel management), the operators' revenue could be reduced, which could have a material adverse effect on the Company's business, financial condition and results of operations. Although most revenue-based lease agreements contain provisions prescribing a minimum guaranteed rent, the Company could be materially and adversely affected if the levels of the guaranteed rent are not sustainable over time or in the event of the operators' default.

The Company depends on its counterparties fulfilling their obligations towards the Company, including its operators' ability to pay their rents fully and on time, and its operators' responsibility for maintenance of the property. If the Company's counterparties are unable to fulfil their obligations, it could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the risk of revenue fluctuations increases if a company has only large tenants, as negative effects on the operators' reputation, brand or ability to run their businesses could have a proportionally greater effect on the Company than if the Company had several smaller operators. As of 31 March 2015, the Company's largest tenant, Scandic, constituted 49 per cent of the Company's total number of rooms, while the second largest, Nordic Choice, constituted 12 per cent.

The Company seeks to maintain positive long-term relationships with its operators. If the Company's larger operators do not renew or prolong their contracts when they expire, there is a risk that the Company will not be able to find new operators for properties that are vacated or will not be able to successfully operate the properties on its own, all of which could lead to decreasing gross profits, occupancy rates and RevPAR in the long term. Furthermore, if the operators obtain a dominant negotiating position, the Company faces the risk that the operators could set new terms that are more favourable to themselves when lease agreements are renegotiated. This risk could also increase if new competitors enter the market and agree to terms and conditions that deviate from market standard (see also "– The hotel industry is characterised by intense competition and the Company may be unable to compete effectively in the future").

Additionally, expenditures related to each property, such as service charges and renovation and maintenance costs, are generally not reduced in proportion to any decline in rental income from that property. In addition, maintenance costs fluctuate depending upon the age and condition of the property. See also "– The Company's costs of maintaining and improving its existing properties could be higher than estimated." Any decline in rental income from a property, without a corresponding decline in the related costs or the ability of the Company to pass on or recoup such costs, could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is exposed to environmental risks

Property investments entail the risk of contaminated properties. According to the Swedish Environmental Code for example, the party that operates a business that has contributed to contamination is responsible for remediation. If no business operator is able to perform or pay for remediation of a contaminated property, the responsible party is the party that acquired the property after 1998, if such party, at the time of the acquisition, was aware of or should have discovered the contamination. The Company has, historically, owned or acquired properties that have been contaminated by asbestos and has had to remove or encapsulate asbestos-bearing materials in such hotels.

Within the EU, the common framework directive regarding environmental liability (2004/35/EC) addresses the liability of the operator under certain circumstances, and not specifically the liability of a property owner or property purchaser. In addition, individual EU member states may have introduced environmental liability legislation which could impose liability on the property owner or the purchaser of the property or an occupier regardless of whether they had caused the contamination or hade knowledge of it. This means that, under certain conditions, claims could be made against Pandox for soil or groundwater remediation or reclamation relating to the presence of suspicion or possible presence of contamination in soil, catchment areas or groundwater. Such claims could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's Swedish and Danish operators are covered by the Swedish and Danish rules on security of tenure

The Company's operators in Sweden and Denmark are covered by rules on security of tenure which means, as a general rule, that the operator of the hotel has a right to receive compensation in the event that the property owner terminates the tenancy or refuses to accept prolongation of the tenancy on market terms and conditions. Such security of tenure could make it costly for the Company to give notice to terminate a tenancy (such as in order to change the operator of the hotel) which could, ultimately, have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is dependent on its reputation

Pandox's reputation is an important asset for the Company, as Pandox's ability to attract and retain tenants depends, in part, on its reputation. Such dependence makes the Company's business susceptible to risks in regards to Pandox's reputational damage, for example, if Pandox no longer were to be seen as a competent and serious market participant. If Pandox's reputation deteriorates, the Company may be unable to attract tenants to its hotel properties, which could have a material adverse effect on the Company's business, financial condition and results of operations.

A majority of the Company's hotel properties are located in Sweden and a deterioration in the Swedish economy may have a negative effect on the Company

As of 31 March 2015, the market value of the Company's hotel properties in Sweden accounted for 47 per cent of the total market value of the Company's hotel properties. Pandox's earnings depend on trends within the hotel market, which closely follow general economic developments. Business travel and conference activities normally increase during periods of high economic activity and decrease during periods of low economic activity. The most important factors that influence local hotel markets are local economic conditions, the proportion of new hotel capacity, how well developed a market is for certain brand names and segments, and currency fluctuations. Due to the Company's large concentration of hotel properties in Sweden, deteriorations in these factors in Sweden, or the occurrence of extraordinary events in Sweden could have a material adverse effect on the Company's business, financial condition and results of operations and a proportionally larger negative effect on the Company's business, financial condition and results of operations compared to such events in other geographical areas.

Through its operating segment Operator activities, the Company is exposed to certain risks that are common to the hotel operations business

Through its ownership of hotel properties, the Company is exposed to risks common to the hotel industry, see " – The Company is subject to certain risks common to the hotel industry, which are beyond the Company's control". Furthermore, the Company, through its operating segment Operator activities, functions as a hotel operator, and is therefore subject to certain risks which are common to the hotel operations business, including, but not limited to:

- increases in operating costs, including the costs for energy, food, compensation, benefits, insurance, and unanticipated costs resulting from force majeure events, that may not be fully offset by price increases on rooms or other services in the hotels;
- the cost and administrative burdens associated with complying with applicable laws and regulations;
- risks related to forecasting occupancy rates in the short and medium term, including maintaining a flexible workforce and the capability to handle collective bargaining activities that could affect operations, increase labour costs or interfere with the ability of management to focus on operating the hotel;
- deteriorations in the quality or reputation of any of the Company's five independent brands;
- failure to maintain developments in technology that are necessary in a hotel operation, as well as failures in, material damage to, or interruptions in information technology systems, software and websites; and
- costs and risks associated with protecting the integrity and security of guests' personal information.

If one or more of these factors were to occur, they could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is exposed to currency exchange rate fluctuations

The Company has operations in a number of countries with different currencies and is therefore exposed to the risk that currency exchange rate fluctuations could have a negative impact on Pandox's income statement, balance sheet and/or cash flows. The Company's accounting currency is SEK. The most important currencies (other than SEK) are EUR, NOK and DKK.

Currency exposure occurs whenever one of the Company's operating subsidiaries is party to a transaction in which it uses a different currency than its functional currency. The largest exposures are EUR/SEK and NOK/SEK. In addition, currency translation exposure occurs when results of operations and financial positions in foreign subsidiaries and affiliates are translated from the relevant functional currency into SEK at the applicable exchange rates for inclusion in the Company's consolidated financial statements (which are stated in SEK). In addition, when valuations of the Company's properties in local currencies are updated, any changes can entail additional effects when the updated valuations are translated to SEK. The exchange rates between local currencies and the SEK may fluctuate significantly. Any significant fluctuations may materially and adversely affect the Company's business, financial condition and results of operations.

Currency fluctuations may also have a negative impact on general travel if, for example, the local currency of a popular travel destination appreciates significantly, see also "–The Company is subject to certain risks common to the hotel industry, which are beyond the Company's control". If any of these situations were to occur, it could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's insurance coverage could be insufficient for potential liabilities or other losses

The Company currently maintains insurance coverage of the types and amounts that the Company believes to be customary in its industry, including a global property and business interruption policy, a global liability insurance policy, a crime insurance policy, a directors and officers liability insurance policy, a corporate travel insurance policy and a terrorism insurance policy.

Despite this, the Company's insurance policies could be inadequate to compensate for losses associated with damage to the Company' properties. In particular, certain types of risk (such as war, terrorist acts, certain natural disasters or extreme weather, such as flooding) could be, or could become in the future, uninsurable or not economically insurable. The Company could incur significant losses or damage to its assets or its business for which it may not be compensated fully, or at all. There is a risk that the insurance may not cover the loss of rental income in the event that property damage causes the operators to terminate or not renew their lease agreements. Should an uninsured loss, or a loss in excess of insured coverage limits occur, the Company could also lose the capital invested in the affected property, as well as future revenue from the property. In addition, the Company could be liable for repairing damage caused by uninsured risks. The Company could also be held liable for any debts or other financial obligations related to damaged buildings.

Any uninsured losses, or losses in excess of insured coverage limits, could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS RELATED TO FINANCING

The Company is affected by interest rate fluctuations

In addition to the Company's own equity, the Company's business is financed by loans from credit institutions. Interest rate risk refers to the risk that changes to market interest rates can cause financial income and expenses, as well as the value of financial instruments, to fluctuate.

Interest expenses are, and have historically been, the Company's largest expense item. Interest expenses are affected by the level of market interest rates and by the margins of the relevant credit institutions, as well as by the Company's strategy in regards to interest rates. Currently, the majority of the Company's credit facilities are maintained at floating interest rates. To reduce its exposure to interest rate fluctuations, the Company has entered into interest rate swaps in order to obtain fixed interest periods. As of 31 March 2015, the interest-rate swaps amounted to SEK 9,704.9 million, of which SEK 8,475.4 million matures in between one and eight years.

There is a risk that the Company's interest expenses could increase if market interest rates increase, or that the Company could fix interest rates at a level that is higher than the market interest rate. If the Company misjudges interest rate fluctuations in its interest swap strategy this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is exposed to the risk of being unable to refinance its facility agreements when they fall due

Refinancing risk refers to the risk that financing cannot be obtained or renewed at the end of its maturity, or can only be obtained or renewed at substantially higher costs. Property companies often have significant levels of indebtedness. The Company finances its business primarily through borrowing and its own cash flows. The Company's interest-bearing debt amounted to SEK 12,821.9 million as of 31 March 2015, of which SEK 1,222.3 million, corresponding to 10 per cent, falls due within one year and SEK 11,599.6 million, corresponding to 90 per cent, falls due within one to six years.

There is a risk that additional capital cannot be obtained, or could only be obtained on terms that are disadvantageous to Pandox. Even though the Group currently has access to long-term financing, Pandox may, in the future, breach its financial covenants and other obligations in credit and loan agreements due to the general economic climate and disturbances in the capital and credit markets. Although Pandox's financial condition is currently considered stable, there is a risk that Pandox may require additional financing in the future. Should the Company fail to obtain necessary capital in the future, it could have a negative impact on the Company's business, financial condition and results of operations. If the Company is unable to refinance its facility agreements, or can only refinance its facility agreements at substantially higher costs, this could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is dependent on available liquidity in order to pay its operative costs and interest costs

The Company is dependent on available liquidity in order to fulfil its payment obligations with respect to paying operating and maintenance costs, making investments and paying interest and amortisation costs related to its financing. The Group maintains a central bank account through which liquid assets are held in an interest-bearing transaction account. The Group also invests in fixed term bank deposits from time to time. As of 31 March 2015, the Group maintained credit facilities in the amount of SEK 6,439.4 million. As of 31 March 2015, SEK 4,860.9 million was drawn under the facilities. If the Company does not have sufficient liquidity to fulfil its obligations, it could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS RELATED TO PANDOX'S HOTEL OPERATIONS

The Company is subject to certain risks common to the hotel industry, which are beyond the Company's control

The Company only invests in one type of asset: hotel properties. The Company is therefore subject to certain risks common to the hotel industry, which include, but are not limited to:

- changes in national, regional or local political, economic or market conditions in the areas in which the Company operates;

- outbreaks of disease and health problems, threats of terrorism or actual terrorist events, extreme weather conditions, natural disasters or other factors that may affect travel patterns and the number of travellers;
- changes in the desirability of travel locations and changes in customers' travel patterns or in local or regional demand;
- changes in feeder markets, which affect demand for rooms in markets where the Company owns or operates hotels, which in turn could limit the number of tourists or business travellers from certain countries;
- changes in currency exchange rates that affect the desirability of travel destinations, for example, if the currency of a popular tourist destination appreciates significantly;
- changes in corporate or government travel-related budgets and spending (including increases in telephone or video conferences instead of physical meetings), as well as the occurrence of fairs, exhibitions, congresses and other industry conventions;
- statements, actions, or interventions by governmental officials related to travel and corporate travel-related activities, and any resulting negative public perception of such travel and activities;
- impediments to means of transportation (including strikes);
- the general financial and business conditions of the airline, railway, automotive and other transportation-related industries and their impact on travel, including decreased airline capacity and routes; and
- changes in the guest segment mix.

Since the Company operates exclusively in the hotel market, any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

The hotel industry is characterised by intense competition and the Company may be unable to compete effectively in the future

The Company operates in an industry that is exposed to intense competition. Supply and demand of rooms vary over time and across markets and there is a risk that demand for rooms grows at a slower pace than supply. When demand is greater than supply, new competitors may disrupt the competition by entering the hotel market with business models or levels of capacity that are not sustainable in periods when demand is lower. The effects of new competitors or capacity could lead to significant price competition, particularly in smaller markets. Such competitors could push down market rental rates or introduce new terms and conditions for agreements.

Pandox's competitiveness depends on the Company being able to predict future changes and trends in the industry and quickly adapt to current and future market needs. The Company's competitors may have greater resources than the Company and be able to better withstand industry downturns, compete more effectively, retain skilled personnel to a larger degree than the Company or respond more quickly to changes in local markets.

The Company faces competition for individual guests, group reservations and conference business in the hotels it operates. The Company competes for these customers based primarily on brand name recognition and reputation, as well as location, room rates, property size and availability of rooms and conference space, quality of the accommodations, customer satisfaction and amenities. The Company's competitors may have greater financial resources, marketing resources and more efficient technology platforms, which could allow them to improve their properties and expand and improve their marketing efforts in ways that could affect the Company's ability to compete for guests effectively.

If the Company is unable to compete successfully, its revenues or profits may decline. As has happened historically, the expansion of local room capacity through the construction of new hotels may further lead to a rapid negative influence on occupancy rates and average prices, with a decrease in RevPAR as a result. The manifestation of these risks could have a material adverse effect on the Company's business, financial condition and results of operations.

New business models may enter the hotel industry

In the past few years, the hotel industry has witnessed the emergence of new market entrants with business models that are different from the traditional business models of hotel owners and operators. Such market entrants include AirBnB, Inc. and HomeAway, Inc., both of which have introduced potentially disruptive competition to the hotel market by competing on different ways than traditional hotel operators. Furthermore, there is a risk that new business models, of which the Company is currently unaware, may be introduced to the hotel industry which may impact the industry's competitive situation.

If the Company is unable to compete successfully, its revenues or profits may decline. New market entrants could introduce disruptive business models that could have a significant negative effect on the Company's ability to compete, which in turn could have a material adverse effect on the Company's business, financial condition and results of operations.

The growth of OTAs could materially and adversely affect the Company's business and profitability

Over the past decade, new distribution channels have emerged. Consumer behaviour has changed particularly within the leisure segment, where rooms are increasingly booked through online travel agencies ("OTAs"), such as Expedia.com, Hotels.com and Booking.com. OTAs have historically charged higher commissions than other distribution channels. Growth in the number of bookings through OTAs could reduce the Company's margins and could affect its tenants' ability to pay rent, which could materially and adversely affect the Company's business, financial condition and results of operations. Furthermore, if the number of bookings through OTAs increases in the future, the Company or its operators may become dependent on distribution of their rooms through OTAs.

OTAs generally employ aggressive marketing strategies, including significant resources for online and television advertising campaigns to drive consumers to their websites. Consumers may develop brand loyalties to the OTAs' brands, websites and reservations systems rather than to the Company's and its operators' brands and systems. If brand loyalties shift or if operators are unable to effectively market their rooms through the OTAs distribution channel, the Company and the Company's business and profitability may be impacted, as shifting customer loyalties or failed marketing divert bookings away from the Company and its operators. Furthermore, the incentives of OTAs may not always align with those of the Company. For example, OTAs could promote the hotel services of Pandox's or its operators' competitors to the detriment of Pandox or its operators.

If one or more OTAs were to reduce or suspend their relationship with Pandox, or Pandox's operators, it could have a material adverse effect on the Company's business, financial condition and results of operations.

The hotel industry is subject to seasonal variations, which may contribute to fluctuations in the Company's results of operations and financial condition

The hotel industry is seasonal in nature. The periods during which the Company's properties experience higher revenues vary from property to property, depending principally upon location and the customer base served. Generally, as the majority of the customers that stay at hotels owned or operated by the Company are business travellers, the Company's revenues have historically been greater in the second and fourth quarters than in the first and third quarters. The timing of holidays and major events can also impact the Company's revenues. The seasonal variations of the Company's industry may contribute to revenue fluctuations, which could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS RELATED TO LEGAL AND TAX

The company is exposed to the risk for litigation, investigations and other proceedings

Disputes, claims, investigations and proceedings might lead to Pandox having to pay damages or cease certain practices. Group companies might become involved in disputes within the framework of their normal business activities and risk being subject to claims in suits concerning acquisitions or sales of hotel properties, lease agreements or other agreements as well as work force or trade union issues. In addition, Group companies, or Group companies' officers, directors, employees or affiliates, might become subject to criminal investigations and proceedings. Such disputes, claims, investigations and proceedings can be time consuming, disrupt normal operations, involve large claim amounts and result in considerable costs. Moreover, it can often be difficult to predict the outcome of complex disputes, claims, investigations and proceedings. As a result, disputes, claims, investigations and proceedings could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's tax liabilities could change due to any successful challenge of Pandox's past or current tax positions

The Company operates through a number of subsidiaries in various countries. The tax strategies utilised by the Group are based on interpretations of the current tax laws, treaties and regulations of the various countries involved and the requirements of the relevant tax authorities. Furthermore, the Company regularly obtains advice regarding these requirements from independent tax professionals. While Pandox and its subsidiaries are subject to tax reviews from time to time, only certain Group companies have, to date, been subject to a full tax review. A transfer pricing audit is currently being conducted in a Belgian subsidiary which may result in transfer pricing adjustments. There is a risk that tax audits or reviews may result in similar claims or denial of deductions due to Pandox's history of several acquisitions and sales of properties and shares, financings, intra group reorganisations and cross border transactions, acquisitions of subsidiaries with tax loss carry forwards, the fact that the Company may be deemed to conduct diversified activities from a VAT perspective and the complex corporate structure of the Group. In the event that the Company's interpretation of tax laws, treaties and regulations or their applicability is incorrect, if one or more governmental authorities successfully make negative tax adjustments with regard to an entity of the Group or if the applicable laws, treaties, regulations or governmental interpretations thereof or administrative practice in relation thereto change, including with retroactive effect, the Group's past or current tax positions may be challenged. In the event tax authorities were to succeed with such claims, this could result in an increased tax cost, including tax surcharges and interest which could have a material adverse effect on the Company's business, financial condition and results of operations.

Changes in tax laws could increase Pandox's tax burden or otherwise have a material adverse effect on the Company's business, financial condition and results of operations

In June 2014, the Swedish Committee on Corporate Taxation delivered proposals to the Swedish Government on the introduction of a new system for corporate taxation in Sweden. The committee's main proposal consisted of two parts. First, it was proposed that deductions for a corporate group's net financial costs, such as interest expenses and other financial costs, should be discontinued. Second, it was proposed that a standard deduction should be introduced at a rate of 25 per cent of the company's entire taxable profit. The committee also delivered an alternative proposal under which the corporate tax rate should be reduced and deductions for a corporate group's net financial costs limited to 20 per cent of EBIT. The proposals have been subject to criticism and are now being considered by the Swedish Government. It was announced in the Spring Fiscal Policy Bill 2015 that the committee's proposals are subject to further processing by the Swedish Government and that any rules based on the proposals will enter into force at the earliest on 1 January 2017. The Swedish Government has also communicated that the proposals should undergo a thorough analysis before any implementation. Any bill presented by the Swedish Government to the Swedish Parliament may either be based on the committee's proposals or be entirely different. In Norway a government committee has suggested certain further restrictions in the deductibility of interest, including interest on external loans. Moreover, in Canada changes to the existing thin-capitalisation rules have been introduced, to add additional anti-avoidance rules for indirect loans through unrelated intermediary lenders. The modification to the Canadian thin-capitalisation rules will be applied from taxation year 2015 onwards. The interest expenses in the Company are significant and if any of the Swedish or Norwegian committees' proposals, or any other restriction on the deductibility of interest is introduced, in Sweden, Norway or in other jurisdictions where the Company operates, or the modified thin-capitalisation rules in Canada would be applicable to any of the Canadian subsidiaries, the Company's tax burden could increase and this could have a material adverse effect on the Company's business, financial condition and results of operations.

Since the laws, treaties and other regulations on taxation, as well as other fiscal charges, including hotel taxes, have historically been subject to frequent changes, further changes are expected in the future in the jurisdictions where the Company operates, possibly with a retroactive effect. Any such changes could have a significant impact on the Company's tax burden, as well as a material adverse effect on the Company's business, financial condition and results of operations.

Tax losses could be restricted or cancelled, either as a result of future changes in Swedish tax law or, under the current rules, as a result of a change of control

As part of the Swedish Committee on Corporate Taxation's proposal, the committee proposed that any tax losses carried forward in a company as of 31 December 2015 should be reduced by 50 per cent as a one-off occurrence. The proposed reduction was heavily criticised during the submissions process. The Swedish Government has communicated that the proposal should be further reviewed. As of the date of the Offering Circular, it is unknown whether any reduction of existing tax losses carried forward will be proposed by the Swedish Government and when such a reduction would be introduced.

Pandox had tax loss carry forwards amounting to SEK 2,848 million in the Group's Swedish operations as of 31 December 2014, which are fully activated in the Group's balance sheet. Tax losses may be restricted or cancelled either as a result of future changes in Swedish tax law or, under the current rules, as a result of a change of control through which one or several shareholders together hold shares, acquired during a specific time frame, representing more than 50 per cent of the votes calculated in a certain manner. Such a change of control would cancel historical tax loss carry forwards, to the extent they exceed 200 per cent of the acquisition cost for the decisive influence (under a special calculation where contributions and other transfers of value may reduce the purchase price in a certain manner). The cancellation or restriction on the use of the Group's tax loss carry forwards may have a significant impact on the Group's tax burden, including a potential imposition of tax surcharges, and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's tax burden could increase due to any incorrect classification of property investments

The Group makes significant investments in its properties. Pandox's classification of property investments for purposes of immediate deductions and depreciations is based on interpretations of current tax laws, the regulations of the various countries involved and the requirements of the relevant tax authorities. The Company has methods in place for these classifications and regularly obtains advice on such classifications from independent tax professionals. In the event that Pandox's interpretation of these laws and regulations or their applicability is incorrect, or if the applicable laws and regulations or governmental interpretations thereof or administrative practice in relation thereto change, the Group's past or current immediate deductions and depreciations may be challenged. In the event tax authorities were to succeed with such claims, this could result in an increased tax burden, including tax surcharges and interest, and have a material adverse effect on the Company's business, financial condition and results of operations.

A successful challenge of Pandox's handling of historic negative adjusted acquisition costs on partnership interests may increase the Company's tax burden

Due to a change in Swedish tax laws that entered into force on 1 January 2010, partners in partnerships that on 1 January 2010 had a negative adjusted acquisition cost on the partnership interest for tax purposes were taxed on an amount equal to the negative adjusted acquisition cost. Following internal transactions, negative adjusted acquisition costs in an amount of SEK 106 million were eliminated before this date. The transactions were declared in the relevant companies' tax returns for the assessment year 2010. The Swedish Tax Agency may conduct an assessment for arrears *(Sw. eftertaxeringsbeslut)* and impose tax surcharges until the end of 2015 if, for example, the disclosure made in the tax return for the assessment year 2010 is deemed to be incorrect or misleading. In the event the Swedish Tax Agency were to successfully challenge the Group's transactions involving partnerships with historic negative adjusted acquisition costs and claim taxation, including tax surcharges and interest, the Group's tax burden would increase, which could have a material adverse effect on the Company's business, financial condition and results of operations.

RISKS RELATING TO THE OFFERING

An active, liquid and orderly trading market for Pandox's B shares may not develop, the price of its B shares may be volatile, and potential investors could lose a portion or all of their investment

Prior to the Offering, there is no public market for Pandox's B shares. There is a risk that an active and liquid market will not develop or, if developed, will not be sustained after completion of the Offering. The Offering price will be determined through a book-building procedure and will consequently be based on demand and the overall market conditions. The Offering price will be set by the Ultimate Owners in consultation with the Joint Bookrunners. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the B shares following the Offering. Investors may therefore not be able to resell B shares at or above the Offering price.

Sales of shares by existing shareholders could cause the B share price to decline and could trigger change of control provisions

The market price of Pandox's B shares could decline if there are substantial sales of the Company's B shares, particularly sales by the Company's directors, executive management, and significant shareholders, or otherwise when a large number of B shares are sold.

Any sales of substantial amounts of Pandox's B shares in the public market by SU-ES, or the perception that such sales might occur, could cause the market price of Pandox's shares to decline. Furthermore, sales of shares by SU-ES could trigger change of control provisions in the Company's financing agreements. If such provisions are triggered, Pandox could be required to prepay outstanding loans under the credit agreements and, in addition, pay break costs which could have a material adverse effect on the Company's business, financial condition and results of operations. See also "– Risks related to the industry and Pandox – The Company is exposed to the risk of being unable to refinance its facility agreements when they fall due."

SU-ES and Anders Nissen have each agreed, subject to certain exceptions, for a certain period of time (180 days for SU-ES and 360 days for Anders Nissen after trading has commenced on Nasdaq Stockholm), not to sell shares in the Company or enter into transactions with a similar effect without the prior written consent of the Joint Bookrunners. After the expiry of the relevant lock-up period SU-ES and Anders Nissen will be free to sell B shares in Pandox. Subsequent sales of large numbers of Pandox's B shares by SU-ES, Anders Nissen or by Pandox's other shareholders may have a material adverse effect on the market price for Pandox's B shares.

The Ultimate Owners, through SU-ES, will retain substantial control over Pandox after the Offering and this may limit new shareholders' ability to influence corporate matters

The Company's share capital consists of, and, following the Offering, will continue to consist of, A and B shares, each having differential voting rights. Each A share has three votes, whereas each B share has one vote. A shares are not included in the Offering, and there is currently no intention to float the A shares on a regulated or unregulated market in or outside of Sweden. The A shares will be held indirectly by the Ultimate Owners through SU-ES. After completion of the Offering, SU-ES will continue to own all A shares and 22,826,086 B shares, representing approximately 82.61 per cent of the votes in the Company, assuming that the Over-allotment option is not exercised. Assuming that the Over-allotment option is exercised in full, SU-ES will own all A shares and 15,000,000 B shares, representing approximately 80 per cent of the votes in the Company after the Offering.

The Ultimate Owners will retain substantial control over the outcome of matters submitted to Pandox's shareholders for approval, including the election of directors, any merger, consolidation or sale of all or substantially all of Pandox's assets. In addition, the Ultimate Owners will have significant influence over the Company's executive management and Pandox's operations.

The concentrated control maintained by the Ultimate Owners could limit other shareholders' ability to influence corporate matters. The interests of the Ultimate Owners may differ significantly from or compete with Pandox's interests or those of the other shareholders, and the Ultimate Owners could exercise influence over Pandox in a manner that is not in the best interest of the other shareholders. For example, there could be a conflict between the interests of the Ultimate Owners on the one hand, and the interests of the Company or its other shareholders on the other hand with respect to distribution of dividends. Such conflicts could have a material adverse effect on the Company's business, financial condition and results of operations.

Pandox's ability to pay dividends is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors

The amount of any future dividends that Pandox will pay, if any, will depend upon a number of factors, such as future earnings, financial condition, cash flow, net working capital requirements, capital expenditures and other factors. There is a risk that Pandox's shareholders may not resolve to pay dividends in the future or that the Company may not have sufficient distributable funds available.

Differences in currency exchange rates may materially and adversely affect the value of shareholdings or dividends paid

The shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience material adverse effects regarding the value of their shareholding and their dividends, when converted into other currencies, if SEK depreciates against the relevant currency.

Shareholders in other countries outside Sweden may not be able to participate in any potential future cash offers

If Pandox issues new shares in a cash issue, shareholders shall, as a general rule, have preferential rights to subscribe for new shares proportional to the number of shares held prior to the issue. Shareholders in certain other countries may, however, be subject to limitations that prevent them from participating in such rights offerings, or that make participation difficult or limited. For example, shareholders in other countries may be unable to exercise any rights to subscribe for new shares unless the rights and new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Pandox is under no obligation to seek approvals under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares, and doing so in the future may be impractical and costly. To the extent that Pandox's shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their proportional interests in Pandox could be reduced.

The Cornerstone Investors may not fulfil their undertakings

Swedbank Robur Fonder, on behalf of its funds, and AMF (the "Cornerstone Investors") have agreed to acquire 10,500,000 B shares each in the Offering, on the same terms and conditions as for other investors, corresponding to seven per cent each of the total number of shares in the Company and 3.5 per cent each of the total number of votes in the Company. The Cornerstone Investors' undertakings are, however, not secured through a bank guarantee, blocked funds, pledge of collateral or similar arrangement. Hence, there is a risk that the Cornerstone Investors will not be able to fulfil their undertakings. Furthermore, the Cornerstone Investors' undertakings are associated with certain conditions relating to, among other things, that a certain dispersion of the Company's shares is achieved in connection with the Offering and that the Offering is completed within a certain time frame. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors do not fulfil their undertakings, which could have a material and adverse effect on the completion of the Offering.

Invitation to acquire B shares in Pandox

The Company and the Ultimate Owners, through SU-ES, have decided to diversify the ownership base of the Company's B shares. As a result, the board of directors of Pandox has applied for listing of the Company's B shares on Nasdaq Stockholm. Investors are hereby invited, in accordance with the terms and conditions set out in the Offering Circular, to aquire 52,173,914 B shares from SU-ES, corresponding to approximately 34.78 per cent of the total number of shares in the Company and 17.39 per cent of the total number of votes in the Company.

To cover possible over-allotment in connection with the Offering, SU-ES intends to undertake, at the request of the Stabilising Manager on behalf of the Managers, to sell additional B shares representing not more than 15 per cent of the number of B shares included in the Offering (the "Over-allotment option"), equal to not more than 7,826,086 B shares, representing approximately 5.22 per cent of the total number of shares in the Company and 2.61 per cent of the total number of votes in the Company.

Assuming that the Over-allotment option is exercised in full, the total number of shares comprised by the Offering represents 60,000,000 B shares, corresponding to 40 per cent of the total number of shares in the Company and 20 per cent of the total number of votes in the Company.

The Offering price will be determined through a book-building procedure and will consequently be based on demand and overall market conditions. The Offering price will be established by SU-ES in consultation with the Joint Bookrunners, within a range of SEK 100–110 per B share. The Offering price is expected to be published on or around 18 June 2015.

The total value of the Offering amounts to approximately SEK 5,217 – 5,739 million based on the price range and SEK 6,000 – 6,600 million assuming the Over-allotment option is exercised in full.

Stockholm, 5 June 2015

SU-ES AB

Background and reasons

Pandox is a leading owner of hotel properties located in Northern Europe with focus on sizeable hotels in key leisure and corporate destinations. Pandox's hotel property portfolio comprises 104 hotels in the upper medium- and upscale segment with a total of 21,969 hotel rooms across eight countries.

Pandox's origins lie in the Swedish finance and property crisis in the early 1990s and the Company was originally a part of the state company Securum. Securum was founded with the task of structuring an asset portfolio that Swedish banks had been forced to take over in connection with the crisis, and to prepare the assets for divestment. Pandox was created in 1995 through a merger of the hotel properties of Securum and Skanska. Pandox's original portfolio comprised 18 hotel properties and three small hotel operations. All of the hotels were located in Sweden, and were a mix of small and large hotel properties in various conditions. After the Company's establishment, Pandox's business model and portfolio management strategy were implemented on an asset-by-asset basis, followed by the divestment of non-strategic properties, restructuring of rental agreements, investments and an expansion of Pandox's geographical footprint. In 1997, Pandox was listed on the Stockholm Stock Exchange.

From 1997 to 2014, Pandox's strategy and business model have delivered an annualised total return on equity of approximately 18 per cent[1]. Cash earnings grew from SEK 53 million in 1997 to SEK 873 million in 2014. Pandox's financial development has been stable with a relatively limited effect from the turbulent year 2001 and the financial crisis in 2008–2009.

Following extensive refurbishment programmes after the acquisitions of Norgani Hotels and Hilton Towers in 2010, Pandox has a well-invested portfolio of sizeable hotel properties in strategic locations and is well-positioned to benefit from underlying market growth and organic growth from refurbishments and repositionings of hotels in the hotel property portfolio.

In 2004, Pandox was acquired by the Norwegian companies Eiendomsspar AS, CGS Holding AS and Helene Sundt AS through a public tender offer and was delisted. Under their ownership, and with the support from Pandox's employees, the market value of Pandox's property portfolio has increased from approximately SEK 6 billion to SEK 27 billion as of 31 March 2015.

In view of the Company's growth since 2004, the Ultimate Owners wish to reduce Pandox's share of their respective property and investment portfolios. The Ultimate Owners and the board of directors are of the opinion that the time is appropriate to reduce the Ultimate Owners' ownership and make Pandox a listed company again.

The Offering and the listing will expand Pandox's shareholder base and enable Pandox to access the Swedish and international capital markets, which will support the Company's continued growth and development. The board of directors and executive management of Pandox, supported by the Ultimate Owners, consider the Offering and listing of the Company's B shares to be a logical and important step in Pandox's development, as it will also increase the awareness of Pandox and its operations among current and potential customers and suppliers. For these reasons, the board of directors has applied for the listing of the Company's B shares on Nasdaq Stockholm.

For other considerations, reference should be made to the full particulars of this Offering Circular, which has been prepared by the board of directors of Pandox in connection with the application for listing of the Company's B shares on Nasdaq Stockholm and the Offering made in connection with the listing. The board of directors of Pandox is responsible for the contents of this Offering Circular. Readers are hereby assured that, as far as the board of directors is aware, all reasonable precautionary measures have been taken to ensure that the information contained in this Offering Circular corresponds to the facts and that nothing has been omitted that would affect its import.

Stockholm, 5 June 2015
Pandox Aktiebolag (publ)
The board of directors

[1] The calculation from 1997 to 2004 is based on total shareholder return of the shares listed on Stockholm Stock Exchange, from 2004 to 2014 the calculation is based on equity internal rate of return for the Ultimate Owners based on contribution and dividends and net worth growth as of the end of 2014 based on EPRA NAV. For more information regarding EPRA NAV, see section "Selected financial information – Certain definitions and key figures". During the period certain factors, such as market conditions and the Company's debt/equity ratio, have fluctuated. Due to these fluctuations, the calculated historical return cannot be seen as an indication of expected future return.

Market overview

Certain information set forth in this section has been derived from external sources, as well as publicly available reports from, inter alia, real estate advisory and research firms. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company believes that these industry publications, surveys and forecasts are reliable but has not independently verified them and cannot guarantee their accuracy or completeness. The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Important information to investors – Business and market data", "Important information to investors – Forward-looking statements" and "Risk factors".

INTRODUCTION

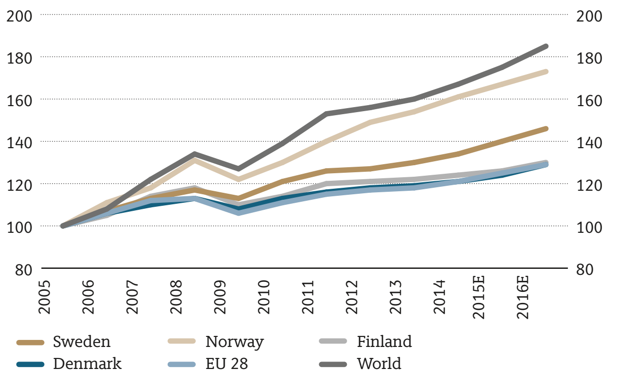
Pandox is a leading owner of hotel properties in northern Europe. The Group's activities are influenced by numerous economic, demographic and regional factors as well as factors related to the market. Hotel market performance tends to be positively correlated with general changes in the level of local economic activity, which is itself influenced by global, national and regional trends, circumstances or events. Such shifts translate into changing international and domestic travel patterns, based on businesses' and the general public's fluctuating propensity to spend on hotel accommodation, conferences and events. Within the hotel industry, structural transitions in regards to ownership, operations and branding have also affected the competitive landscape and the degree of consolidation. Together the aforementioned elements have affected the Group's business in the past, and are expected to continue to do so in the future.

MACROECONOMIC DRIVERS

The real estate and hotel markets are influenced by the general level of economic activity as measured by gross domestic product (GDP), employment, disposable income, inflation, interest rates, and population growth.

GDP

GDP is a broad measure of the level of economic activity in a specific geography, typically a country. As a measure of consumption, investment and spending over a specified time period, positive GDP-growth indicates economic expansion. Globally, and in Pandox's key markets of Sweden, Norway, Finland and Denmark, GDP growth has historically moved in a stable and positive direction, save for the global financial crisis in 2008-2009. Since 2010, GDP has reverted back to normal long-term average growth levels in all of Pandox's markets with the exception of Denmark and Finland, and projections, as indicated by the European Commission, support increasing levels of economic activity in 2015 and 2016. In general, GDP per capita is higher in metro regions than in the European Union as a whole. The graph and table below display country forecasts for GDP through 2016, as well as GDP per capita data for Pandox's metro regions in 2014.



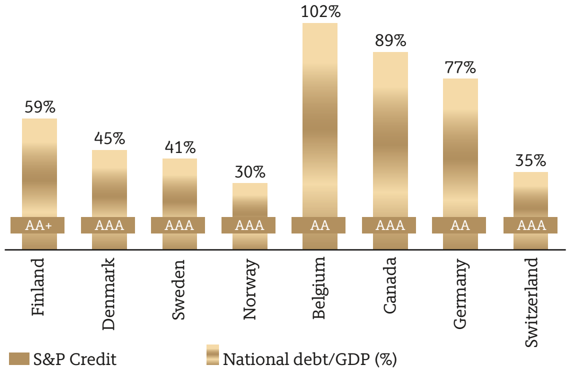
Source: IMF – World Economic Outlook Database, 7 October 2014, European Commission (Directorate General for Economic and Financial Affairs (DG ECFIN)). The graph is extended to 2005. Gross domestic product in nominal figures.

Metro region	GDP/Capita (USD thousands)
Stockholm	56
Copenhagen	42[1)]
Oslo	53
Helsinki	48
Berlin	36
Brussels	46
Basel	44
Gothenburg	40
Malmoe	42[1)]
Montreal	39
European Union	38

1) The figure covers both Copenhagen and Malmoe, i.e. no division is made between these metro regions.

Source: Brookings – 2014 Global Metro Monitor Map and CIA – The World Factbook 2014. The European Union figure is an estimate for 2014 by CIA Factbook.

In addition to the historically stable and positive GDP growth in Pandox's key markets, these markets are characterised by economic stability. Pandox's countries in the Nordic region all have credit ratings of AAA by S&P, except for Finland which has an AA+ rating, and levels of national debt as a percentage of GDP are below 50 per cent, again with the exception of Finland which has a level of 59 per cent. All countries outside the Nordic region where Pandox operates have credit ratings of AA or higher. The bar chart to the right displays sovereign debt in per cent of GDP and credit ratings for those countries where Pandox mainly operates:



Source: Bloomberg database, as of 2 March 2015.

Employment

Level of employment measures the number of individuals with paid work in a specific geography, typically a country. Rising levels of employment are associated with rising levels of economic activity and/or population growth, and directly affect business and consumer spending. Therefore, the real estate and hotel industry tends to benefit from increasing employment and the resulting increases in disposable income. On average, employment levels in the Nordic region and in EU as a whole have increased over the past ten years. Sweden and Norway, which already had high base levels of employment, have seen particularly high levels of employment growth, with a 7 per cent and 15 per cent total rise respectively. This growth compares to a total increase of two per cent in the European Union overall, according to the European Commission.

The table below illustrates the historical and projected development during the time period 2005-2016E.[1)]

Indexed	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E	CAGR 05–16E
Sweden	100	102	104	105	102	103	106	106	107	109	110	112	1.0%
Norway	100	103	108	111	111	110	112	114	115	117	118	119	1.6%
Finland	100	102	104	106	104	103	104	105	104	103	104	104	0.4%
Denmark	100	102	104	106	103	100	100	100	100	101	101	102	0.2%
EU 28	100	102	104	105	103	102	102	102	102	102	103	104	0.4%

Source: European Commission (Directorate General for Economic and Financial Affairs (DG ECFIN)). The table is indexed to 2005. Employment in nominal figures.

Inflation

Inflation, commonly quantified through the consumer price index (CPI), measures the sustained increase in the general price level of goods and services in an economy over a period of time. Most economies developed to maintain a 2–3 per cent inflation target, meaning a positive 2–3 percentage change in the general price index from one year to the next[2)]. A positive, yet stable and predictable, rise in a nation's price level is important to encourage investment in non-monetary capital projects, non-monetary capital expenditure, and general consumer spending. A deflationary or negative inflation-environment, contrarily, discourages businesses and individuals to spend, which hampers economic activity. Since 2010, annual inflation for countries in the Nordic region has been 0.0 per cent–3.3 per cent[3)]. The International Monetary Fund expects inflation in the region to amount to 1.7 per cent–2.0 per cent in 2016E. The table below illustrates the historical and projected consumer price index for the period 2005–2016E.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	Average 05–16E
Sweden	0.5	1.4	2.2	3.4	-0.5	1.2	3.0	0.9	0.0	0.1	1.4	1.9	1.3
Norway	1.5	2.3	0.7	3.8	2.2	2.4	1.3	0.7	2.1	2.0	2.0	2.0	1.9
Finland	0.8	1.3	1.6	3.9	1.6	1.7	3.3	3.2	2.2	1.2	1.5	1.7	2.0
Denmark	1.8	1.9	1.7	3.4	1.3	2.3	2.8	2.4	0.8	0.6	1.6	1.8	1.9
Europe	3.9	3.5	3.5	5.6	2.7	2.8	4.2	3.2	2.4	2.0	2.4	2.4	3.2

Source: IMF - World Economic Outlook Database, 7 October 2014. IMF's classification of Europe (incl. 41 countries). Average consumer prices annual per cent change.

Interest rates

An interest rate is a percentage of principal paid during the total term of a loan or credit, typically expressed on an annual basis. The interest rate is a vital tool of monetary policy to influence a country's economic activity, as it is used to stimulate its level of investment and consumption. In low interest rate environments, large amounts of capital are channelled into the real estate markets, driving prices up. Interest rates are typically separated into two types: (i) the policy rate, which is set by the central bank as part of monetary policy initiatives; and (ii) the money market rate, represented by, for example, the Stockholm Interbank Offered Rate (STIBOR), which defines the interest rate banks charge each other for inter-bank lending in SEK. The money market rate is itself tied to the prevailing policy rate, and typi-

1) European Commission (Directorate General for Economic and Financial Affairs (DG ECFIN).
2) ECB.
3) IMF - World Economic Outlook Database, 7 October 2014.

cally serves as a benchmark rate for lending by banks to corporations and individuals. A margin is then added over the benchmark to represent the specific risks associated with the corporation or individual borrowing. In stable markets, the margin charged generally decreases, resulting in cheaper borrowing. Since 2008, the policy rate and money market rates in each Nordic country have decreased substantially. As of 31 March 2015, the policy rates in Denmark, Finland and the Eurozone stand at 0.05 per cent, an all-time low, while the policy rate in Sweden stood at –0.25 per cent, in negative territory for the first time in history. As of 31 March 2015, swap forward rates with short to medium term tenures exhibit a low and stable interest rate across Nordic currencies, indicating the prevailing interest rate level will persist for some time[4]. The table below illustrates the historical money market interest rates for Pandox's key markets.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	05–14
Sweden (STIBOR 3 months)	2.0	3.3	4.7	2.5	0.5	2.0	2.6	1.3	0.9	0.3	2.0
Norway (NIBOR 3 months)	2.6	3.9	5.9	4.0	2.2	2.6	2.9	1.8	1.7	1.5	2.9
Denmark (CIBOR 3 months)	2.5	3.9	4.9	4.9	1.5	1.2	1.0	0.3	0.3	0.3	2.1
Eurozone (EURIBOR 3 months)	2.5	3.7	4.7	2.9	0.7	0.9	1.3	0.1	0.3	0.1	1.7

Source: Bloomberg. Refers to end of year interest rates.
Finland is part of the Eurozone.

Gross disposable income

Gross disposable income is a direct measure of spending power within a specific geographical area, typically a country. Developments in household disposable income affect consumers' purchasing power for products and services, and the demand for such products and services. As personal income increases, consumption expenditure increases, and there is accordingly a significant positive relationship between an increase in gross disposable income and an increase in spending on travel and tourism-related services. Gross disposable income increased markedly for the period 2010–2014 in the Nordic region (with the greatest acceleration being in Sweden and Norway, which had a compounded annual growth rate of 4 per cent and 6 per cent, respectively). The table below illustrates the historical and projected development of gross disposable income during the time period 2005–2016E.[5]

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	CAGR 05–16E
Sweden	3.4	5.4	7.1	5.2	4.9	3.1	5.7	4.2	2.5	3.3	3.1	3.6	4.4
Norway	9.1	–4.0	7.8	7.5	6.4	5.0	5.7	4.5	9.4	5.5	4.1	4.3	5.1
Finland	2.6	4.2	5.8	5.8	2.7	4.0	4.3	2.7	2.1	0.8	1.9	2.1	3.3
Denmark	4.2	4.9	1.5	2.5	2.6	5.9	3.1	2.2	–0.3	–1.7	10.9	3.7	3.1
EU 15	n.a.	n.a.	4.1	0.5	–1.4	2.5	2.2	2.1	0.1	2.8	3.2	2.9	1.6

Source: Macrobond.
Annual growth rate based on households and non-profit institutions serving households' (NPISH) disposable income in nominal figures. CAGR figure for EU 15 refers to the period 2007-2016E. In 2006, disposable income development in Norway was affected by a tax reform.

Demographic changes

Demographics encompass the study of size, structure and distribution of populations within a specific geography, typically a country. At the aggregate level, demographic changes relate to changes in population numbers, an important determinant for developments in the real estate market. Quickly rising populations have a positive impact on real estate and hotel ownership companies which leads to additional demand for their properties. Projections that underpin a trend for positive population growth also support the future performance of such companies due to an increased need for housing and an increased demand for lodging. The world population grew by a compounded annual growth rate of 1.1 per cent from 2010–2014 and is expected to grow by a compounded annual growth rate of 1.2 per cent in the next two years, according to the International Monetary Fund. Among the Nordic countries, Sweden and Norway have the highest growth rate, which is illustrated by the table below. In Norway, population growth is in line with global forecasts[6]. In view of the developed nature of the Nordic countries versus the developing nature of many of the largest constituents that comprise the global average figure, the Nordic population growth is considered good. The table below illustrates the historical development and forecast of population growth for the period 2005–2016E.

Indexed	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	CAGR 05–16E
Sweden	100	101	101	102	103	104	105	106	106	107	108	109	0.8%
Norway	100	101	102	103	105	106	107	109	110	111	112	114	1.2%
Finland	100	100	101	101	102	102	103	103	104	104	105	105	0.4%
Denmark	100	100	101	101	102	102	103	103	103	104	104	104	0.4%
Europe	100	100	100	101	101	101	101	101	102	101	102	102	0.2%
World	100	101	102	104	105	106	107	108	110	111	112	114	1.2%

Source: IMF - World Economic Outlook Database, 7 October 2014.
IMF's classification of Europe (incl. 41 countries). The table is indexed to 2005. Population in nominal figures.

4) Bloomberg Forward Curve Matrices, as of 31 March 2015.
5) Macrobond.
6) IMF – World Economic Outlook Database, 7 October 2014.

REAL ESTATE AND HOTEL TRANSACTION MARKET

Real estate transaction market

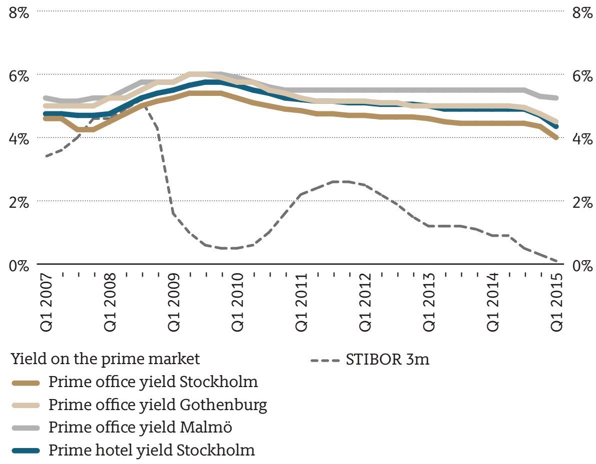
The global real estate transaction market has experienced five consecutive years of volume growth, driven by low interest rates and a generally positive economic performance. In 2014, global transaction volumes amounted to USD 710 billion, corresponding to a 20 per cent growth compared to the previous year. During 2014, real estate transaction volumes amounted to USD 277 billion in the EMEA region (defined as Europe, Middle-East and Africa), corresponding to a 25 per cent increase year-over-year. Most markets in Europe experienced growth during 2014. The only market that significantly decreased during that year was Russia, where transactions volumes were down by more than 60 per cent compared to the year before.[7)]

The Nordic real estate transaction markets

In the Nordic region, real estate transaction volumes have increased over the past five years. The increase is due to an increasingly supportive market environment for real estate transactions. Positive business and consumer sentiments across the Nordic countries coupled with decreasing interest/mortgage rates have been important elements in driving this improvement[8)]. Over a 10-year period, Sweden has been the most liquid market in Europe, with an average 9 per cent of the commercial property stock trading each year. In 2014, Sweden and Finland were ranked as the second and third most liquid commercial property markets in Europe, with 9.4 per cent and 7.7 per cent of the commercial property stock trading, respectively.[9)]

In Sweden, the market for real estate transactions experienced significant growth in 2014. Total transaction volumes amounted to SEK 148 billion (approx. USD 21.6 billion[10)]), a 60 per cent increase year-over-year. These increased volumes were driven by historically low interest rates, a relatively attractive yield in real estate compared to other asset classes, and access to debt financing. Newsec, a real estate advisory and research firm, expects the favourable financing climate to persist as the aforementioned factors continue in 2015. In terms of segmental breakdown within the real estate industry, office properties experienced the strongest interest from investors followed by residential properties[11)].

The following chart sets forth an overview of the historical development of; (i) prime office yield in Stockholm, Gothenburg and Malmö, (ii) prime hotel yield in Stockholm and (iii) money market interest rate, STIBOR 3 months.



Source: DTZ, The Riksbank – Swedish central bank.

In Norway, real estate transaction volumes increased by 38 per cent during 2014 to NOK 55 billion (approx. USD 8.7 billion[12)]). Increased volumes were driven in large part by the same economic factors as in Sweden, with interest supported by the historically high yield gap[13)]. The largest volume of transactions were executed in the Oslo-area, at 52 per cent of the total amount of transactions within the central business district ("CBD") segment, according to Pangea Property Partners, a Nordic real estate consulting firm, and CBRE, an international commercial real estate company[14)]. Newsec expects CBD real estate yields to decrease further in 2015 on account of the historically high yield gap, thereby supporting real estate value.[15)]

In Finland, the real estate transaction market experienced notable growth during 2014. Transaction volumes for the year amounted to EUR 4.3 billion (approx. USD 5.7 billion[16)]), which correspond to a 70 per cent increase compared to 2013. A core driver for rising volumes was increasing international demand, as total investments made by international companies and investors in 2014 doubled compared to the year before[17)].

In Denmark, the real estate transaction market also experienced higher demand in 2014. Total transaction volume amounted to DKK 30 billion (approx. USD 5.3 billion[18)]), which corresponds to a growth of 15 per cent compared to 2013.[19)] Despite the increase, transaction volumes did not entirely reflect demand, as the supply of properties in prime locations was limited during the year. Newsec expects transaction activity to spread to secondary markets in 2015, resulting in further positive developments to the Danish real estate market over the coming years.[20)]

According to Newsec and as evidenced by the figures shown above, it is expected that stable or falling interest rates in the Nordic countries will further support increasing prices and volumes in the Nordic real estate transaction market.

7) Jones Lang LaSalle, Global Market Perspective, First Quarter 2015.
8) Newsec, Property outlook, Spring 2015.
9) DTZ, Insight European Liquidity, March 2015.
10) Calculated on the basis of an average USD/SEK exchange rate of 6.86 for 2014.
11) Newsec, Property outlook, Spring 2015.
12) Calculated on the basis of an average USD/NOK exchange rate of 6.29 for 2014.
13) Newsec, Property outlook, Spring 2015.
14) Pangea, CBRE, Lokalebasen.dk, Nordic property market, monthly update – March 2015.
15) Newsec, Property outlook, Spring 2015.
16) Calculated on the basis of an average USD/EUR exchange rate of 0.75 for 2014.
17) Newsec, Property outlook, Spring 2015.
18) Calculated on the basis of an average USD/DKK exchange rate of 5.62 for 2014.
19) Newsec, Property outlook, Spring 2015.
20) Newsec, Property outlook, Spring 2015.

The real estate financing market

An important driver of activity in the hotel and general commercial real estate transaction market is the availability of debt financing. According to Bloomberg data, commercial real estate transactions are generally debt financed at an approximately 50–65 per cent loan-to-value ratio, either with bank loans, bonds, or a combination of the two[21)].

Following the financial crisis, expectations of stricter liquidity and capital ratio requirements led to more restrictive bank lending policies in the Nordic region. This, combined with historically high risk premiums, negatively influenced the availability of debt financing for commercial real estate companies in the period from 2009–2013, which in turn reduced transaction volumes.

Restrictive bank lending policies led real estate companies to seek alternative financing. When the bond market sentiment improved in 2012, following the ECB's decision to provide European banks access to liquidity in December 2011 and February 2012, this market became a significant source of debt financing for large real estate companies. This is reflected in the Swedish bond market for real estate companies where issued volumes according to Bloomberg have increased from SEK 8.1 billion (approx. USD 1.3 billion[22)]) to SEK 36.7 billion (approx. USD 5.4 billion[23)]) between 2011 and 2014[24)]. For 2015, Newsec expects the appetite for real estate bonds to increase further and to continue to provide an alternative to bank loans going forward[25)].

The combination of low interest rates as well as good access to debt financing is expected to result in high transaction volumes in 2015[26)].

Hotel transaction market

In 2014, volumes in the global hotel transaction market reached their highest levels since 2007. Total transaction volumes exceeded USD 58 billion in 2014, a 10 per cent increase compared to 2013. Total volumes for single-asset deals reached an all-time high in 2014 at approximately USD 40 billion, representing approximately 70 per cent of total volumes globally[27)]. JLL, the real estate consulting firm, estimates that investment in global hotel market volumes will increase to USD 68 billion in 2015, corresponding to an expected growth of 15 per cent compared to 2014. The increased volumes are expected to, among other factors, be driven by increased private equity activity and increased outbound investments from China[28)].

The Americas accounted for the largest transaction volumes globally in 2014, with total transaction volumes of USD 30 billion, corresponding to approximately 50 per cent of total volumes. Transaction volumes in the Americas are expected to increase to USD 34.5 billion in 2015, corresponding to a growth of 15 per cent. EMEA, on the other hand, was the region with the strongest growth in 2014. Transaction volumes increased by more than 20 per cent over the year, reaching USD 21.5 billion. JLL forecasts the volume in EMEA to reach USD 24.7 billion in 2015, corresponding to a growth of 15 per cent compared to 2014[29)].

In the Nordic region, the total hotel transaction volume amounted to EUR 462 million (approx. USD 613 million[30)]) in 2013, a 55 per cent increase compared to 2012, where Sweden accounted for 61 per cent of transaction volume, followed by Denmark and Norway. Sweden has experienced an increased interest in hotel transactions following the financial crisis in 2008–2009, which was predominantly driven by domestic investors. According to JLL, foreign investment in the Swedish hotel market was limited despite the high level of activity. Of the EUR 283 million (approx. USD 376 million[31)]) in total transactions in 2013, more than 80 per cent of that amount was executed in the Stockholm region[32)].

GLOBAL AND REGIONAL TRENDS IN THE TRAVEL MARKET

Global travel development

According to the World Tourism Organization (UNWTO), a United Nations agency responsible for the promotion of responsible, sustainable and universally accessible tourism industry, international tourism has grown consecutively for the last 20 years except for 2003 and 2009. From 2000 to 2010, international tourist arrivals grew from 674 million to 949 million, corresponding to a compounded annual growth rate of 3.5 per cent. In 2014, international tourist arrivals reached 1,138 million, corresponding to a growth of 4.7 per cent compared to 2013. The most visited region in 2014 was Europe at 588 million visitors, an increase of 22 million visitors compared to the year before. Northern Europe, which represents 6 per cent of total international tourist arrivals, experienced a growth of 6.9 per cent in 2014, one of the highest growth rates for a sub-region that year. The Americas had 181 million arrivals during the year[33)].

International tourist arrivals are expected to grow globally by between 3–4 per cent in 2015, driven by a continuously improving global economic backdrop[34)]. According to UNWTO's long-term outlook, the number of international tourist arrivals worldwide is expected to grow by an average of 3.3 per cent per year in the period 2010–2030, reaching 1.8 billion international tourist arrivals in 2030.[35)]

Trends and drivers in the travel market

The greater part of international travel takes place within each traveller's own region, as approximately four out of five international arrivals are traveling from within the same region. According to UNWTO, advanced economies in Europe, the Americas and Asia have traditionally been the major sources of international tourism. However, with rising levels of disposable income, several emerging economies have experienced high growth in recent years. In 2012, China became the largest spender on international tourism. Chinese tourism spending abroad has increased almost tenfold from 2000 to 2013. In 2013, Chinese tourism spending abroad amounted to USD 129 billion, explained by higher disposable income levels and fewer restrictions on foreign travel[36)]. In addition to growing disposable

21) Bloomberg Financial Analysis as of 31 March 2015.
22) Calculated on the basis of an average USD/SEK exchange rate of 6.48 for 2011.
23) Calculated on the basis of an average USD/SEK exchange rate of 6.86 for 2015.
24) Bloomberg data as of 31 March 2015.
25) Newsec, Property outlook, Spring 2015.
26) Newsec, Property outlook, Spring 2015.
27) JLL, Global Market Perspective, first quarter 2015.
28) JLL, Hotel Investment Outlook 2015.
29) JLL, Global Market Perspective, first quarter 2015.
30) Calculated on the basis of an average USD/EUR exchange rate of 0.75 for 2012.
31) Calculated on the basis of an average USD/EUR exchange rate of 0.75 for 2013.
32) JLL, Nordic City Report, Spring 2014.
33) World Tourism Organization (UNWTO), World Tourism Barometer, (January 2015).
34) World Tourism Organization (UNWTO), World Tourism Barometer, (January 2015).
35) World Tourism Organization (UNWTO), Tourism Highlights, (2014 Edition).
36) World Tourism Organization (UNWTO), Tourism Highlights, (2014 Edition).

income in emerging countries, changing currency exchange rates affect travel patterns. Since 2005, the development of the SEK, NOK, EUR and DKK relative to the USD has been favourable for Pandox.[37)]

Other important trends are technological advancements and generational travel patterns. Technological advancements and social media are changing travel behaviours, particularly in regards to how the traveller researches, plans, books and experiences a hotel stay. Smartphones and tablets have become an integral part of the booking and the travel process. 87 per cent of travellers use smartphones and 44 per cent use tablets while travelling[38)]. Digital technologies are driving operational efficiencies for hotels, such as automated check in and check out, online reservations and the use of data analytics, all of which stimulate revenue generation. "Millennials", defined as people born between 1980 and 2000, are viewed as the primary driver of such technological usage though it is now evident across all age groups. Today millennials account for approximately one-third of all business travel expenses. Moreover, this demographic group is expected to account for 50 per cent of all employees worldwide in the next four years according to EY[39)]. The customer segment is therefore becoming increasingly important for the travel industry and represents a key demographic alongside more traditional target groups.

In regards to transportation, air transport is the most common form of transportation for international personal travel. In 2013, 53 per cent of travellers arrived at their destination by air, while surface transportation accounted for 47 per cent. Over time, the air transportation share of total transportation has gradually increased[40)]. Consequently, it is important that airports have the capacity to meet projected increases in demand. The major airports in Pandox's key markets have the following long-term plans to expand their capacity:

Stockholm Arlanda airport: Stockholm Arlanda Airport (ARN) is the largest airport in Sweden and the primary airport in the Stockholm region. Demand for travel to and from Stockholm and Sweden via Stockholm Arlanda airport has grown substantially in recent years and the total number of passengers amounted to 22.4 million in 2014. Stockholm Arlanda airport's estimates indicate that the total number of passengers is expected to increase to 35 million in 2040. In order to meet the expected increase in demand, the airport plans to invest SEK 13 billion over the coming 30 year period.[41)]

Copenhagen airport: Copenhagen airport (CPH) is the largest airport in the Nordics, with 25.6 million passengers in 2014[42)]. In January 2014, Copenhagen airport developed a long-term expansion vision to be able to handle 40 million passengers within 25 years. The vision includes increased capacity for intercontinental routes[43)].

Oslo airport, Gardermoen: Oslo airport (OSL) is about to surpass Copenhagen airport as the largest airport in the Nordic region. It is the largest airport in Norway, and had 24.3 million passengers in 2014. In 2011, Oslo Airport initiated a project to increase its capacity to 28 million passengers per year. The project is expected to be completed in April, 2017[44)].

Helsinki airport: Helsinki airport (HEL) is the largest airport in Finland, with 15.9 million passengers in 2014. The airport is expected to have 20 million passengers each year by the early 2020s. In order to meet the increasing demand, Helsinki Airport launched a EUR 900 million refurbishment programme to be carried out between 2014 and 2020.[45)]

Brussels airport: Brussels airport (BRU) is the largest airport in Belgium, with 21.9 million passengers in 2014. The number of passengers grew with almost 15 per cent in 2014 compared to the year before, partly driven by the increased traffic from low-cost carriers ("LCCs"). The Irish LCC, Ryanair, launched its services to Brussels airport during the year and the Spanish LCC, Vueling, also launched new routes. The number of passengers was also increased by legacy airlines, as Brussels' airlines launched new routes and Emirates started services to Brussels[46)].

Low-cost carriers' capacity within Europe has grown by an average annual growth rate of 14 per cent between May 2004 and May 2013, compared with legacy airlines which have grown by an average annual growth rate of 1 per cent during the same time period, according to OAG[47)], a provider of aviation information and analytical services. The rise of LCCs, according to UNWTO, has made it cheaper for consumers to travel and has changed the dynamics of global tourism. When cost of transport constituted a major part of the holiday cost, the choice of destination was an important aspect. With the significantly reduced flight costs of LCCs, consumers are able to choose more freely among destinations and are now able to spend more on accommodation[48)]. LCCs have predominantly focused on point-to-point services intra-region, however some LCCs are now also offering long-haul route structures across regions, which enable and enhance travel demand further.

According to the Company's assessment, a general trend among metropolitan cities is an increased focus on creating an attractive destination for tourists and visitors, such as by promoting different events including music concerts, festivals and sports events. These events affect the demand for hotels and are, in many cases, complementary to business-related events, as these often take place during the business week and leisure related events take place during the weekends.

Holiday is the most common purpose for international travel. In 2013, leisure, recreation and holidays accounted for 52 per cent of all international tourist arrivals. Reasons such as visiting friends and relatives, religion, health or other accounted for 27 per cent, while travelling for business and professional purposes accounted for 14 per cent, according to a survey by UNWTO. For the remaining 7 per cent of arrivals, a reason was not specified[49)]. However, in the Nordic region and for the Nordic capitals in particular, business travellers are driving hotel demand to a greater extent, according to Pandox's assessment.

37) FactSet database as of 31 March 2015.
38) TripAdvisor, press release published 2013-11-18.
39) EY Global Hospitality Insights 2014.
40) World Tourism Organization (UNWTO), Tourism Highlights, (2014 Edition).
41) Stockholm Arlanda Airport.
42) Copenhagen Airport, Fact & Figures 2014.
43) Copenhagen Airport, press release published 2014-01-29.
44) Avinor AS, www.avinor.se, 2015-05-11.
45) Finavia, www.finavia.se, 2015-01-13.
46) Brussels airport, press release published 2015-01-13.
47) OAG, May Facts 2013.
48) UNWTO Global Report on Aviation – Volume five (2012).
49) World Tourism Organization (UNWTO), Tourism Highlights, (2014 Edition).

HOTEL INDUSTRY DEVELOPMENT

The hotel economic cycle usually follows the macro economy through these phases: economic downturn, cyclical bottom, stable economic growth and economic peak. The Company believes that the hotel economic cycle is important to consider when investments are made in different geographical markets, as this knowledge ensures better decision making and therefore lower risk. For Pandox which only owns one type of asset, hotel properties, a broad geographical spread enables the Company to benefit from varying dynamics across each of the respective geographical markets.

Global economic development and international travel development and trends affect the demand for hotels in metropolitan cities to a larger extent than in rural areas. This is partly driven by the high share of business travel in metropolitan cities, which is affected by the macro economy in general, and by higher frequency of large events. Regional cities are often affected to a lesser extent by events outside the particular city, and, in combination with a limited supply of hotels, the hotel occupancy/utilisation tends to be more stable, according to the Company. By developing a portfolio that includes both metropolitan cities and regional cities within the same country and/or region, a hotel portfolio can achieve greater diversification of demand.

Hotel demand is affected both by macro location, defined at the country level, but also of its micro location within a city. Pandox focuses on hotel properties located in strategic micro locations, such as city centres, ring roads, airports and exhibition centres. Demand for hotel properties in these locations is generally characterised in the following ways: (i) city centres: broad demand including all forms of business, events and leisure travel; (ii) ring roads: business and conference travel with some overflow of leisure travel, especially in connection with large events; (iii) airports: mix between business and leisure travellers, where leisure demand generally is driven by travel and business by conferences and meetings; and (iv) exhibition centres: exhibitions, fairs and meetings.

Performance in the hotel industry is generally measured by three metrics: (i) the occupancy rate, which measures the utilisation of the hotel capacity, (ii) the average daily rate ("ADR"), which provides the average paid rate for a room for the hotel over a specified time period, and (iii) the revenue per available room ("RevPAR"), which combines the ADR and the occupancy rate to measure revenue per available room.

Demand and capacity utilisation are important indicators of performance and attractiveness of a hotel. In achieving profitability, it is vital to combine high occupancy with high prices, so as to achieve a high RevPAR. For a hotel property owner which leases the hotel to a hotel operator, as well as for the hotel operator itself, RevPAR is the most important performance indicator. However, for a hotel operator, a high price per room may be preferred to high occupancy, as the price is a more important driver of hotel profitability. In this situation, revenues from higher average price translate into profit to a greater extent than revenues from increased occupancy, as the increase in occupancy results in more variable costs and hotel operation resources, such as staff.

After the financial crisis in 2008-2009, according to data from STR Global, a hotel consultancy firm, the hotel industry has been in a period of recovery with improving performance metrics. RevPAR in Europe has increased at a 3.5 per cent CAGR over the last three years. North America experienced a higher growth with a CAGR of 6.5 per cent. In real terms, European and North American RevPAR in 2014 are still below 2007 levels[50].

	Unit	2007	2008	2009	2010	2011	2012	2013	2014
Occupancy									
North America	%	63%	60%	55%	58%	60%	61%	62%	64%
Europe	%	68%	65%	61%	64%	66%	66%	67%	69%
ADR									
North America	USD	105	108	99	99	103	107	111	116
Europe	EUR	109	106	95	97	100	102	102	106
Real ADR									
North America	USD	122	121	110	109	109	112	114	116
Europe	EUR	136	126	110	109	107	106	104	106
RevPAR									
North America	USD	66	65	54	57	62	66	69	75
Europe	EUR	74	69	57	63	66	67	69	73
Real RevPAR									
North America	USD	77	73	60	63	66	68	71	75
Europe	EUR	93	82	66	70	71	70	70	73

Source: STR Global, IMF

Real ADR is calculated by adjusting the nominal figures with inflation rates (average consumer prices) provided by IMF for each region respectively with 2014 as base year. Real RevPAR is calculated by multiplying the Real ADR with the occupancy figure for each period.

[50] STR Global.

The number of hotels in Sweden increased from 1,827 in 2010 to 1,865 in 2014, corresponding to a CAGR of 0.5 per cent per year, according to Statistics Sweden. Over the same period, the number of rooms has increased from approximately 100,300 to 108,400, corresponding to a CAGR of 1.9 per cent. The table below illustrates the occupancy, ADR and RevPAR for Sweden and its major cities Stockholm, Gothenburg and Malmö for the period 2007 to 2014. In 2014, RevPAR increased by 2.5 per cent in Sweden driven by higher occupancy levels while the average price declined slightly[51]. According to Visita, the Swedish hospitality industry organization, the increased demand for rooms was driven by leisure travellers, while the demand from business travellers was unchanged from the year before.[52] RevPAR growth in Stockholm was 1.3 per cent in 2014 compared to 2013 and RevPAR increased in Malmö by 0.9 per cent. RevPAR development in Gothenburg was flat during 2014 compared to the year before.[53] In real terms, RevPAR in Stockholm, Gothenburg and Malmö remained lower in 2014 compared to the level of 2007.

	Unit	2007	2008	2009	2010	2011	2012	2013	2014
Occupancy									
Sweden	%	51%	50%	48%	50%	51%	50%	50%	52%
Stockholm	%	70%	64%	66%	68%	67%	65%	65%	66%
Gothenburg	%	70%	68%	65%	65%	67%	65%	64%	66%
Malmö	%	67%	68%	68%	64%	61%	60%	59%	62%
ADR									
Sweden	SEK	875	911	890	911	943	939	938	936
Stockholm	SEK	1,108	1,163	1,080	1,120	1,135	1,111	1,111	1,104
Gothenburg	SEK	926	947	924	960	971	989	965	943
Malmö	SEK	873	896	883	858	866	868	851	811
Real ADR									
Sweden	SEK	948	954	937	948	952	940	939	936
Stockholm	SEK	1,200	1,219	1,137	1,165	1,147	1,112	1,112	1,104
Gothenburg	SEK	1,003	992	973	999	980	990	966	943
Malmö	SEK	945	939	930	893	875	869	852	811
RevPAR									
Sweden	SEK	443	458	430	455	479	470	472	484
Stockholm	SEK	773	747	715	761	762	721	722	732
Gothenburg	SEK	647	640	597	627	650	642	621	621
Malmö	SEK	586	613	596	546	527	518	502	506
Real RevPAR									
Sweden	SEK	480	480	453	474	484	471	472	484
Stockholm	SEK	837	783	753	792	770	722	723	732
Gothenburg	SEK	700	671	628	652	657	643	622	621
Malmö	SEK	635	643	628	568	532	518	502	506

Source: Statistics Sweden, Benchmarking Alliance, IMF.
Real ADR is calculated by adjusting the nominal figures with inflation rates (average consumer prices) provided by IMF for Sweden with 2014 as base year. Real RevPAR is calculated by multiplying the Real ADR with the occupancy figure for each period.

[51] Statistics Sweden.
[52] Visita, the Swedish hospitality industry organization, Det börjar lossna på hotellmarknaden, (2014).
[53] Benchmarking Alliance.

The number of hotels in Norway declined from 990 in 2010 to 985 in 2014, corresponding to a reduction of 0.1 per cent each year on average according to Statistics Norway. However, the number of rooms increased over the same period, from approximately 67,000 to 73,200, corresponding to a CAGR of 2.3 per cent. The table below illustrates the occupancy, ADR and RevPAR for Norway and its capital Oslo for the period 2007 to 2014. In 2014, RevPAR increased by 1.3 per cent in Norway. The growth was attributable to higher occupancy levels and a slight increase in average prices. RevPAR declined in Oslo with 0.4 per cent in 2014. In real terms, RevPAR levels, in both Norway as a whole and in Oslo, remain below the 2007 levels.

	Unit	2007	2008	2009	2010	2011	2012	2013	2014
Occupancy									
Norway	%	57%	55%	51%	51%	52%	53%	52%	53%
Oslo	%	71%	66%	61%	60%	62%	61%	62%	62%
ADR									
Norway	NOK	811	868	863	859	866	874	884	885
Oslo	NOK	906	982	955	936	925	904	926	922
Real ADR									
Norway	NOK	936	965	939	913	908	910	902	885
Oslo	NOK	1,045	1,091	1,039	995	970	941	945	922
RevPAR									
Norway	NOK	460	480	437	437	454	460	463	469
Oslo	NOK	647	644	586	560	569	555	575	573
Real RevPAR									
Norway	NOK	533	531	479	465	472	482	469	469
Oslo	NOK	747	716	638	595	597	578	587	573

Source: Statistics Norway, Benchmarking Alliance, IMF.
Note: Real ADR is calculated by adjusting the nominal figures with inflation rates (average consumer prices) provided by IMF for Norway with 2014 as base year. Real RevPAR is calculated by multiplying the Real ADR with the occupancy figure for each period.

The number of hotels in Finland declined from 632 in 2010 to 625 in 2014, a reduction of 0.3 per cent each year on average according to Statistics Finland. Over the same period, the number of rooms increased from approximately 48,000 to 49,900, corresponding to a CAGR of 1.0 per cent. The table below illustrates the occupancy, ADR and RevPAR for Finland and its capital Helsinki for the period 2007 to 2014. In 2014, RevPAR development was flat in Finland as a whole, while RevPAR growth in Helsinki was 2.1 per cent. The growth was attributable to higher occupancy levels and a slight increase in average prices.[54)] In real terms, RevPAR in 2014 for both Finland as a whole and Helsinki are still below 2007 levels.

	Unit	2007	2008	2009	2010	2011	2012	2013	2014
Occupancy									
Finland	%	53%	53%	59%	51%	53%	53%	51%	51%
Helsinki	%	68%	66%	60%	66%	68%	67%	65%	66%
ADR									
Finland	EUR	85	88	86	86	88	91	91	92
Helsinki	EUR	106	108	98	93	96	102	99	100
Real ADR									
Finland	EUR	101	100	96	95	94	94	92	92
Helsinki	EUR	125	123	110	103	102	105	100	100
RevPAR									
Finland	EUR	45	47	51	44	47	48	47	47
Helsinki	EUR	72	71	59	62	66	68	65	66
Real RevPAR									
Finland	EUR	53	53	57	48	50	50	47	47
Helsinki	EUR	86	81	66	68	70	71	65	66

Source: Statistics Finland, STR Global, IMF.
Real ADR is calculated by adjusting the nominal figures with inflation rates (average consumer prices) provided by IMF for Finland with 2014 as base year. Real RevPAR is calculated by multiplying the Real ADR with the occupancy figure for each period.

[54)] Statistics Finland and Benchmarking Alliance.

The number of hotels in Denmark increased from 478 in 2010 to 493 in 2014, corresponding to CAGR of 0.8 per cent according to Statistics Denmark. Over the same period, the number of rooms increased from approximately 40,300 to 42,400, corresponding to a CAGR of 1.3 per cent. The table below illustrates the occupancy, ADR and RevPAR for Denmark and its capital Copenhagen for the period 2007 to 2014E. In 2013, RevPAR increased by 2.4 per cent in Denmark and is estimated to have continued to grow in 2014 according to HORESTA, the national trade association for the hotel, restaurant and tourism industry in Denmark. The growth in 2013 was attributable to higher occupancy levels and an increase in average prices. RevPAR growth in Copenhagen was 4.8 per cent in 2014.[55] In real terms, RevPAR in 2014 for both Denmark as a whole and Copenhagen are still below 2007 levels.

	Unit	2007	2008	2009	2010	2011	2012	2013	2014E
Occupancy									
Denmark	%	61%	58%	52%	54%	56%	55%	57%	58%
Copenhagen	%	73%	66%	62%	64%	66%	69%	71%	74%
ADR									
Denmark	DKK	719	725	717	641	664	686	683	691
Copenhagen	DKK	883	887	857	709	726	765	793	802
Real ADR									
Denmark	DKK	822	802	783	684	690	696	687	691
Copenhagen	DKK	1,010	981	936	756	754	775	798	802
RevPAR									
Denmark	DKK	438	418	375	343	367	377	386	391
Copenhagen	DKK	642	588	535	456	479	525	562	590
Real RevPAR									
Denmark	DKK	501	464	410	370	383	385	394	391
Copenhagen	DKK	735	651	584	487	497	532	566	590

Source: HORESTA, Benchmarking Alliance, IMF.
2014 figures for Copenhagen refer to actual figures. Real ADR is calculated by adjusting the nominal figures with inflation rates (average consumer prices) provided by IMF for Denmark with 2014 as base year. Real RevPAR is calculated by multiplying the Real ADR with the occupancy figure for each period.

The table below illustrates the occupancy, ADR and RevPAR for Brussels, Berlin and Montreal, which are important metro regions outside the Nordics for Pandox. Brussels experienced a 3.3 per cent growth in RevPAR in 2014, driven mostly by higher occupancy levels. RevPAR increased by 4.5 per cent in Berlin in 2014, driven both by higher occupancy levels and increased average prices. In 2014, Montreal average prices increased by 4.6 per cent, which together with increased occupancy levels led to a RevPAR growth of 9.9 per cent[56]. Real RevPAR in 2014 for Berlin and Montreal was approximately in line with 2007 levels, while RevPAR for Brussels remained lower.

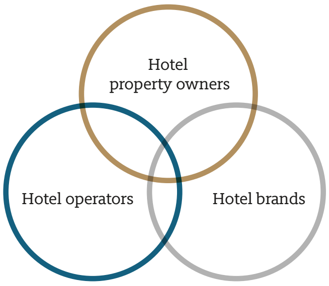
	Enhet	2007	2008	2009	2010	2011	2012	2013	2014
Occupancy									
Brussels	%	71%	69%	64%	67%	67%	67%	67%	69%
Berlin	%	71%	69%	68%	69%	69%	73%	73%	74%
Montreal	%	66%	62%	58%	63%	65%	64%	66%	69%
ADR									
Brussels	EUR	106	114	103	107	111	109	111	111
Berlin	EUR	83	87	80	88	85	88	88	89
Montreal	CAD	135	136	128	133	135	135	139	146
Real ADR									
Brussels	EUR	123	126	114	115	116	111	112	111
Berlin	EUR	92	94	87	94	89	90	88	89
Montreal	CAD	151	149	140	143	141	139	142	146
RevPAR									
Brussels	EUR	75	79	66	72	75	73	74	76
Berlin	EUR	59	60	54	60	59	64	63	66
Montreal	CAD	89	85	74	84	88	86	91	101
Real RevPAR									
Brussels	EUR	87	87	73	77	78	74	75	76
Berlin	EUR	66	65	59	65	62	65	64	66
Montreal	CAD	100	93	81	90	92	89	93	101

Source: STR Global, IMF.
Real ADR is calculated by adjusting the nominal figures with inflation rates (average consumer prices) provided by IMF for Belgium, Germany and Canada respectively with 2014 as base year. Real RevPAR is calculated by multiplying the Real ADR with the occupancy figure for each period.

[55] Benchmarking Alliance.
[56] STR Global.

HOTEL MARKET STRUCTURE

The hotel value chain can be illustrated by dividing it in three different segments: (i) hotel property ownership, (ii) hotel operations, and (iii) hotel brands. The illustration below sets out these three different segments, showing that any one company can be positioned exclusively in one segment or in a combination of two or three segments. Pandox is positioned in two segments in the hotel value chain, as it mainly owns hotel properties as well as is a hotel operator.



The operational focus of hotel property owners is to invest in, develop and manage property portfolios and to enter into agreements with hotel operators and hotel brands. Hotel operators operate, own and lease properties, with a focus on productivity and revenue-generation, whereas hotel brand companies manage their own and externally-owned properties. Hotel brand companies seek to drive revenue-generation through brand development, distribution, and loyalty programmes.

Over the last decade, the international hotel market has undergone notable structural changes. A number of large hotel companies have shifted their business model away from operations to focus only on distribution and brand development. Their objective is to promote customer room reservations through internal websites or other channels, where each booking generates income, while maintaining an asset light business model. As such, the hotel brand company seeks to manage the marketing of external hotel properties through franchise and management agreements that limit the need for capital investment. For an asset light business model, scale is important. To increase room capacity, hotel brand companies have therefore taken initiatives to consolidate the market. In recent years, mergers and acquisitions among external management companies in the US have been increasingly evident. According to EY, there are indications of a similar trend unfolding in Europe.[57)]

Over the last decade, distribution channels have also changed. With the ever-evolving internet, information about different travel, holiday and hotel alternatives has become accessible through fast and simple searches. Prior to the internet, travellers had to write to or telephone the hotel directly or use a travel agent to make reservations. With the emergence of online travel agencies (OTAs) such as Expedia.com, Hotels.com and Booking.com, which emerged as a result of hotel brand companies allowing access to their inventory, consumers are presented with flight and hotel options across a few dedicated websites, and given the opportunity to compare alternatives across metrics such as price, customer reviews and hotel class. OTAs typically have pictures of hotels and information on various room options, amenities, events, excursions, sightseeing alternatives, and local transportation. Supported by a simple booking process, the trend among current travellers is therefore increasingly to book travel on the internet. Consumer behaviour is changing, in particular within the leisure segment, not least driven by an opportunity to make last-minute travel arrangements, often at significantly reduced prices.

Conventional travel agents have been negatively affected by the aforementioned development. In addition, hotel brand companies specifically focused on reservation services are also being challenged by OTAs, as these increasingly control the customer point of entry with regards to hotel reservations. Since OTAs charge a commission for each reservation, this is a cost related to customer acquisition for the hotel brand companies. However, the internet and OTAs also represent opportunities for the hotel industry. Through these, unbranded hotels have better opportunities to reach potential customers and hotel brand companies are able to acquire customers that were previously tied to competing brands through loyalty programmes. As travellers move to booking holidays online, new selection criteria have emerged which reduce the importance of loyalty programmes. Hotel brand companies also achieve broader marketing on the OTA websites, as they get exposure to a truly global audience. Such marketing is complimentary to the hotel brands' own websites, which represent their dedicated and direct marketing channels.

As traditional hotel companies have moved down the hotel value chain – towards a brand-focussed asset-light model – a market gap has materialised within the hotel operations segment. Changes within the hotel sector have thereby resulted in opportunities for hotel property owners, in particular for moving vertically down the hotel value chain and incorporating hotel operations into their own business models.

Vertical integration provides hotel property owners an opportunity to take over operations of hotels to (i) reduce operational risk and increase optionality to create value across the value chain, (ii) ensure that external operators are exposed to competition when negotiating lease terms, and (iii) give hotel property owners the capacity to transform and upgrade hotels in order to increase performance, improve operations, and create value. For an active owner, these opportunities have significant value.

Overview different business models/ different lease agreements

The value of a hotel property is governed to a considerable degree by the content and formulation of the agreement between the owner and the operator/owner of the brand. The objective is to formulate an agreement where all parties concerned are incentivised to continuously improve the hotel property's profitability. Agreements can generally be divided into three categories: (i) rental agreements/leases, (ii) management agreements, and (iii) franchise agreements.

Rental agreements/leases are a common model in the Nordic region and can also be found in other parts of Europe, but are rarer in other parts of the world. A rental agreement/lease can be structured in different ways and based on different metrics such as revenue, result or a fixed rent.

Revenue-based leases are linked to the sales generated by the hotel business. This form of contract provides hotel property

57) EY, Global Hospitality Insights 2015.

owners with a share of the growth in both the market as a whole and in market shares, as rents increase in relation to the revenue generated by the hotel business. In order to limit the potential risks, these agreements generally specify a minimum guaranteed rent.

Result-based leases indicate that the hotel property owner receives a share of the hotel operator's net operating profit. This type of agreement requires that the hotel property owner is informed of and is given access to the operating company's finances and agreements. This form of contract can also include a minimum guaranteed rent.

Fixed-rent leases, which are increasingly less common for hotels, means that a fixed rent is paid which is typically adjusted annually for inflation. This type of lease is preferred by investors who primarily seek a guaranteed rent.

Management agreements, primarily in use in the US, UK and Asia, can be viewed as similar to an agent contract, where the hotel property owner also owns the hotel business, and through a management agreement, a hotel operator is assigned to operate and manage the hotel on behalf of the hotel property owner for a management fee, often revenue-based.

Franchise agreements can be entered into with a hotel brand company for the hotel property owner's own operations. The hotel property owner thereby benefits from a large system that, among other things, supports the hotel's overall marketing and sales functions. This means that the hotel property owner owns the hotel operations as well as the hotel property. Typically, the franchisee pays royalties on revenues and additional fees for access to such services as the booking system, marketing and advertising.

Pandox's view on the industry's agreement structures

In a management agreement, the hotel property owner appoints a brand to run the hotel for a management fee, often calculated as a share of the revenue. In some cases, the hotel owner also pays an additional incentive fee based on the hotel's profit, however, this is normally a smaller part of the total fee. Under this structure, the hotel property owner carries all investment costs in the property, meaning that the hotel property owner has financial responsibility for operations as well as investments.

As the hotel's gross revenues and distribution strategies determine the size of the income for the brand, the fee structure results in a focus in income maximation and a reduced focus on productivity and profitability for the hotel operations. For the active hotel property owner, this is undesirable, as productivity, profitability and investments are the most important factors of value growth in a hotel property.

As a result, Pandox favours revenue-based rental agreements. The rent the operator pays to the property owner is based on revenue, and the costs for investments and product development is shared so as to create common interests. The agreement structure incentivises the operator to increase profitability by increasing their revenue, lowering their costs and making sound long term investments in the product. The parties, i.e. the hotel property owner and the hotel operator/brand share upsides as well as downsides, with capital, potential and risk being reasonably divided between the parties.

Competition

Pandox is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. In its key markets of Sweden, Norway, Finland and Denmark, Pandox primarily competes with hotel property owners, real estate companies with hotel exposure and institutional and private equity funds with real estate and hotel exposure.

The table below illustrates some of the largest hotel property owners in the Nordic region.

Owner	Number of hotel rooms	Number of hotels	Listed / Unlisted
Pandox	21,969	104	Unlisted
Olav Thon Gruppen	approx. 11,000	74	Unlisted
Wenaasgruppen	approx. 9,400	27	Unlisted
CapMan Hotels	approx.6,800	40	Unlisted
Home Properties*	approx. 5,700	26	Unlisted
Fastighets AB Balder	approx. 5,000	29	Listed
KLP Eiendom	approx. 4,100	13	Unlisted
Rica Eiendom	approx. 2,900	19	Unlisted
DNB Liv	approx. 2,600	9	Unlisted
Elite Hotels	approx. 1,900	14	Unlisted
Average (excluding Pandox)	approx. 5,500	28	

Source: Pandox estimate as of 5 June 2015.

* Comprises owned and partly owned hotels.

As shown in the table above, Pandox is by far the largest hotel property owner in the Nordic region in terms of number of rooms and number of hotels.

Business overview

Scandic Hvidovre, Köpenhamn

The Hotel, Bryssel

Grand Hotel Oslo

INTRODUCTION

Pandox is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. Pandox's hotel property portfolio comprises 104 hotels with a total of 21,969 rooms across eight countries. Pandox's business is organised into two segments: Property management, which comprises 89 hotel properties leased on a long-term basis to market leading regional hotel operators and leading international operators, and Operator activities, which comprises hotel operations executed by Pandox in its 15 owned hotel properties.

The segments Property management and Operator activities are further divided into five geographic areas: (i) Sweden, (ii) Norway, (iii) Finland, (iv) Denmark, and (v) International. The latter comprises the Company's business in Belgium, Germany, Switzerland and Canada.

COMPANY OVERVIEW

As of 31 March 2015, Pandox's property portfolio comprised 104 hotel properties with a total of 21,969 rooms across eight countries.

The Company's hotel properties are located in cities that are either international destinations, meaning they have a large relative or absolute share of international guests, such as Stockholm, Oslo, Copenhagen, Helsinki, Berlin, Brussels, Antwerp, Basel, and Montreal, or cities with a high proportion of regional demand such as Gothenburg, Malmö and other regional cities in the Nordic region. As of 31 March 2015, Pandox has a balanced mix between international and regional demand, with 51 per cent of rooms in cities considered international destinations by the Company. The hotel properties are primarily situated in strategic locations such as city centres, ring roads, airports, exhibition centres or similar locations that attract a steady demand for hotel rooms and services. The hotel properties are primarily full service hotels in the upper-medium to high-end segments. The average size of the hotel properties is 211 rooms.

As of 31 March 2015, Pandox's business segment Property management comprised 89 Investment properties with a total of 17,195 rooms in six countries that are leased on a long-term basis to market leading regional hotel operators such as Scandic and Nordic Choice, or leading international hotel operators such as Hilton and Rezidor. In 2014, Pandox had a net operating income (before property administration costs) from Property management of SEK 1,249 million and the market value of the Investment properties portfolio as of 31 March 2015 amounted to SEK 21,233 million. For more information, see section "Selected financial information – Calculation of key figures and certain definitions".

Pandox's business segment Operator activities comprised 15 Operating properties with a total of 4,774 rooms in five countries, as of 31 March 2015. In addition to being the owner of the hotel properties, the hotel operations are also owned and executed by Pandox, either through well-known hotel brands such as Hyatt Regency or Holiday Inn, or through independent hotel brands owned by the Company. Revenue and income from the hotel operations within Operator activities accrues in full to Pandox. In 2014, total revenue Operator activities amounted to SEK 1,598 million, net operating income amounted to SEK 320 million and the market value of the Operating properties portfolio as of 31 March 2015 amounted to SEK 5,763 million. For more information, see section "Selected financial information – Calculation of key figures and certain definitions".

In addition, the Company manages hotel properties on behalf of external owners. Currently Pandox manages a portfolio of eight hotels with a total of 1,505 rooms in Oslo, Norway (commercial and technical asset management), and the hotel property Pelican Bay Lucaya Resort in the Grand Bahama Island, with 186 rooms (commercial asset management). The property portfolio in Oslo and the Pelican Bay Lucaya Resort are owned by Pandox's owners Eiendomsspar AS and Sundt AS[1)2)], respectively. The asset management result is reported under the Property management segment, except for the hotel property Pelican Bay Lucaya Resort, which is reported in the Operator activities segment. The asset management fee amounts to 2 per cent of annual rental revenue (Oslo properties) and annual total revenue (Pelican Bay Lucaya Resort) respectively.

Overview of Pandox's hotel property locations

1) Sundt AS was divided between Helene Sundt AS and CGS Holding AS in 2007.
2) For further information, see section "Legal consideration and supplementary information - Related party transactions".

As of 31 March 2015, the market value of Pandox's property portfolio was SEK 26,996 million. The following table sets forth an overview of Pandox's hotel portfolio as of 31 March 2015:

	Number of hotels	Number of rooms	Market value (MSEK)	Valuation yield (%)
Investment properties				
Sweden	52	9,864	12,573	6.0
Norway	14	2,503	2,739	6.3
Finland	13	2,913	3,041	5.9
Denmark	7	1,405	1,978	5.7
International	3	510	902	5.8
Total Investment properties	89	17,195	21,233	6.0
Operating properties				
Sweden	—	—	—	—
Norway	—	—	—	—
Finland	1	151	43	9.8
Denmark	2	440	571	8.0
International	12	4,183	5,149	7.6
Total Operating properties	15	4,774	5,763	7.6
Total owned properties	104	21,969	26,996	6.4
Operated properties not owned*	1	292	—	
Asset managed properties	9	1,691	—	
Total	114	23,952		

* For more information see "Business overview – Operator activities – Grand Hotel Oslo".

STRATEGY

Pandox's strategy and business model have been consistently followed since the Company was founded in 1995. The Company has exclusively invested in one type of asset since inception: hotel properties. This type of asset has distinctive features that differ from other types of property and demands specialist expertise in order to maintain an active ownership model. Pandox's strategy consists of six building blocks, which are further described below.

Focus on hotel properties with attractive risk-adjusted returns

Pandox focuses on hotel properties with attractive risk-adjusted return. The Company invests exclusively in hotel properties and has consequently developed significant experience in terms of identifying, acquiring and repositioning properties within this asset class over the past twenty years. As of 31 March 2015, the portfolio consisted of 104 owned hotel properties.

Pandox combines lease model with active ownership

Pandox favours long-term and revenue-based leases which provide revenue visibility, income stability, lower capital expenditure and reduced risk for the Company. These leases, combined with an active ownership strategy, create value and opportunities across the hotel value chain. As of 31 March 2015, 89 of Pandox's hotel properties were leased to well-known and reputable hotel operators with a weighted average unexpired lease term ("WAULT") of 8.7 years.

Broad geographical footprint

Focusing only on hotel properties as a single type of asset requires a broad geographical footprint to create the right conditions for growth and to benefit from positive dynamics in the macroeconomic conditions and the hotel business cycle. As of 31 March 2015, Pandox's business operations covered eight countries, where the geographic area Sweden was the largest and accounted for approximately 45 per cent of the Company's total number of rooms. In aggregate, Pandox owns hotel properties across 50 different cities in eight countries which cater to a good balance of international and domestic demand.

Sizeable hotels in key leisure and corporate destinations

Pandox is dedicated to sizeable full-service hotels in key leisure and corporate locations primarily in the upper-medium to high-end segments. The Company's opinion is that such hotels provide better business opportunities while simultaneously reducing risk. The Company believes that the reduced risk is a result of the fact that typically larger hotels deliver stronger cash-flows and historically have been easier to finance.

Investments in underperforming hotel properties

Pandox targets investments in sizeable underperforming hotel properties in strategic locations, which can be refurbished, restructured, and/or repositioned and where the Company's active ownership strategy and expertise can be leveraged. This creates pre-requisite conditions for good financial performance and long-term value creation. In recent years, Pandox has acquired several underperforming hotels that have subsequently been refurbished and repositioned, such as The Hotel Brussels and Hotel Berlin, Berlin.

Brands and partners that support each individual hotel

Pandox seeks brands and partners that strengthen the profile, market position and operations of each individual hotel. This requires Pandox to maintain a broad network of national and international hotel companies with which it can co-operate. Pandox currently collaborates with ten hotel chains, making use of 16 different well-known and well-established brands. In addition, Pandox has established and developed a number of owned independent hotel brands.

FINANCIAL TARGETS

In preparation for listing on Nasdaq Stockholm, Pandox's board of directors has adopted the following financial target and dividend policy.

Loan-to-value ratio

The Company defines loan-to-value ratio as interest-bearing debt divided by the sum of property market value of Investment and Operating properties. The Company targets a loan-to-value ratio of between 45 per cent and 60 per cent, depending on the market environment and prevailing opportunities.

Dividend policy

Pandox's target is a dividend pay-out ratio of between 40 per cent and 60 per cent of cash earnings, with an average payout ratio over time of approximately 50 per cent. Future dividends, and the size of any such dividends, are dependent on Pandox's future performance, financial position, cash flows, working capital requirements, planned investments and other factors.[3)]

3) See also "Risk factors – Risks relating to the Offering – Pandox's ability to pay dividends is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and others factors"

Scandic Copenhagen

The financial targets regarding loan-to-value ratio and dividend levels set forth above are Pandox's targets for the financial year 2015 and beyond. The financial targets constitute forward-looking statements and are not guarantees of future financial performance. Pandox's actual results of operations or financial condition could differ materially from those expressed or implied by these forward-looking statements as a result of many factors. These financial targets are based upon a number of assumptions (including the success of Pandox's business strategy), which are inherently subject to significant business, operational, economic and other risks, many of which are outside Pandox's control. Accordingly, such assumptions may change or may not materialise at all. In addition, unanticipated events may materially and adversely affect Pandox's actual results of operations and financial performance in future periods, whether or not Pandox's assumptions relating to the financial year 2015 or future periods prove to be correct. See also "Important information to investors – Forward-looking statements."

COMPETITIVE STRENGTHS

Large, high quality portfolio of premier hotel properties in strategic locations

With 104 hotel properties and 21,969 rooms across eight countries, Pandox is a leading hotel property owner in Northern Europe, with a portfolio weighted towards the Nordic countries Sweden, Norway, Finland and Denmark.

Pandox's active ownership strategy, combined with high investment volumes in the period 2011 to 2014, has resulted in a well-invested portfolio. The majority of investments from 2011 to 2014 related to extensive refurbishment programmes resulting from the acquisition of Norgani Hotels in 2010 and the acquisition of Hilton Towers in Brussels in the same year.

The hotels in Pandox's portfolio are typically larger in terms of number of rooms than the average hotel in the market and have a higher RevPAR than the average hotels in their respective markets. The majority of the Company's hotels have more than 150 rooms, with the average number of rooms per hotel being 211. The hotels are positioned in the upper-medium to the high-end segments, with 86 per cent of the Company's rooms in the upper midscale, upscale or upper upscale category based on brand rating.[4)] The portfolio is spread across eight countries with strong economic fundamentals, and the hotels are primarily located in international cities that benefit from strong real estate capital flow and high liquidity. Pandox's hotels are primarily situated in strategic locations: more than 62 per cent of the Company's rooms are in city centres and a further 29 per cent are near ring roads or airports.

Income stability from renowned tenant base with long leases

As of 31 March 2015, 89 hotels were leased to third party operators, constituting 79 per cent of the total market value of all properties. Lease maturities are staggered with a WAULT of 8.7 years as of 31 March 2015, ensuring long-term rental income.

Pandox benefits from the quality of its tenants, which include market-leading regional hotel operators like Scandic and Nordic Choice, leading international hotel operators like Hilton and Rezidor, and niche hotel operators like Elite Hotels. As of 31 March 2015, the largest tenant, Scandic, accounted for 49 per cent of the Company's number of rooms, while the second largest, Nordic Choice, accounted for 12 per cent.

Rental upside results from 95 per cent of 2014 rental income coming from lease agreements linked to revenue. At the same

4) STR Chain Scale 2015.

Hyatt Regency, Montreal

time the rental income has a downside protection, as 77 per cent of the rental income for 2014 linked to revenue contained guaranteed minimum rent levels.

Focus on solid economies and ability to capture market growth

Pandox owns and operates hotels in solid economies, where five out of eight countries maintaining an AAA credit rating by S&P, and the remaining three countries maintaining ratings above AA. Within the individual country focus is on cities that experience growth, with high GDP per capita.

In many of Pandox's primary markets the real RevPAR is still below pre-recession levels of 2008-2009. For further information see "Market overview – Hotel industry development". According to PWC, RevPAR is expected to increase in several European capitals in 2015 and 2016[5]. The Company is expected to directly benefit from the expected improvement in hotel fundamentals through increased rental revenues that comes from the majority of Investment properties being linked to hotel revenue and Operating properties where the revenue and operating result from the hotel operations accrues in full to Pandox.

Tangible organic growth from refurbishment and repositioning

After the acquisition of Norgani Hotels in 2010, Pandox, together with its largest tenant, Scandic, agreed to execute a projected SEK 1.6 billion refurbishment programme, of which Pandox's share was SEK 1.0 billion. The refurbishment programme, running from 2011 with completion in 2015, encompasses the refurbishment of 40 hotels across Sweden, Norway, Finland and Denmark. This large-scale project, called Shark, has progressed according to the original time plan and is within the original budget.

Another large investment project, which ran from 2011 to 2013, was initiated as a result of the acquisition of Hilton Towers in Brussels in 2010. EUR 35 million was spent on the refurbishment and repositioning of the hotel property under a new brand, The Hotel Brussels. According to Pandox, The Hotel is already established as one of the leading premium hotels in Brussels only two years after opening.

The full effect of these aforementioned investments is expected to materialise over the coming years, and, together with continuous investments into the portfolio, enhance performance beyond market growth.

Attractive yield, resilient cash flow generation and potential for lower interest rates

From 1997 to 2014, Pandox's strategy and business model delivered an annualised total return on equity of approximately 18 per cent.[6] The pre-tax cash earnings grew from SEK 53 million in 1997 to SEK 888 million in 2014.[7] Pandox financial performance has been stable and was to a relatively small extent affected by such turbulent years as 2001 and the financial crisis in 2008-2009. The reduction in pre-tax cash earnings from 2012 to 2013 was primarily due to planned refurbishment programmes in a large number of hotel properties and a weak Finnish market in 2013. From 2013 to 2014, pre-tax cash earnings grew by 9 per cent, despite the divestment of 15 hotels during the second quarter of 2014.

[5] PWC, European cities hotel forecast for 2015 and 2016 for 20 gateway cities from Amsterdam to Zurich, March 2015.
[6] The calculation from 1997 to 2004 is based on total shareholder return of the shares listed on Stockholm Stock Exchange. From 2004 until 2014 the calculation is based on equity internal rate of return for the Ultimate Owners based on contribution and dividends and a net asset value consideration as of end of year 2014 based on EPRA NAV. During the period certain factors, such as market conditions and the Company's debt/equity ratio, have fluctuated. Due to these fluctuations, the calculated historical return cannot be seen as an indication of expected future return.
[7] 1997: Current tax SEK 0; 2014: Current tax SEK 16 million.

As of 31 March 2015, the valuation yield on Investment properties was 6.0 per cent.

The Company uses interest rate hedging instruments to reduce its interest rate risk. As of 31 March 2015, 66 per cent of the debt was at fixed interest rates. Given the current low interest rate environment, fixings have been made at significantly higher interest rates, thus potential exists for lower interest rates once these instruments mature.

Active ownership drives value and creates optionality

Pandox's management team provides the property and hotel operations expertise that enables Pandox to implement its business strategy. Anders Nissen, with more than 30 years of hospitality experience, has been the Company's CEO since 1995 and heads a team that has worked together for several years.

Overall, the Company's management team has a broad network of hotel industry contacts, including long-standing relationships with hotel operators, hotel property owners, hotel managers, global hotel brands, hotel consultants and brokers, financiers, investors, and other industry participants and stakeholders. These relationships facilitate access to valuable business intelligence regarding hotel property.

Commitment to analysing the local hotel market and hotel assets, on an asset-by-asset basis, in order to derive and implement a situation-adapted strategy as well as commercial hotel operating capabilities, are the pillars of Pandox's active ownership business model. The model provides Pandox with value creation potential and optionality, such as by allowing the Company to take advantage of industry trends, including the fact that international hotel companies increasingly focus on brand management as opposed to property and hotel operations. Pandox is able to source investment opportunities as these companies divest real estate, and/or exit the hotel operation. The ability to take over the operation of a hotel can further reduce operational risk when, for instance: (i) lease agreements mature, (ii) tenants default, or (iii) hotels are significantly refurbished and leasing to third parties is not financially attractive. Pandox also believes hotel operational capabilities allow for better monitoring of tenant performance.

GROWTH DRIVERS

The following factors have been identified by Pandox's management as cash flow growth drivers:

- Market growth: The Company is expected to benefit directly from the estimated improvement in hotel fundamentals across its portfolio through increased rental revenues that follows from revenue-based lease agreements and increased hotel revenue in operated hotels.
- Recent refurbishment: Pandox has concluded several large investment projects in recent years. These, as well as project Shark, are set for completion in 2015, and the Company expects enhanced performance in addition to those following from market growth as the refurbished hotels return to full capacity.
- Project pipeline: The Company has a pipeline of ongoing and future refurbishment and repositioning projects within its portfolio, which it expects to drive cash flow and asset value growth going forward.
- Operations: Pandox expects continued improvement in efficiency from operated hotels following recent repositioning and refurbishment activities.
- Interest rate: The Company expects to benefit from the lower market interest rate once in-place interest rate hedges mature, as well as lower bank margin when debt facilities are renegotiated.
- Opportunistic acquisitions: Pandox continuously looks for opportunities where the Company can leverage its hotel expertise and active ownership model.

Scandic Park Helsinki

Crowne Plaza Brussels – Le Palace

HISTORY AND IMPORTANT EVENTS
Pandox was founded in 1995 by Securum and Skanska.[8] Securum and Skanska's mission was to take over and restructure a hotel portfolio and prepare it for subsequent divestment. In the beginning, Pandox's portfolio was comprised of 18 properties and three small hotel operations. All of the hotels were located in Sweden, and included a mix of small and large hotel properties in various conditions. Following the foundation of the Company, the business model and portfolio management strategy of Pandox was implemented on an asset-by-asset basis, which was followed by divestment of non-strategic properties, restructuring of rent agreements, investments and expansion of its geographical footprint. The following chronology of events includes significant developments in the business of Pandox since the Company's establishment:

- In 1997, Pandox was listed on the Stockholm Stock Exchange. The Company's portfolio was valued at SEK 1.3 billion and the market capitalisation was SEK 520 million. The initial public offering resulted in 4,000 new shareholders, and after the listing Pandox expanded rapidly with acquisitions of larger hotels in strategic locations. Smaller hotels and hotel operations were divested.
- In 2000, Pandox expanded its geographical footprint to other parts of Northern Europe through the acquisition of Hotellus, the property owning company of Scandic, with a total of 16 hotel properties.
- In 2004, the Company was acquired by the industrial investors Eiendomsspar AS and Sundt AS[9] through a public offer. The shares were subsequently de-listed.
- After the buy-out from the stock exchange, Pandox grew in scale as it acquired several large hotels in Berlin, Brussels, Basel, Copenhagen, Stockholm and Malmö.
- In 2005, the Company divested 12 hotel properties to Norgani Hotels.
- In 2007-2008, Pandox continued its international expansion with two hotel acquisitions in Montreal, Canada.
- In August 2010, Pandox announced the acquisition of Norgani Hotels, with a portfolio of 72 hotel properties across Sweden, Finland, Norway and Denmark, in a deal valued close to SEK 10 billion. As a result of the acquisition of Norgani Hotels, the Company became one of Europe's leading hotel property companies.
- Following the acquisition of Norgani Hotels, the Company, together with its largest tenant, Scandic, agreed on a projected SEK 1.6 billion investment programme (the Shark project), covering 40 hotel properties in the Nordic region.
- In 2014, Pandox divested a portfolio of 14 hotels in Sweden to Fastighets AB Balder, in addition to the Hilton Docklands Hotel in London which was sold to H.I.G. Capital. Total proceeds from the divestments amounted to SEK 2.7 billion, or approximately 12 per cent above Pandox's estimate of market value as of 31 December 2013.

[8] Securum was a Swedish state company founded in 1992, i.e. during the financial crisis in Sweden 1990–1994, for the purpose of taking on and unwinding bad debt from the partly state-owned bank Nordbanken. Skanska is a Swedish based project development and construction company.

[9] Sundt AS was divided between Helene Sundt AS and CGS Holding AS in 2007.

THE PROPERTY PORTFOLIO

As of 31 March 2015, Pandox's property portfolio comprised 104 hotel properties with a total of 21,969 rooms across eight countries. The assessed market value of the property portfolio was SEK 26,996 million as of 31 March 2015. Pandox's property portfolio consists primarily of hotel properties leased on a long-term basis to external operators. These hotel properties contribute SEK 21,233 million or 79 per cent of the portfolio's market value. The remaining hotel properties, with a market value of SEK 5,763 million or 21 per cent, are owned and operated by Pandox.

Breakdown of portfolio[10)]

Pandox's business is organised and reported in two hotel ownership segments: Property management and Operator activities. Property management comprise owned hotel properties leased to external operators, whereas Operator activities primarily include owned hotels operated by Pandox. Each segment is further divided into the five geographic areas: Sweden, Norway, Finland, Denmark, and International.

Pandox's largest geographical market is Sweden, which as of 31 March 2015 represented 47 per cent of total market value of the properties and 45 per cent of total number of rooms. The rest of the Nordic countries, Finland, Norway and Denmark, constituted a further 31 per cent of total market value of the properties. International, which comprises the Company's business in Belgium, Germany, Switzerland and Canada represented 22 per cent of total market value of the properties and 21 per cent of total number of rooms. The following table sets forth an overview of the geographic breakdown of the portfolio by market value of properties and number of rooms as of 31 March 2015:

Geographies	Market value of properties MSEK	Share of total market share	Number of hotels	Number of rooms	Share of total number of rooms
Sweden	12,573	47%	52	9,864	45%
Norway	2,739	10%	14	2,503	11%
Finland	3,084	11%	14	3,064	14%
Denmark	2,549	9%	9	1,845	8%
International	6,051	22%	15	4,693	21%
Total	**26,996**	**100%**	**104**	**21,969**	**100%**

Pandox's hotels are primarily located in strategic locations such as city centres, ring roads, airports, exhibition centres and similar locations that attract a steady demand for rooms and services. Demand for hotel properties in city centre locations in which a majority of the Company's hotel properties are located is generally characterised by a mix of business, events and leisure travel. See "Market overview – Hotel industry development" for more information. The following table sets forth an overview of the breakdown of the portfolio locations as of 31 March 2015:

Number of hotels per country and micro-location

Geographies	City centre	Ring road	Airport	Other	Total
Sweden	30	17	2	3	52
Norway	8	2	1	3	14
Finland	7	2	2	3	14
Denmark	5	4	—	—	9
International	10	3	1	1	15
Total	**60**	**28**	**6**	**10**	**104**

Number of rooms per country and micro-location

Geographies	City centre	Ring road	Airport	Other	Total
Sweden	5,627	3,151	487	599	9,864
Norway	1,494	251	199	559	2,503
Finland	1,862	334	323	545	3,064
Denmark	1,117	728	—	—	1,845
International	3,568	625	310	190	4,693
Total	**13,668**	**5,089**	**1,319**	**1,893**	**21,969**

There is a relatively similar share of city centre hotels across the portfolio, but it is slightly higher for International. Ring roads constitute a relatively larger share of rooms in Sweden and Denmark, while Norway and Finland have a relatively larger share of rooms situated in a resort location (included under Other).

10) The information provided in this section will be updated annually by the Company and whenever material changes occur.

As of 31 March 2015, the majority of the hotels in Pandox's portfolio had more than 150 rooms, with Hotel Berlin, Berlin being the largest with 701 rooms. The average number of rooms per hotel is 211. The following table sets forth an overview of the breakdown of the portfolio by number of rooms as of 31 March 2015:

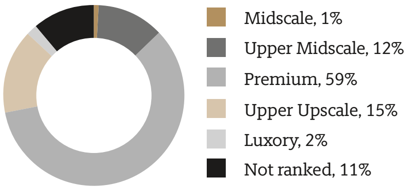
Number of hotel rooms	Number of hotels	Share of total number of rooms
< 100	4	2%
100–149	24	13%
150–199	27	21%
200–249	25	25%
250–299	8	10%
> 300	16	29%
Total	104	100%

The following table sets out the average number of rooms per area in Pandox's portfolio as of 31 March 2015, compared to the national average in 2014. As shown in the table below, Pandox's average number of rooms in Sweden, Norway, Finland and Denmark is well above the national average.[11)]

Geographies	Pandox average hotel rooms	National average hotel rooms	Pandox compared to national average
Sweden	190	58	3.3x
Norway	179	74	2.4x
Finland	219	80	2.7x
Denmark	205	84	2.4x
International	313	—	—
Total	211		

Based on ratings of hotel operators by STR Global, the brands on hotels in Pandox's property portfolio are primarily rated as upper-midscale or upper upscale/upscale hotels. The chart below shows the distribution of Pandox's rooms based on brand rating. One brand can only belong to one chain scale category, even though on an individual basis a hotel can belong or be perceived to belong to another category.

%, Rooms by Brand Rating Based on STR Chain Scale as of 31 December 2014



The largest brand by number of rooms is Scandic, whose hotel operations cover approximately 47 per cent of all of the Company's rooms. Other large brands include the Nordic Choice brands and Radisson Blu, all of which are well-known hotel brands in the Nordics. The following table sets forth an overview of the breakdown of the Pandox portfolio by brand as of 31 March 2015:

Hotel brand	Number of rooms	Number of hotels	Countries[1)]
Scandic	10,311	50	SWE, NOR, FIN, DEN, BEL
Nordic Choice brands*	2,630	16	SWE, NOR
Radisson Blu	1,693	7	SWE, NOR, CHE, GER
InterContinental brands**	1,442	5	BEL, GER, CAN
Hilton	1,001	4	SWE, FIN, BEL
First Hotels	985	7	SWE, DEN
Hyatt	605	1	CAN
Elite	452	2	SWE
Best Western	252	2	SWE, FIN
Rantasipi	137	1	FIN
Independent brands	2,461	9	SWE, FIN, DEN, BEL, GER
Total	21,969	104	

* Nordic Choice brands includes Comfort Hotel, Quality Hotel, Quality Resort, Clarion Hotel and Clarion Collection
** InterContinental brands includes Crowne Plaza, Holiday Inn and InterContinental.
1) Based on hotels owned by Pandox.

11) National average being the total number of rooms divided by the total number of hotels for each respective market. Information is based on data from Statistics Sweden, Statistics Norway, Statistics Denmark and Statistics Finland, respectively.

The Company has achieved average RevPAR at a level above average market RevPAR in its key markets, except for Finland due to negative short term impacts from ongoing refurbishment projects. The following table sets out Pandox's average RevPAR compared to average market RevPAR in 2014 for Pandox's key markets:

Geographies	Pandox's RevPAR, SEK	Average Market RevPAR, SEK
Sweden	591	484
Denmark	614	477
Finland	411	428
Norway	521	511

Based on SEK with average 2014 foreign exchange rates (DKK/SEK 1.22, EUR/SEK 9.10, NOK/SEK 1.09).

Selection of flagship hotels

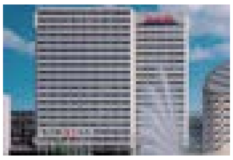
Pandox's property portfolio consists of sizeable hotels in key leisure and corporate locations, primarily in the upper-medium to high-end segments. It is the Company's opinion that such hotels provide better business opportunities while simultaneously reducing risk. The reduced risk is a result of larger hotels in general are delivering stronger cash-flows which, historically, have been easier to finance. The following table sets forth an overview of the portfolio concentration by number of rooms and market value as of 31 March 2015:[12)]

Largest hotels	Number of rooms	Market value (MSEK)	Share (%)	Accumulated share (%)
1–10	4,075	8,096	30	30
11–20	3,119	4,821	18	48
21–30	2,545	3,354	12	60
31–40	2,019	2,716	10	70
41–50	2,046	2,054	8	78
51–104	8,165	5,956	22	100
Total	21,969	26,996	100	

InterContinental, Montreal

12) This data will be updated annually by the Company.

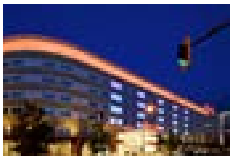
A selection of flagship hotels in Pandox's portfolio is found below.



Scandic Copenhagen

Location	Copenhagen
No. of rooms	486
Tenant	Scandic
Area (sqm)	31,500

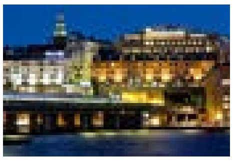
- City centre location
- A significant modernisation of the hotel was completed in June 2012



Hotel Berlin, Berlin

Location	Berlin
No. of rooms	701
Tenant	Pandox
Area (sqm)	41,100

- Central location close to Kurfürstendamm
- Latest project included a full refurbishment of 200 rooms in 2012



Hilton Stockholm Slussen

Location	Stockholm
No. of rooms	289
Tenant	Hilton
Area (sqm)	18,416

- Central Stockholm location
- Recent projects include an extension of the conference facilities and a refurbishment of rooms in 2012–2013

The Hotel, Brussels

Location	Bryssel
No. of rooms	421
Tenant	Pandox
Area (sqm)	33,000

- Central location in the Avenue Louise district
- 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, lobby, conference areas, fitness centre and public areas, was completed in late 2013

Elite Park Avenue

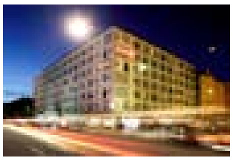
Location	Gothenburg
No. of rooms	317
Tenant	Elite Hotels
Area (sqm)	22,000

- Strategic location on Kungsportsavenyn in Gothenburg
- Substantial refurbishment of the hotel in 2005–2007

Scandic Park

Location	Helsinki
No. of rooms	523
Tenant	Scandic
Area (sqm)	30,000

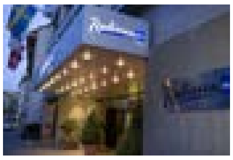
- Centrally located, just north of central Helsinki
- An extensive refurbishment programme with the goal to create Helsinki's leading business and meeting hotel was completed in early 2015



Scandic Malmen

Location	Stockholm
No. of rooms	332
Tenant	Scandic
Area (sqm)	15,100

- Strategically located in Stockholm, near culture and shopping
- An upgrade of all rooms and a modernisation of the ground floor was completed in 2014



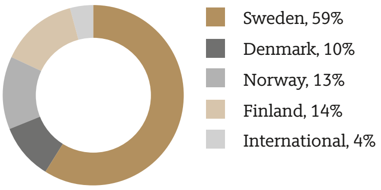
Radisson Blu Basel

Location	Basel
No. of rooms	206
Tenant	Rezidor
Area (sqm)	17,800

- Location in central Basel close to the old town centre and shopping district
- Substantial refurbishment of the hotel was carried out in 2009–2010

Property management

Pandox's business segment Property management comprises 89 Investment properties with 17,195 rooms across six countries. In addition, the Company owns one congress centre adjacent to one of the hotel properties in Helsinki. The hotel properties are, in general, leased on a long-term basis to well-renowned tenants. In 2014, Pandox had rental income from Property management of SEK 1,418 million, and the market value of the Investment properties portfolio was SEK 21,233 million as of 31 March 2015. The Nordic countries represent the majority of the segment corresponding to 96 per cent of income Property management, with Sweden being the largest geographical area with 59 per cent of income Property management. In the Nordic region, the lease agreement is the predominant agreement structure, while in Europe and other parts of the world the lease agreement is less common. This is reflected in the geographical split of Pandox's business segments: in the Nordics all of Pandox's hotel properties, except for three, have lease agreements, while Pandox only has lease agreements for three of its 15 owned hotels outside of the Nordics. The following pie chart illustrates Pandox's revenue split for 2014 by geography for the segment Property management:



Tenants

The majority of Pandox's tenants consists of well-known hotel operators with strong hotel brands in their respective markets. The tenants are both Nordic-oriented hotel operators, such as Scandic (the largest hotel operator in the Nordics with more than 200 hotels), Nordic Choice, and the Swedish hotel operator Elite Hotels, and more globally-oriented operators such as Rezidor (part of the Carlzon-Rezidor group) and Hilton.

The table below provides information about Pandox's tenants as of 31 March 2015:

Tenant	Number of rooms	Number of hotels
Scandic*	10,739	52
Nordic Choice	2,630	16
Rezidor	965	4
First Hotels	509	4
Elite	452	2
Hilton	289	1
Restel	137	1
Private**	1,474	9
Total	**17,195**	**89**

* Scandic's brands include Scandic and two Hilton brand hotels operated by Scandic.

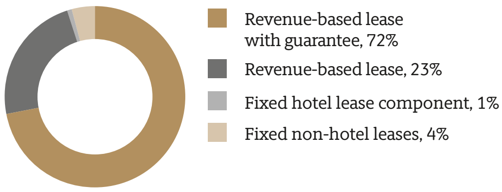
** Private includes tenants operating owned hotel operations either under the brand of a hotel brand company or under an independent brand.

Lease structure

Pandox's leases are primarily linked to hotel revenue and generally contain a minimum guaranteed rent that provides Pandox with both operational upside and downside protection. Fixed leases, meaning those that are not linked to revenue, are annually adjusted to CPI and are more common for retail and office properties. Pandox's preferred agreement structure, the revenue-based lease agreement, typically includes two rent levels: a higher level of percentage rent based on the operators' room revenue, as well as operator revenue deriving from conference room hire. The lower level of percentage rent is applied on other operator revenue, predominantly food and beverage revenue but also on operator revenue streams specific to the hotels' business, such as garage or spa. With the revenue-based rent structure, the owner and the operator share incentives for the continuous development of profitability and return generated by the hotel property. See also section "Market overview – Hotel market structure" for information about different agreement types.

Apart from the bankruptcy described in section "Legal considerations and supplementary information – Legal and arbitration proceedings", the Company has historically had limited customer losses related to tenants failing to pay the rents.

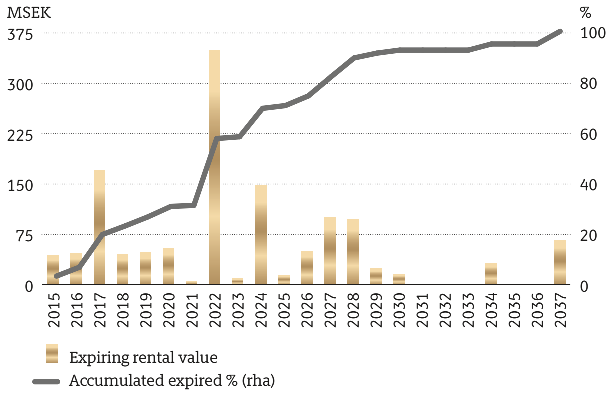
The following pie chart sets forth an overview of Pandox's 2014 gross rental income by agreement type:



Lease levels are considered to be long-term sustainable based on the tenants paying revenue-based rent, and only eight out of 89 revenue-based leases, representing 8.3 per cent, or SEK 118 million, of total rental income, were in guarantee territory in 2014 (in 2013 the corresponding figure was 12.1 per cent). Of these SEK 118 million, 40 per cent relates to minimum rents due to renovations in Pandox's Finnish portfolio. For comparison, it should be noted that the shortfall between guarantee rent and revenue based rent for these eight leases only represented 1.7 per cent of total 2014 rental income, and that most of the shortfall occurred in hotels under refurbishment or repositioning.

As of 31 March 2015, Pandox had, based on 2014 rental income equal to SEK 1,418 million, a WAULT of 8.7 years. The lease maturity profile is staggered, with 2017 and 2022 being the years during which most leases expire (primarily related to the Norgani transaction and covers hotels that have recently been refurbished and are, from Pandox's perspective, hotel properties in strategic locations with an interest from both the hotel tenant and the hotel owner to stay in a long term commitment). New contracts or renegotiations are typically for 10–20 years.

The following chart sets forth an overview of Pandox's lease maturity profile as of 31 December 2014:[13)]



The table below displays the current asset management assignments.

Hotel	Number of rooms
Oslo, Norway	*1,505*
Clarion Collection Hotel Folketeatret	160
Clarion Collection Hotel Gabelshus	114
Scandic Gardemoen	135
Scandic Helsfyr	253
Scandic Holberg	133
Scandic Holmenkollen Park	336
Scandic Oslo City	175
Scandic Victoria	199
Lucaya, Bahamas	*186*
Pelican Bay, Lucaya, Grand Bahama Island	186
Total	1,691

Maintenance and capital expenditure

The split of maintenance and capital expenditure between the tenant and the owner in hotel lease agreements is an important feature that differentiates hotel properties from other real estate segments, such as office properties. Hotel tenants are normally responsible for the maintenance of all rooms, restaurants, lobby areas and other public areas, including FF&E. Hotel owners are generally responsible for investments in the properties and maintenance such as technical installations and, generally, bathrooms. Investments typically raise the standard of the hotel, in turn improving its competitiveness and profitability and resulting in increased revenue-based rent for the hotel owner and increased profitability for the operator. Pandox believes that the hotel owner is, over time, responsible for investments amounting to a smaller amount compared to an owner of a typical office property due to the long-term contracts and the hotel tenant's maintenance and capital expenditure responsibility. Pandox assesses that hotel tenants contribute more than 50 per cent of total investments over time.

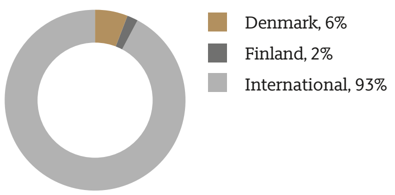
Pandox Asset Management

Within Pandox Asset Management, the Company manages hotel properties on behalf of external owners. Pandox Asset Management was founded in 2015, and there are three reasons that Pandox has chosen to do this: (i) to strengthen Pandox's position towards the operators; (ii) to counter the consolidation taking place on the operator side; and (iii) to allow Pandox to collect additional business intelligence.

Its current portfolio includes eight hotels with a total of 1,505 rooms in Oslo, Norway, and the Pelican Bay Lucaya Resort in the Grand Bahama Island, with 186 rooms. The Oslo portfolio and the Pelican Bay Lucaya Resort are owned by Pandox's owners Eiendomsspar AS, Helene Sundt AS and CGS Holding AS, respectively.[14)] Even though Pandox Asset Management is not a prioritised area of growth, Pandox may come to expand it if the Company obtains enquiries from additional hotel property owners. Income from asset management is reported under the Property management segment, except for the hotel property Pelican Bay Lucaya Resort, which is reported in the Operator activities segment.

Operator activities

As of 31 March 2015, Pandox's business segment Operator activities comprised 15 Operating properties with a total of 4,774 rooms in five countries and represented 21 per cent of the total market value of the hotel properties. In addition to being the owner of the hotel properties, the operations of these hotels are also owned and executed by Pandox, either through well-known hotel brands such as Hyatt Regency or Holiday Inn or through a Company-owned independent brand. In ten of the Operating properties, eight are operated under a franchised brand and two are operated under management agreements. In addition, five Operating properties are operated under an independent brand owned by Pandox. In 2014, the international geographical area represented 93 per cent of the Operating properties revenue and includes business operations in Belgium, Germany and Canada. In these markets the franchise and management agreement models are predominant compared to the Nordic market. Revenue and net operating income from the hotel operations within owned hotel properties accrues in full to Pandox. In addition to the 15 owned hotel properties, Pandox operates Grand Hotel Oslo under a lease agreement with the property owner Eiendomsspar as of 1 March 2015. In 2014, total revenue Operator activities amounted to SEK 1,598 million and the following pie chart illustrates Pandox's revenue split for 2014 by geography for the segment Operator activities:



A part of Pandox's active ownership model is competence within hotel operations. Pandox can choose to operate hotels when it is not possible to sign a lease agreement on attractive terms or the lease agreement is not an option due to different market standards (such as in the North American market). Having in-house operating capabilities allows Pandox to mitigate the effects of the industry trend where international hotel companies focus

13) Pandox will only report this information once a year going forward.
14) For further information see section "Legal considerations and supplementary information – Related party transactions".

Grand Hotel Oslo

increasingly on distribution, loyalty and brand development as opposed to property and hotel operations. The ability to take over the Operations of a hotel further reduces operational risk when lease agreements mature, tenants default, or hotels are being significantly refurbished and leasing to third parties is not financially attractive. Operational capabilities also allow for better monitoring of tenant performance.

In the Operator activities segment the hotel operations revenue and income accrues to Pandox. Revenue includes room revenue, meaning number of sold rooms multiplied by average room rate, food and beverage revenue, conference room hire and other revenue streams specific to the hotel in question. Costs include personnel, which is the largest single cost item, and covers for instance front office, housekeeping and sales. Other cost line items include cost of goods sold, overhead costs and other hotel related expenses. Pandox works actively with revenue and distribution strategies for optimisation of the hotels' topline performance. On the cost side the most important factor includes productivity including forecasting, planning and follow-up of staffing resources at every single point in time for the operations. Pandox considers several of the hotels to still be in a ramp-up phase.

Owned and operated hotels

Pandox currently operates 15 owned hotels with a total of 4,774 rooms. In June 2015, Pandox will take over the hotel operations of the hotels already owned by the Company; Mr. Chip Hotel in Kista with 150 rooms and Radisson Blu Lillehammer in Norway with 303 rooms. In January 2016 Pandox will take over the hotel operations of another hotel already owned by the Company, the Quality Hotel & Resort Fagernes in Norway with 139 rooms.

When operating a hotel, the Company enters into a franchise or management agreement with a brand or develops its own independent brand. The companies that Pandox enters into franchise and management agreements with are well-known and leading hotel companies such as InterContinental, Hyatt, Radisson and Hilton. As of 31 March 2015, Pandox's owned and operated hotels have the following agreements with external brands: four have franchise agreements with InterContinental (two Crowne Plazas and two Holiday Inns), two have franchise agreements with Radisson Blu, one has a franchise agreement with Hilton, one has a franchise agreement with First, one has a management agreement with Hyatt, and one has a management agreement with InterContinental. In addition, five hotels were operated under a Pandox owned brand: Hotel BLOOM! Brussels, Hotel Berlin, Berlin, Hotel Korplampi in Espoo, The Hotel Brussels, and Urban House Copenhagen.

Grand Hotel Oslo

Grand Hotel Oslo, owned by Pandox's owner Eiendomsspar AS, is, as of 1 March 2015, operated by Pandox under a revenue-based lease agreement[15)] under a 15-year contract. An estimated NOK 135 million refurbishment programme, of which Pandox's share will be NOK 15 million, is planned.

15) For further information see section "Legal consideration and supplementary information – Related party transactions".

Projects

Pandox is continuously screening and evaluating refurbishment projects within the existing portfolio and has a long track record of hotel property refurbishment projects.

Large projects are normally executed throughout periods of low activity in the hotels, in order to minimise the effects on daily hotel operations. Depending on the seasonality of the specific hotel property, such periods typically occur around Christmas, Easter or during summer. Consequently, it may take somewhat longer to carry out the project. However, it is the Company's view that this is the most financially beneficial way of executing the projects. The materialisation of future cash flow growth generally takes several years depending on the projects' size and scope. In the first phase, the renovated capacity is added back to the hotel's inventory and the hotel property regains market shares, followed by a phase of step-by-step increased market shares and, consequently, RevPAR above pre-renovation levels.

Pandox typically divides projects into four categories; (i) technical improvements in Investment and Operating properties, (ii) renegotiated/new lease agreements with an investment component for both the owner and operator, (iii) refurbishment projects within framework of existing lease agreements, and (iv) FF&E and repositioning projects within Operating properties. While (i) has a limited effect on future cash flows, (ii) – (iv) is a large component of future cash flow generation, all other things being equal.

The occurrence of refurbishment projects depends on several factors and the frequency of past refurbishment projects is no guarantee that future refurbishment projects will be undertaken at the same frequency, or at all.

The Shark project

Following Pandox's acquisition of Norgani Hotels in 2010, Pandox entered into an agreement with its largest tenant, Scandic, to refurbish and upgrade 40 hotels for a total of SEK 1.6 billion of which Pandox's part amounted to SEK 1.0 billion. In connection therewith, the lease agreements for the hotels in the project, called Shark, were renegotiated with improved conditions for Pandox (a higher percentage rent). The Shark project is in its final phase and is expected to be completed according to the time plan during 2015. The project has remained within the original budget.

The Shark project comprises city centre hotels as well as ring road/highway hotels. The city centre hotels include well-known properties such as Scandic Malmen in Stockholm, Scandic Park in Helsinki and Scandic Solli in Oslo. The ring road/highway hotels include Scandic Kungens Kurva, Scandic Backadal and Scandic Klarälven, all located in Sweden.

Examples of projects within Project Shark

Scandic Park Helsinki, Finland: The property has undergone total refurbishment with the goal of creating Helsinki's leading business and meeting hotel. With a budget of EUR 35 million, of which Pandox's part amounted to EUR 23 million, it forms the largest sub-project within project Shark. The investment included a refurbishment of all existing 513 rooms, an addition of ten new rooms and a thorough upgrade of the hotel's public areas and exterior. Finally, the addition of a new banquet and ballroom, a top floor meeting and lounge area, and an upgrade of all conference rooms enables the hotel to offer what Pandox considers to be the best meeting facilities in Helsinki.

Scandic Solli Oslo, Norway: Scandic Solli has been refurbished into one of Scandic's flagship hotels in Oslo. The original rooms and bathrooms have been refurbished, preserving the original functionalist character of the building. During 2013, a new building section comprising 35 new rooms and a large meeting room with capacity for up to 200 people was added to the hotel. 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. Pandox's part of the investment amounted to NOK 58 million out of a total of NOK 86 million.

Scandic Elmia, Jönköping, Sweden: With the goal of creating Jönköping's leading full service hotel adjacent to the Elmia fair, Scandic Elmia underwent a SEK 118 million upgrade during 2012 and 2013, of which Pandox invested SEK 80 million. The project included refurbishment of 140 rooms and bathrooms, and construction of an additional 64 rooms in a new building structure. The hotel has been given a modern profile and design as well as upgraded conference facilities, a new restaurant and a refurbished and upgraded lobby.

Hilton Helsinki Strand, Finland: The hotel property, operated by Scandic under the Hilton brand, will be fully refurbished during 2015 in order to strengthen the position of the hotel in Helsinki's premium segment. Total investment amounts to EUR 8 million, of which Pandox's part amounts to EUR 4 million, and includes a comprehensive refurbishment of the public areas and a new design, and refurbishment of all rooms, as well as an overall improvement of the technical installations.

It is the Company's opinion that the upgraded hotel properties within the scope of the project have been well received in each respective market. Increased rental income has already materialised and is expected to increase further from both increased occupancy and higher average room rate, as the hotels gain market shares.

Current projects

Pandox has a number of continuous refurbishment and repositioning projects within the property portfolio. As of 31 March 2015, the Company's committed investment projects amounted to SEK 560 million. The following sets forth an overview of some of the most important ongoing refurbishment and repositioning projects as of 31 March 2015:

Property management:

Scandic Crown Gothenburg, Sweden: A renegotiated long-term lease contract with the operator for refurbishment and upgrade of 130 rooms, upgrade of the meeting areas including an expansion of conference areas as well as a new food and beverage concept. The investment project is expected to be executed during 2015–2016.

Scandic Winn Karlstad, Sweden: A renegotiated long-term lease contract with the operator for refurbishment of all 199 rooms and the conversion of inefficient areas into a large conference room with capacity for up to 250 people. Furthermore, the lobby will be upgraded as well as the food and beverage outlets. The investment project is expected to be executed during 2015– 2016.

Quality Ekoxen Linköping, Sweden: A renegotiated long-term lease contract with the operator for refurbishment of all 190 rooms and bathrooms, upgrade of the meeting and public areas, and the improvement of technical installations. In addition, premises used as office areas will be converted to 15 new rooms. The investment project is expected to be executed during 2015–2016.

Scandic Park Stockholm, Sweden: A renegotiated long-term lease contract with the operator for refurbishment of the 201 rooms and upgrade of the hotel's lobby, food and beverage areas and technical installations. The investment project is expected to be executed during 2016-2017.

Scandic Järva Krog, Sweden: A renegotiated long-term lease contract with the operator for refurbishment of the public areas in the same design concept that was developed for the highway hotels in the Shark project, an upgrade of the hotel's technical standards and renovation of the kitchen and service areas. The investment project is expected to be executed during 2016–2017.

Scandic Mölndal, Sweden: A renegotiated long-term lease contract with the operator for refurbishment of the hotel and rooms in the same design concept that was developed for the highway hotels of the Shark project. The investment project is expected to be executed during 2016–2017.

Elite Park Avenue Gothenburg, Sweden: A renegotiated long-term lease contract with the operator for upgrade of the 317 rooms, extension of the hotel with 16 additional rooms and a new meeting facility of approximately 1,000 sqm, as well as a modernisation of the hotel's food and beverage outlets. The investment project is expected to be completed in 2017.

Elite Stora Hotellet Jönköping, Sweden: A renegotiated long-term lease contract with the operator for conversion of inefficient areas into 35 new rooms and the refurbishment of another 32 bathrooms as well as upgrade of property related installations. The investment project is expected to be completed in 2017.

Quality Resort Hafjell, Norway: The hotel is planned to be converted to approximately 100 apartments when the current lease expires on 31 August 2016.

Operator activities:
Radisson Blu Lillehammer, Norway: In June 2015, Pandox will take over the operations of the Pandox owned hotel property Radisson Blu Lillehammer with 303 rooms, where a renovation project is also expected to be completed towards the end of 2016, and the work will be done in stages in order to minimise the impact on daily hotel operations.

Case studies on specific projects
Pandox targets sizeable underperforming hotel properties in strategic locations, that can be refurbished, restructured or repositioned and where the Company's active ownership strategy and expertise can be leveraged. This creates the conditions for attractive financial performance and long-term value creation. In recent years, Pandox has acquired several underperforming hotels that have subsequently been refurbished and repositioned.

Urban House Copenhagen, Denmark: Pandox assumed the responsibility for running the previously Omena-branded hotel next to the Copenhagen Central Station in 2014. A comprehensive refurbishment programme was initiated to create a new hybrid concept between a traditional hotel and a modern design hostel. The concept includes the offer of large common areas, which facilitate interaction, meetings and socialisation, 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 with a total of 950 beds. Urban House Copenhagen opened on 1 March 2015 and the refurbishment programme will be finished during the second quarter of 2015.

The Hotel, Brussels: The Hotel Brussels, formerly Hilton Brussels, was acquired in 2010 and is located in the Avenue Louise district in central Brussels. Pandox assumed operational responsibility in 2011 and then commenced an extensive two-year repositioning and refurbishment project with the aim of establishing the hotel as the top meeting hotel of Brussels. In the city, one of the strongest increasing business segments is governmental delegations, as the city is becoming increasingly important as a venue for NATO and EU meetings. The project included the redesign and upgrade of rooms, corridors, restaurants, bar, lobby and public areas. In addition, the meeting and conference areas were expanded and upgraded and the 27-storey building was equipped with a new spa and fitness centre, modern energy systems and a more streamlined layout and logistics. From the beginning, Pandox has actively been working to optimise the hotel operations, as well as providing support for revenue-, distribution-, and productivity management. The project was carried out according to plan and generated positive results in 2014 with a significant room rate growth and increased room revenues well above pre-renovation levels. The Company believes that there is still potential for cash flow growth.

Radisson Blu Basel, Switzerland: The Radisson Blu Basel was acquired in 2005. The hotel is centrally located close to the old town and shopping district, and comprises 206 rooms, large conference areas, restaurant and a relaxation area. At the time of the acquisition the hotel was in need of an upgrade to strengthen the identity of the hotel for it to retake its position as one of the leading business hotels of the city.

After negotiations with the tenant, Rezidor, in 2008, an agreement with new rent levels was negotiated along with an investment programme of CHF 17 million, of which Pandox's part amounted to CHF 10 million. The investment to increase the hotel's competitiveness included a total FF&E refurbishment of 60 rooms and upgrade of the remaining rooms, as well as a total refurbishment of the food and beverage outlets together with a new kitchen, upgrade of conference facilities and relaxation areas as well as improvement of technical installations.

With the refurbishment project, conditions were in place for attracting the market share in the meeting and business segments, as well as a stronger product appeal for the leisure segment. The refurbishment programme was executed in 2009 and 2010 and since completion, the hotel has experienced increased rental income with over 65 per cent over pre-refurbishment levels.

Hotel Bloom! Brussels, Belgium: The hotel, with 305 rooms, extensive public-, food and beverage- and conference areas was acquired in the autumn of 2005 and then operated under a management contract as Mercure Royal Crown Hotel. The hotel was in bad condition and was underperforming in terms of profile, revenues, profitability and quality, and was in need of a major investments.

Pandox believed that significant measures were required to turn the hotel around and a new strategic plan was adopted with four cornerstone areas of improvement: (i) repositioning of the hotel towards the more profitable business- and meeting segments, (ii) new management and a new brand name that both were in need of inspiration (the name Hotel Bloom! was created with inspiration from the adjacent botanical garden and the Mercure brand was ended to position the hotel as an independent hotel with a lifestyle character), (iii) a product repositioning plan of EUR 13 million was deployed in 2006–2007 in accordance with the Bloom concept that included an extensive refurbishment of the hotel including all 305 rooms, a large and lively lobby area and a new restaurant concept of SmoodS (the conference department was upgraded in the same style as the rest of the hotel and a new gym and breakfast area were created), and (iv) operational productivity and flexibility measures as well as handling of a large portion of redundancies, to create a new organisational culture to take the hotel to a good level of profitability.

The hotel is today well regarded by both business and leisure guests. The negative cash flows from operations back in 2005 have gradually been transformed to a steady and positive cash flow generation from the property. Market penetration in 2005 was 0.75 (RevPAR in the hotel compared to its competitive set, i.e. competing hotels) and in 2014 0.96. However, the largest impact on cash flow and value comes from productivity measures within the hotel operations.


Scandic Malmen, Stockholm

Portfolio

Property management

Hotel	City	Location	Type of lease[1]	Operator/Brand	No of rooms
Sweden					
Best Western Mora Hotell & Spa	Mora	City centre	OG	Private/Best Western	140
Clarion Hotel Grand, Helsingborg	Helsingborg	City centre	OG	Nordic Choice Hotels/Clarion Hotel	158
Clarion Hotel Grand, Östersund	Östersund	City centre	OG	Nordic Choice Hotels/Clarion Hotel	176
Elite Park Avenue Hotel, Gothenburg	Gothenburg	City centre	OG	Elite/Elite Hotels	317
Elite Stora Hotellet, Jönköping	Jönköping	City centre	OG	Elite/Elite Hotels	135
First Hotel Grand, Borås	Borås	City centre	OG	Private/First Hotels	158
First Hotel Mårtenson, Halmstad	Halmstad	City centre	OG	First/First Hotels	103
First Hotel Royal Star, Stockholm	Stockholm	Exhibition centre	OG	Private/First Hotels	103
Hilton Stockholm Slussen	Stockholm	City centre	O	Hilton/Hilton	289
Mr Chip Hotel, Kista	Stockholm	City centre	OG	Private/Independent	150
Quality Hotel Ekoxen, Linköping	Linköping	City centre	OG	Nordic Choice Hotels/Quality Hotel	190
Quality Hotel Luleå	Luleå	City centre	OG	Nordic Choice Hotels/Quality Hotel	218
Quality Hotel Park, Södertälje	Södertälje	City centre	O	Nordic Choice Hotels/Quality Hotel	157
Quality Hotel Prince Phillip, Stockholm	Stockholm	Ring road	OG	Nordic Choice Hotels/Quality Hotel	208
Quality Hotel Prisma, Skövde	Skövde	City centre	OG	Nordic Choice Hotels/Quality Hotel	107
Quality Hotel Winn, Gothenburg	Gothenburg	Ring road	OG	Nordic Choice Hotels/Quality Hotel	121
Radisson Blu Arlandia Hotel, Arlanda	Stockholm	Airport	OG	Rezidor/Radisson Blu	339
Radisson Blu Hotel, Malmö	Malmö	City centre	OG	Rezidor/Radisson Blu	229
Scandic Alvik, Stockholm	Stockholm	Ring road	OG	Scandic/Scandic	324
Scandic Backadal, Gothenburg	Gothenburg	Ring road	OG	Scandic/Scandic	236
Scandic Billingen, Skövde	Skövde	City centre	O	Scandic/Scandic	124
Scandic Bollnäs	Bollnäs	City centre	OG	Scandic/Scandic	114
Scandic Crown, Gothenburg	Gothenburg	City centre	O	Scandic/Scandic	338
Scandic Elmia, Jönköping	Jönköping	Exhibition centre	OG	Scandic/Scandic	283
Scandic Ferrum, Kiruna	Kiruna	City centre	OG	Scandic/Scandic	171
Scandic Grand, Örebro	Örebro	City centre	O	Scandic/Scandic	221
Scandic Hallandia, Halmstad	Halmstad	City centre	O	Scandic/Scandic	156
Scandic Hasselbacken, Stockholm	Stockholm	City centre	OG	Scandic/Scandic	113
Scandic Helsingborg Nord	Helsingborg	Ring road	OG	Scandic/Scandic	237
Scandic Järva Krog, Stockholm	Stockholm	Ring road	O	Scandic/Scandic	215
Scandic Kalmar Väst	Kalmar	Airport	OG	Scandic/Scandic	148
Scandic Klarälven, Karlstad	Karlstad	Ring road	OG	Scandic/Scandic	143
Scandic Kramer, Malmö	Malmö	City centre	O	Scandic/Scandic	113
Scandic Kungens Kurva, Stockholm	Stockholm	Ring road	OG	Scandic/Scandic	257
Scandic Linköping Väst	Linköping	Ring road	OG	Scandic/Scandic	150
Scandic Luleå	Luleå	Ring road	OG	Scandic/Scandic	160
Scandic Malmen, Stockholm	Stockholm	City centre	OG	Scandic/Scandic	332
Scandic Mölndal, Gothenburg	Gothenburg	City centre	O	Scandic/Scandic	208
Scandic Norrköping Nord	Norrköping	Ring road	OG	Scandic/Scandic	150
Scandic Park, Stockholm	Stockholm	City centre	O	Scandic/Scandic	201
Scandic Plaza, Borås	Borås	City centre	O	Scandic/Scandic	169
Scandic S:t Jörgen, Malmö	Malmö	City centre	OG	Scandic/Scandic	288
Scandic Segevång, Malmö	Malmö	Ring road	OG	Scandic/Scandic	166
Scandic Star Sollentuna	Stockholm	City centre	OG	Scandic/Scandic	269
Scandic Sundsvall Nord	Sundsvall	Ring road	OG	Scandic/Scandic	159
Scandic Södertälje	Södertälje	Ring road	OG	Scandic/Scandic	131
Scandic Umeå Syd	Umeå	Ring road	OG	Scandic/Scandic	161
Scandic Winn, Karlstad	Karlstad	City centre	O	Scandic/Scandic	199
Scandic Örebro Väst	Örebro	Ring road	OG	Scandic/Scandic	204
Scandic Östersund Syd	Östersund	Ring road	OG	Scandic/Scandic	129
Stadshotellet Princess, Sandviken	Sandviken	City centre	OG	Private/Independent	84
Vildmarkshotellet, Kolmården	Norrköping	Resort	OG	Private/Independent	213
Total					9,864

[1] O = Revenue based, OG = Revenue based with guarantee, IO = Internal revenue based, M = Management agreement, FR = Franchise agreement.

Property management, cont.

Hotel	City	Location	Type of lease[1)]	Operator/Brand	No of rooms
Norway					
Clarion Collection Hotel Arcticus, Harstad	Harstad	Ring road	OG	Nordic Choice Hotels/Clarion Collection Hotel	75
Clarion Collection Hotel Bastion, Oslo	Oslo	City centre	O	Nordic Choice Hotels/Clarion Collection Hotel	99
Comfort Hotel Børsparken, Oslo	Oslo	City centre	OG	Nordic Choice Hotels/Comfort Hotel	248
Comfort Hotel Holberg, Bergen	Bergen	City centre	OG	Nordic Choice Hotels/Comfort Hotel	149
Quality Resort Fagernes	Fagernes	Resort	O	Nordic Choice Hotels/ Quality Hotel & Resort	139
Quality Resort Hafjel, Øyer	Øyer	Resort	OG	Nordic Choice Hotels/ Quality Hotel & Resort	210
Quality Resort Kristiansand	Kristiansand	Resort	OG	Nordic Choice Hotels/ Quality Hotel & Resort	210
Quality Hotel Alexandra, Molde	Molde	City centre	OG	Nordic Choice Hotels/Quality Hotel	165
Radisson Blu Hotel Bodø	Bodø	City centre	OG	Rezidor/Radisson Blu	191
Radisson Blu Lillehammer Hotel	Lillehammer	City centre	OG	Private/Radisson Blu	303
Scandic Bergen Airport	Bergen	Airport	OG	Scandic/Scandic	199
Scandic Hotel Bodø	Bodø	City centre	O	Scandic/Scandic	113
Scandic Hotel Ringsaker	Hamar	City centre	OG	Scandic/Scandic	176
Scandic Solli, Oslo	Oslo	City centre	OG	Scandic/Scandic	226
Total					2,503
Denmark					
First Hotel Excelsior, Copenhagen	Copenhagen	City centre	OG	First/First Hotels	100
First Hotel Mayfair, Copenhagen	Copenhagen	City centre	OG	First/First Hotels	106
Scandic Glostrup	Copenhagen	Ring road	O	Scandic/Scandic	120
Scandic Hvidovre	Copenhagen	Ring road	O	Scandic/Scandic	207
Scandic Kolding	Kolding	Ring road	OG	Scandic/Scandic	186
First Hotel Twentyseven, Copenhagen	Copenhagen	City centre	OG	First/First Hotels	200
Scandic Copenhagen	Copenhagen	City centre	O	Scandic/Scandic	486
Total					1,405
Finland					
Airport Hotel Bonus Inn, Vantaa	Vantaa	Airport	OG	Private/Independent	211
Best Western Hotel Pilotti, Vantaa	Vantaa	Airport	OG	Private/Best Western	112
Hilton Helsinki Kalastajatorppa	Helsinki	Ring road	OG	Scandic/Hilton	238
Hilton Helsinki Strand	Helsinki	City centre	OG	Scandic/Hilton	190
Rantasipi Imatran Valtionhotelli	Imatra	City centre	OG	Restel/Rantasipi	137
Scandic Esbo	Esbo	Ring road	OG	Scandic/Scandic	96
Scandic Grand Marina, Helsinki	Helsinki	City centre	OG	Scandic/Scandic	462
Scandic Jyväskylä	Jyväskylä	City centre	OG	Scandic/Scandic	150
Scandic Kajanus, Kajaani	Kajaani	Exhibition centre	OG	Scandic/Scandic	181
Scandic Kuopio	Kuopio	City centre	OG	Scandic/Scandic	137
Scandic Marina Congress Center, Helsinki	Helsinki	City centre	OG	Scandic/Scandic	0
Scandic Park, Helsinki	Helsinki	City centre	OG	Scandic/Scandic	523
Scandic Rosendahl	Tampere	Resort	OG	Scandic/Scandic	213
Scandic Tampere City	Tampere	City centre	OG	Scandic/Scandic	263
Total					2,913
International					
Belgium					
Scandic Antwerp	Antwerp	Ring road	O	Scandic/Scandic	204
Scandic Grand Place, Brussels	Brussels	City centre	O	Scandic/Scandic	100
Switzerland					
Radisson Blu Hotel, Basel	Basel	City centre	OG	Rezidor/Radisson Blu	206
Total					510
Total, Property management					17,195

[1)] O = Revenue based, OG = Revenue based with guarantee, IO = Internal revenue based, M = Management agreement, FR = Franchise agreement.

Operator activities

Hotel	City	Location	Type of contract[1]	Operator/Brand	No of rooms
Denmark					
First Hotel Copenhagen	Copenhagen	Other	FR	Pandox/First Hotels	215
Urban House Copenhagen	Copenhagen	City centre	IO	Pandox/Independent	225
Finland					
Hotel Korpilampi, Esbo	Esbo	Ring road	IO	Pandox/Independent	151
International					
Belgium					
Crowne Plaza Antwerpen	Antwerp	City centre	FR	Pandox/Crowne Plaza	262
Crowne Plaza Brussels - Le Palace	Brussels	City centre	FR	Pandox/Crowne Plaza	354
Hilton Brussels City	Brussels	City centre	FR	Pandox/Hilton	284
Holiday Inn Brussels Airport	Brussels	Airport	FR	Pandox/Holiday Inn	310
Hotel BLOOM!, Bryssel	Brussels	City centre	IO	Pandox/Independent	305
The Hotel, Bryssel	Brussels	City centre	IO	Pandox /Independent	421
Germany					
Holiday Inn Lübeck	Lübeck	Ring road	FR	Pandox/Holiday Inn	159
Hotel Berlin, Berlin	Berlin	City centre	IO	Pandox/Independent	701
Radisson Blu Bremen	Bremen	City centre	FR	Pandox/Radisson Blu	235
Radisson Blu Dortmund	Dortmund	Exhibition centre	FR	Pandox/Radisson Blu	190
Canada					
Hyatt Regency, Montreal	Montreal	City centre	M	Pandox/Hyatt Hotels	605
InterContinental Montreal	Montreal	City centre	M	Pandox/InterContinental	357
Total, Operator activities					4,774
TOTAL					21,969

Leased hotels – Hotels leased by external owners

Hotel	City	Location	Type of lease	Operator/Brand	No of rooms
Norway					
Grand Hotel Oslo**	Oslo	City centre	O	Pandox/Independent	292
Total					292

Asset Management Assignments – Hotels managed on behalf of external owners

Hotel	City	Location	Type of lease[2]	Operator/Brand	No of rooms
The Bahamas					
Pelican Bay, Lucaya, Grand Bahama Island*	Lucaya	Resort	AM	Sundt AS/Independent	186
Norway					
Clarion Collection Hotel Folketeatret***	Oslo	City centre	AM	Nordic Choice Hotels/Clarion Collection	160
Clarion Collection Hotel Gabelhus***	Oslo	City centre	AM	Nordic Choice Hotels/Clarion Collection	114
Scandic Helsfyr***	Oslo	Ring road	AM	Scandic/Scandic	253
Scandic Holberg***	Oslo	City centre	AM	Scandic/Scandic	133
Scandic Holmenkollen Park***	Oslo	Resort	AM	Scandic/Scandic	336
Scandic Oslo City***	Oslo	City centre	AM	Scandic/Scandic	175
Scandic Victoria***	Oslo	City centre	AM	Scandic/Scandic	199
Scandic Gardermoen***	Oslo	Airport	AM	Scandic/Scandic	135
Total Asset Management					1,691

* Owned by Pandox's owners Helene Sundt AS and CGS Holding AS. Pandox is compensated based on a percentage of hotel revenue.
** Owned by one of Pandox's owners, Eiendomsspar AS. The hotel is operated by Pandox under a revenue-based lease contract.
*** Owned by one of Pandox's owners, Eiendomsspar AS. Pandox is compensated based on a percentage of hotel rental revenue.

1) O = Revenue based, OG = Revenue based with guarantee, IO = Internal revenue based, M = Management agreement, FR = Franchise agreement.
2) AM = Asset management-assignment

ORGANISATIONAL STRUCTURE

Pandox owns and operate hotel properties in eight countries, across 50 different cities in Northern Europe and Canada. Pandox's organisation is divided into two hotel ownership segments, Property management and Operator activities and the Company has established central group functions for administration, accounting, financing and communication as well as a revenue management centre (located in Belgium). Pandox's management is mainly located in Sweden and consists of the CEO, CFO, IR Manager, Director of Asset and Technical Developments, Director of International Operations (positioned in Belgium) and Director of Business Intelligence. See further details in section "Board of directors, executive management and auditor".

Employees

As of 31 March 2015, Pandox had 1,621 employees. Of the total employees, 1,595 were employed in the segment Operator activities and 26 were employed in the segment Property management. As of 31 March 2015, the Company's central administration in Stockholm consisted of 26 employees.

Average number of employees per country	Jan – March 2015	2014	2013	2012
Sweden	21	22	23	23
Belgium	516	558	521	457
Germany	350	385	392	217
Canada	644	422	376	371
Denmark	68	41	—	—
Finland	19	26	26	26
Norway	3	3	4	4
Total	1,621	1,457	1,342	1,098

Pandox considers its relations with its employees and their unions to be satisfactory. Over the last five years, however, the Company has experienced labour strikes at one of its Canadian properties.

Sustainability and social responsibility

For many years, the hotel industry has placed considerable focus on environmental and sustainability procedures. Pandox is active in many countries and strives to conduct its business in compliance with the environmental demands and expectations of each country of operation. For Pandox, sustainability efforts are primarily made through investments in efficiency related solutions aimed at reducing energy and water consumption. Pandox also monitors the energy consumption at all its hotels to measure each hotel's environmental impact, which data is used to target actions to reduce consumption. In order to limit the environmental impact from its investments, Pandox uses suppliers, partners and consultants who have clear and comprehensive environmental policies. Partnering with hotel operators for specific investment programmes also enables Pandox to achieve greater efficiencies in procurement, resulting in better environmental-adapted solutions.

Property valuation reports

The valuation reports below pertaining to Pandox's properties (the "Property Valuation Reports") have been issued by independent expert appraisers on behalf of Pandox. The Property Valuation Reports have been prepared by DTZ Sweden AB, CBRE Hotels, Jones Lang Lasalle Ltd and Nordic Hotel Consulting, respectively (the "Independent Appraisers") in October 2014. The Property Valuation Reports encompass Pandox's entire property portfolio and estimate that the aggregate value of the properties is SEK 26,645 million[1]. As of 31 March 2015, the assessed market value of the Company's property portfolio was SEK 26,996 million. The difference between the values in the Property Valuation Reports and Pandox's valuation of the properties is primarily due to changes in yield levels since October 2014 and changes in exchange rates. For more information on Pandox's internal valuations, see note 12 in the section "Historical annual financial information for 2012–2014".

The Independent Appraisers do not have any substantial interest in Pandox and have agreed to the inclusion of the Property Valuation Reports in this Offering Circular. Information from third parties has been accurately reproduced in this Offering Circular and no information has otherwise been omitted that could render the reproduced information inaccurate or misleading. No material changes have occurred since the issuance of the Property Valuation Reports.

1) The following exchange rates as of 31 December 2014 have been used to calculate the aggregate value of the properties: CAD: 6.7196; DKK:1.2781; EUR: 9.5155; NOK:1.0516.

DTZ

VALUATION REPORT

DTZ Sweden has been instructed by Pandox AB to estimate the market value of 86 hotels and 1 congress centre. Of the total portfolio 52 hotels are located in Sweden, 7 hotels in Denmark, 14 hotels in Norway and 13 hotels and 1 congress centre in Finland. 19 hotels in Sweden, 6 hotels and 1 congress centre in Finland and 1 hotel in Norway are held leasehold, the remaining 60 hotels are held freehold. Some of the hotels contain external tenants such as shops or office units. The total numbers of hotel rooms are 16,685.

Date of valuation is set at 1 October, 2014.

The valuation has been prepared for a Regulated Purpose as defined in the RICS Valuation – Professional Standards (January 2014) (the Red Book). We understand that our valuation report is required for inclusion in a Prospectus wich is to be published by Pandox AB for a public offering of shares. In accordance with the RICS Valuation – Professional Standards, we have made certain disclosures in connection with this valuation instruction and our relationship with Pandox AB.

The valuation has been prepared in accordance with RICS Valuation – Professional Standards (“Red Book”), this means that all objects have been inspected by representatives from DTZ between 2012 and 2014.

We confirm that we have sufficient current local and national knowledge of the particular property markets involved, and have the skills and understanding to undertake the valuation competently. The valuations have been carried out by valuers qualified for the purpose and acting as external valuers.

We have made various assumptions as to tenure, letting, town planning etc. If any of the information or assumptions on which the valuation is based is found to be incorrect, the valuation figures might also be incorrect and should be reconsidered.

The market value at the valuation date 1 October 2014 has been estimated at:

Sweden	12,349,000,000 SEK
Denmark	1,557,500,000 DKK
Finland	336,550,000 Euro
Norway	2,506,300,000 NOK

*Split between freehold, laesehold and ground lease according to the table below.

	Freehold	Leasehold	Ground lease
Sweden	7,317,000,000	4,759,000,000	273,000,000
Denmark	1,557,500,000		
Finland	126,150,000	210,400,000	
Norway	2,414,000,000	92,300,000	

Stockholm 2015-03-18

For and behalf of DTZ Sweden AB

SvenErik Hugosson, MRICS
Av Samhällsbyggarna auktoriserad fastighetsvärderare

Mats Högström, MRICS

– For the Purposes of the European Commission Regulation No. 809/2004 implementing the Prospectus Directive, we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all considerable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. The Valuation Report complies with paragraph 128 to 130 of the ESMA update of CESR´s recommendations for consistent implementation the European Commission Regulation No. 809/2004 implementing the Prospectus Directive.

– This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents saves as set out above. No reliance may be placed upon the contents of the Valuation Report by any party for any purpose other than in connection with the purpose of the valuation.

March 24, 2015

Ms. Liia Nõu - CFO
Pandox AB
Vasagatan 11, 9th floor
SE-101 20 Stockholm
Sweden

CBRE

CBRE Hotels
145 King Street West, Suite 600
Toronto, ON M5H 1J8
T: 416.362.2244

Dear Liia:

Re: Condensed Valuation - InterContinental Montreal and Hyatt Regency Montreal

On behalf of Pandox AB, CBRE Hotels ("CBRE") prepared an Updated Valuation dated October 10, 2014 of the InterContinental Montreal (the "InterContinental") and Hyatt Regency Montreal (the "Hyatt"). CBRE has now been requested to prepare a Condensed Valuation Report to assist in the preparation of an Initial Public Offering of Pandox Aktiebolag in Sweden. This Condensed Valuation Report has been prepared in accordance with the requirements in the European Securities and Markets Authority's update of the CESR recommendations for the consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

CBRE prepared its Updated Valuation to assist Pandox AB in its internal review of all of its assets for lending purposes and potentially bringing in new shareholders into the company. Based on discussions with ownership, our understanding is that the InterContinental Montreal is leased fee ownership with approximately 17,000 square feet of leased space in the World Trade Centre Montreal and the Hyatt Regency Montreal is freehold ownership. CBRE visited the Hotels on September 24, 2014. In preparing the valuations, CBRE reviewed historical operating results from 2009 to 2013, trailing twelve month ("TTM") results to July 2014 for the InterContinental and TTM August 2014 for the Hyatt, 2014 budgets and forecasts, current STAR reports and recent comparable hotel trades.

Our valuation assumed annual FF&E reserves will continue to be reinvested into the Hotels to cover any future brand PIP obligations or building needs. For the InterContinental, we assumed the meeting room lease would not be renewed and existing office space in the InterContinental would be converted to new meeting space. The cost of this conversion would be funded through FF&E reserves. For the Hyatt, the contemplated room renovation would start at the earliest in 2016 and would occur over a 3-4 year period. While this renovation has the potential to max out future reserve amounts, we have assumed reserves would be adequate.

At the request of Pandox, AB, only the Discounted Cash Flow approach to value was used, although knowledge of recent comparable trades supported valuation parameters selected. Our methodology assumed a valuation date of December 31, 2014. Please note all dollar amounts are stated in Canadian currency. A summary of the value derived for each Hotel is presented below.

VALUE SUMMARY (CAD)

PROPERTY	ROOMS	VALUE RANGE	PRICE PER ROOM
InterContinental Montreal	357	$49.9M - $53.0M	$139,800 - $148,500
Hyatt Regency Montreal	605	$62.5M - $66.1M	$103,300 - $109,300
TOTAL	962	$112.4M - $119.1M	$117,000 - $124,000
TOTAL VALUE MID-POINT		$115.75M	$120,000

Sincerely,

Bill Stone
Executive Vice President
CBRE Hotels

Deborah Borotsik
Vice President
CBRE Hotels

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Valuation Summary

On behalf of Pandox AB, JLL undertook a market valuation of 13 assets in Belgium, Germany and Switzerland that are contained within the Pandox Portfolio for internal purposes. The valuations were prepared in accordance with the RICS Valuation – Professional Standards, January 2014. The properties were inspected during a period from 29 September to 1 October 2014, with 1 October 2014 set as the valuation date. We have assumed that no material changes have happened since the date of Valuation. In this instance, JLL acted as External Valuers.

The 13 assets comprise a mix of mid-market and upscale hotels providing 3,730 guest rooms. Eight of the assets are located in Belgium, four in Germany and the remaining one in Switzerland. The majority of assets within the portfolio are held freehold (11 in total), with the exception of one leasehold and one partly freehold and partly leasehold asset. The operating structure varies across the portfolio through a mix of assets that are owner operated without a brand affiliation, leased assets or owner operated assets subject to a franchise agreement. Brands include Hilton, Crowne Plaza, Holiday Inn and Radisson Blu. Three assets which have been leased to third party operators include the Scandic Hotel Antwerp, Scandic Brussels Grand Place and the Radisson Blu Basel. Four of the hotels have third party tenancies, The Hotel Brussels, Radisson Blu Basel, Crowne Plaza Antwerp and Radisson Blu Bremen.

To arrive at an estimate of the market value, we prepared an income and expenditure forecast and applied a discounted cash flow approach of the trading assets. The forecast represents what we believe a potential purchaser would adopt as being realistic estimates of the hotel's future income potential. The forecast is prepared for a five-year period. The net cash flow in Year 5 is used as a basis for future income flows and inflated at an appropriate rate for Years 6 to 10, having regard to the hotel's prospects and the anticipated level of inflation. A discount rate is then applied to the first 10 years of projections. The cash flow in the eleventh year is capitalised at an assumed capitalisation rate, and deferred at the discount rate, and incorporated to arrive at the total investment figure. The choice of capitalisation rate is selected by reference to historic hotel transaction evidence, yield evidence of other forms of commercial property, market factors and the age, location and condition of the property. Having arrived at an estimate of total investment, which we consider reasonable, we then deduct, if appropriate, any capital expenditure, which an investor would require to spend in the foreseeable future.

In respect of the assets subject to a lease, notably Scandic Brussels and Scandic Antwerp, we approached the valuation by assuming that the leases will not be renewed at expiry. Upon expiry, we have assumed the hotels will have the benefit of vacant possession but will be operated subject to a franchise agreement with an international brand. In both scenarios, we have assumed that the properties will be closed for a period up to six months in order for renovation work to take place. For the Radisson Blu Basel which is held subject to a lease agreement we have valued the property on the basis that the current lease will be renewed on the same terms. For the retail unit at The Hotel and the apartment block (8 units) at the Radisson Blu Basel, we have valued these elements subject to the Special Assumption a third party letting has been entered into for each individual unit assuming standard market rental conditions. A Special Assumption is recognised by the RICS and IVSC as a realistic assumption that requires the valuation to be based on facts that differ materially from those that exist at the Valuation Date.

Upon request, we hereby confirm that, according to the assessment of JLL the aggregate market value of the freehold and leasehold interests in the individual assets as at 1 October 2014 is **€531,600,000 (Five Hundred and Thirty One Million Six Hundred Thousand Euros)**, where **75**% is related to assets held freehold and **25**% relates to assets held fully or partially leasehold. The assets have been valued in local currencies, with an exchange rate of 1CHF= 0.8284 EUR.

This Valuation Summary has been prepared in accordance with the requirements in the European Securities and Markets Authority's (ESMA's) update of the Committee of European Securities Regulators (CESR) recommendations for the consistent implementation of Commission Regulation (EC) No. 809/2004 implementing the Prospectus Directive.

London, 2 June 2015

Alister McCutchion – Executive Vice President
For and on behalf of Jones Lang LaSalle Ltd

Ross Petar – Senior Vice President

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Copenhagen 22/05/15

VALUATION SUMMARY

On behalf of our client Pandox AB, at the request of CFO Liia Nõu, we have prepared a market valuation of three freehold hotel properties owned and operated by Pandox AB (or affiliate hereof) located in Denmark and Finland. This valuation summary has been prepared in accordance with the requirements of the European Securities and Markets Authority's update of the CESR recommendations for the consistent implementation of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive The properties are First Hotel Copenhagen, Urban House Copenhagen (former Omena Hotel Copenhagen) and Hotel Korpilampi. The valuations were dated October 17, 2014.

The method of valuation has been a discounted cash flow analysis based on a 10-year profit and loss statement for the operations and residual terminal value meaning that the value is based on the present value of the forecasted cash flows and residual terminal value over the 10-year projection period. For First Hotel Copenhagen the underlying cash-flow assumption has been a lease agreement with strong covenants whereas for Urban House and Hotel Korpilampi the underlying cash-flow assumption has the been the operating net income. The 10-year cash flow forecast has been determined by an analysis of a variety of factors impacting the operations of a hotel such as but not limited to:

- Location of the properties
- Historical operating performance relative to the market and primary competitors
- Expected future market developments
- Technical condition of the properties and product quality
- Ongoing and planned renovations and CAPEX programs
- Operating structure of the property (lease agreement, own operations)

First Hotel Copenhagen and Urban House were inspected during 2014 whereas Hotel Korpilampi has been valued as a "desk-top valation".

The total value of the three properties, as per the individually conducted valuations, is summarized at a rounded value of **66.280.000 (sixty six million two hundred eighty thousand) Euro**. An exchange rate of 7,45 has been applied from EUR – DKK.

Nordic Hotel Consulting

Christian Kielgast
Partner

Selected financial information

The selected consolidated financial information in summary presented below has been derived from Pandox's audited historical consolidated financial statements for the years ended 31 December 2014, 2013 and 2012, prepared in accordance with IFRS and audited by the Company's auditors, in accordance with what is stated in their report which is included in the historical financial statements. The information has also been derived from Pandox's unaudited interim report as at and for the period 1 January – 31 March 2015, prepared in accordance with IFRS and reviewed by the Company's auditors, in accordance with what is stated in their report which is included in the interim report.

The following information should be read in conjunction with section "Operating and financial review" and Pandox's audited historical consolidated financial statements and the reviewed interim report for the period January – March 2015 including the related notes in sections "Historical annual financial information for 2012–2014" and "Interim financial information", respectively.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

MSEK	Q1 2015	Q1 2014	2014	2013	2012
Property management					
Rental income	319	344	1,418	1,523	1,540
Other property income	13	14	60	67	55
Revenue Operator activites	367	304	1,598	1,308	1,179
Total revenues	**699**	**663**	**3,076**	**2,897**	**2,774**
Costs Property management	–72	–81	–292	–313	–293
Costs Operator activites	–348	–296	–1,387	–1,200	–1,078
Gross profit	**279**	**287**	**1,397**	**1,384**	**1,403**
– whereof gross profit Property management	*260*	*278*	*1,186*	*1,277*	*1,302*
– whereof gross profit Operator activities	*19*	*9*	*211*	*108*	*101*
Central administration	–21	–15	–82	–64	–57
Finance income	1	1	5	8	14
Finance expenses	–115	–145	–541	–615	–600
Profit before changes in value	**143**	**128**	**779**	**713**	**760**
Changes in value					
Properties, unrealised	363	480	906	376	233
Properties, realised	—	—	291	—	29
Derivatives, unrealised	–33	–163	–622	321	–212
Profit before tax	**473**	**445**	**1,354**	**1,409**	**811**
Current tax	–5	–4	–16	–197	–9
Deferred tax	–95	–90	–85	–265	–305
Profit for the period attributable to the owners of the Parent Company	**374**	**351**	**1,253**	**948**	**497**
Other Comprehensive income					
Items that have been or may be reclassified to profit or loss					
Translation differences foreign operations	–130	123	–3	–32	–82
Other comprehensive income for the period	**–130**	**123**	**–3**	**–32**	**–82**
Total profit for the period attributable to owners of the Parent Company	**244**	**475**	**1,250**	**916**	**415**
Earnings per share before and after dilution, SEK[1]	2.5	2.3	8.4	6.3	3.3
Total earnings per share before and after dilution, SEK[1]	1.6	3.2	8.3	6.1	2.8

1) The average number of shares for calculating earnings per share and the Total earnings per share have been adjusted to take account of the 6:1 split in May 2015.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	31-March 2015	31-March 2014	31-Dec 2014	31-Dec 2013	31-Dec 2012
ASSETS					
Non-current assets					
Operating properties	4,001	3,692	4,135	3,591	2,980
Equipment / Interiors	707	618	723	659	537
Investment properties	21,233	22,588	20,843	21,911	21,842
Deferred tax assets	898	788	923	773	801
Other non-current receivables	28	24	26	45	10
Total non-current assets	**26,867**	**27,710**	**26,651**	**26,979**	**26,170**
Current assets					
Inventories	10	9	11	10	7
Current tax assets	42	27	44	60	11
Trade accounts receivable	115	125	153	160	147
Prepaid expenses and accrued income	75	56	97	66	75
Other current receivables	12	35	11	8	23
Cash and cash equivalents	378	647	321	589	939
Total current assets	**632**	**897**	**636**	**891**	**1,201**
Total assets	**27,499**	**28,607**	**27,287**	**27,871**	**27,371**
EQUITY AND LIABILITIES					
Equity					
Share capital	375	375	375	375	374
Other paid-in capital	2,138	2,138	2,138	2,138	1,823
Reserves	–247	9	–117	–114	–82
Retained earnings, including profit for the year	8,379	8,381	8,005	8,029	7,281
Equity attributable to owners of the Parent Company	**10,645**	**10,903**	**10,402**	**10,429**	**9,395**
LIABILITIES					
Non-current liabilites					
Interest-bearing liabilities[1)]	11,600	14,497	11,786	14,402	14,839
Derivatives[2)]	933	441	900	278	599
Provisions	42	5	54	5	5
Deferred tax liabilities	2,074	1,786	1,993	1,708	1,457
Total non-current liabilities	**14,649**	**16,729**	**14,732**	**16,392**	**16,900**
Current liabilites					
Provisions	12	—	12	—	—
Interest-bearing liabilities[1)]	1,222	97	1,122	173	181
Tax liabilities	17	24	19	12	31
Trade accounts payable	143	115	189	149	188
Liabilities group companies[3)]	159	33	208	33	33
Other current liabilities	148	121	166	241	259
Accrued expenses and prepaid income	503	585	437	442	384
Total current receivables	**2,205**	**975**	**2,153**	**1,050**	**1,076**
Total liabilities	**16,853**	**17,704**	**16,885**	**17,442**	**17,976**
Total equity and liabilities	**27,499**	**28,607**	**27,287**	**27,871**	**27,371**
Pledged assets			11,635	12,560	15,807
Contingent liabilities			6	4	4

Note: Pledged assets and Contingent liabilities are not reported on a quarterly basis.

1) The reported values of interest-bearing instruments and other financial instruments are a reasonable approximation of their fair value.
2) The derivatives are reported at fair value according to Level 2-valuation according to IFRS, based on observable data, directly or indirectly.
3) Liabilities to group companies amounting to SEK 158.5 million have been repaid in May 2015.

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Q1 2015	Q1 2014	2014	2013	2012
OPERATING ACTIVITIES					
Profit before tax	473	445	1,354	1,409	811
Reversal of depreciation	32	25	110	102	88
Changes in value, Investment properties, realised	—	—	–291	—	–29
Changes in value, Investment properties, unrealised	–363	–480	–906	–376	–233
Changes in value, derivatives, unrealised	33	163	622	–321	212
Taxes paid	–5	–4	–7	–242	–3
Cash flow from operating activities before changes in working capital	**171**	**149**	**881**	**573**	**846**
Increase/decrease in operating assets	12	44	–13	–41	70
Increase/decrease in operating liabilities	–33	9	12	8	–277
Changes in working capital	**–21**	**53**	**–1**	**–33**	**–207**
Cash flow from operating activities	**150**	**202**	**881**	**540**	**639**
INVESTING ACTIVITIES					
Investments in Investment properties	–40	–128	–353	–452	–326
Investments in Operating properties	–31	–21	–87	–40	–13
Investments in equipment/interiors	–15	–10	–88	–169	–196
Divestment of subsidiaries, net affect on liquidity	—	—	2,607	—	232
Acquisitions of subsidiaries, net affect on liquidity	—	—	—	—	–560
Acquisitions of financial assets	0	–1	–2	–35	–6
Divestment of financial assets	2	22	24	0	3
Cash flow from investing activities	**–85**	**–138**	**2,101**	**–696**	**–866**

Note: Investments in Investment properties, Investments in Operating properties and Investments in equipment/interiors will not be reported on a quarterly basis going forward.

MSEK	Q1 2015	Q1 2014	2014	2013	2012
FINANCING ACTIVITIES					
New share issue	—	—	—	435	—
Group contributions to Parent Company's shareholders	—	—	–175	—	–15
Raised loans	—	—	422	160	1,396
Amortisation of debt	–8	–7	–2,387	–609	–564
Paid dividends	—	—	–1,103	–199	–337
Cash flow from financing activities	**–8**	**–7**	**–3,242**	**–213**	**481**
Cash flow for the year	**57**	**57**	**–261**	**–369**	**253**
Cash and cash equivalents at the beginning of year	321	589	589	939	685
Exchange difference in cash and cash equivalents	0	1	–7	19	1
Cash and cash equivalents at end of period	378	647	321	589	939
Information regarding interest payments					
Interest received	1	1	5	8	14
Interest paid	–114	–143	–522	–607	–592
Information regarding cash and cash equivalents at end of period					
Cash and cash equivalents consist of bank deposit	378	647	321	589	939

SEGMENT INFORMATION

Quarter 1 2015

MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	332	—	—	332
Revenue Operator activites	—	367	—	367
Total revenues	**332**	**367**	**—**	**699**
Costs Property management	–72	—	—	–72
Costs Operator activites	—	–348	—	–348
Gross profit	**260**	**19**	**—**	**279**
– whereof gross profit Property management	*260*	—	—	*260*
– whereof gross profit Operator activites	—	*19*	—	*19*
Central administration	—	—	–21	–21
Financial income	—	—	1	1
Financial expenses	—	—	–115	–115
Profit before changes in value	**260**	**19**	**–135**	**143**
Changes in value				
Properties, unrealised	363	—	—	363
Derivatives, unrealised	—	—	–33	–33
Profit before tax	**623**	**19**	**–168**	**473**
Current tax	—	—	–5	–5
Deferred tax	—	—	–95	–95
Profit for the period	**623**	**19**	**–268**	**374**

Quarter 1 2015

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	193	29	46	49	14	332
revenue Operator activities	—	19	—	5	343	367
Properties	12,573	2,549	2,740	3,084	6,050	26,996
Investments in properties	28	19	1	12	26	86

Quarter 1 2014

MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	359	—	—	359
Revenue Operator activities	—	304	—	304
Total revenues	**359**	**304**	**—**	**663**
Costs Property management	–81	—	—	–81
Costs Operator activities	—	–296	—	–296
Gross profit	**278**	**9**	**—**	**287**
– whereof gross profit Property management	*278*	—	—	*278*
– whereof gross profit Operator activities	—	*9*	—	*9*
Central administration	—	—	–15	–15
Financial income	—	—	1	1
Financial expenses	—	—	–145	–145
Profit before changes in value	**278**	**9**	**–159**	**128**
Changes in value				
Properties, unrealised	480	—	—	480
Derivatives, unrealised	—	—	–163	–163
Profit before tax	**758**	**9**	**–322**	**445**
Current tax	—	—	–4	–4
Deferred tax	—	—	–90	–90
Profit for the period	**758**	**9**	**–415**	**351**

Quarter 1 2014

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	220	27	44	46	21	359
revenue Operator activities	—	13	—	6	286	304
Properties	13,828	2,263	2,689	2,910	5,411	27,100
Investments in properties	63	9	7	30	50	159

2014

MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	1,477	—	—	1,477
Revenue Operator activities	—	1,598		1,598
Total revenues	**1,477**	**1,598**	**—**	**3,076**
Costs Property management	–292	—	—	–292
Costs Operator activities	—	–1,387	—	–1,387
Gross profit	**1,186**	**211**	**—**	**1,397**
– whereof gross profit Property management	*1,186*	—	—	*1,186*
– whereof gross profit Operator activities	—	*211*	—	*211*
Central administration	—	—	–82	–82
Financial income	—	—	5	5
Financial expenses	—	—	–541	–541
Profit before changes in value	**1,186**	**211**	**–618**	**779**
Changes in value				
Properties, unrealised	906	—	—	906
Properties, realised	291	—	—	291
Derivatives, unrealised	—	—	–622	–622
Profit before tax	**2,383**	**211**	**–1,240**	**1,354**
Current tax	—	—	–16	–16
Deferred tax	—	—	–85	–85
Profit for the period	**2,383**	**211**	**–1,341**	**1,253**

2014

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	869	143	199	205	61	1,477
revenue Operator activities	—	90	—	25	1,483	1,598
Properties	12,349	2,578	2,636	3,103	5,839	26,504
Investments in properties	202	34	22	128	141	528
Realised changes in value, properties	249	—	—	—	42	291

2013

MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	1,589	—	—	1,589
Revenue Operator activities	—	1,308	—	1,308
Total revenues	**1,589**	**1,308**	**—**	**2,897**
Costs Property management	–313	—	—	–313
Costs Operator activities	—	–1,200	—	–1,200
Gross profit	**1,277**	**108**	**—**	**1,384**
– whereof gross profit Property management	*1,277*	—	—	*1,277*
– whereof gross profit Operator activities	—	*108*	—	*108*
Central administration	—	—	–64	–64
Financial income	—	—	8	8
Financial expenses	—	—	–615	–615
Profit before changes in value	**1,277**	**108**	**–671**	**713**
Changes in value				
Properties, unrealised	376	—	—	376
Properties, realised	—	—	—	—
Derivatives, unrealised	—	—	321	321
Profit before tax	**1,652**	**108**	**–350**	**1,409**
Current tax	—	—	–197	–197
Deferred tax	—	—	–265	–265
Profit for the period	**1,652**	**108**	**–812**	**948**

2013

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	948	160	193	193	96	1,589
revenue Operator activities	—	2	—	23	1,283	1,308
Properties	13,326	2,203	2,620	2,906	5,226	26,282
Investments in properties	247	15	51	144	204	661

2012

MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	1,596	—	—	1,596
Revenue Operator activities	—	1,179	—	1,179
Total revenues	**1,596**	**1,179**	**—**	**2,774**
Costs Property management	–293	—	—	–293
Costs Operator activities	—	–1,078	—	–1,078
Gross profit	**1,302**	**101**	**—**	**1,403**
– whereof gross profit Property management	*1,302*	—	—	*1,302*
– whereof gross profit Operator activities	—	*101*	—	*101*
Central administration	—	—	–57	–57
Financial income	—	—	14	14
Financial expenses	—	—	–600	–600
Profit before changes in value	**1,302**	**101**	**–643**	**760**
Changes in value				
Properties, unrealised	233	—	—	233
Properties, realised	29	—	—	29
Derivatives, unrealised	—	—	–212	–212
Profit before tax	**1,565**	**101**	**–855**	**811**
Current tax	—	—	–9	–9
Deferred tax	—	—	–305	–305
Profit for the period	**1,565**	**101**	**–1,169**	**497**

2012

Geographical split, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property management	957	97	201	208	132	1,596
revenue Operator activities	—	6	—	23	1,150	1,179
Properties	12,851	2,101	2,719	2,737	4,883	25,291
Investments in properties	190	54	30	46	215	535
Realised changes in value, properties	29	—	—	—	—	29

CERTAIN DEFINITIONS AND KEY FIGURES

The information set out below and in the section " – Key figures", covering the financial years 2012-2014 and the first quarters of 2014 and 2015, is of significant value to investors, since it enables a better evaluation of Pandox's financial condition and results of operations. The information in the tables below and in the section " – Key figures" has been calculated based on figures in Pandox's historical financial information covering the financial years 2012-2014 and interim report for the period January –March 2015. However, please note that the tables and calculations have not been included in the Company's historical financial information and are not encompassed by the audit report.

Net operating income, MSEK	Q1 2015	Q1 2014	2014	2013	2012
PROPERTY MANAGEMENT					
Investment properties					
Rental income	319	344	1,418	1,523	1,540
Other property income	13	14	60	67	55
Costs, exclusive costs for Property management	–56	–64	–229	–247	–228
Net operating income before Property management	**276**	**294**	**1,249**	**1,342**	**1,367**
Property management	–16	–16	–63	–66	–65
Net operating income – equivalent to Gross profit /loss	**260**	**278**	**1,186**	**1,277**	**1,302**
OPERATOR ACTIVITIES					
Operating properties					
Income	367	304	1,598	1,308	1,179
Costs	–348	–296	–1,387	–1,200	–1,078
Gross profit/loss	**19**	**9**	**211**	**108**	**101**
Add: Depreciation included in costs	32	25	109	102	88
Net operating income	**51**	**33**	**320**	**209**	**188**

EBITDA-reconciliation, MSEK	Q1 2015	Q1 2014	2014	2013	2012
Gross profit/loss	279	287	1,397	1,384	1,403
Add: Depreciation included in costs operating activities	32	25	109	102	88
Less: central administration, excluding depreciation.	–21	–15	–81	–64	–57
EBITDA	**289**	**296**	**1,425**	**1,422**	**1,434**

Cash earnings, MSEK	Q1 2015	Q1 2014	2014	2013	2012
EBITDA	289	296	1,425	1,422	1,434
Add: Financial income	1	1	5	8	14
Less: Financial expenses	–115	–145	–541	–615	–600
Less: Current tax	–5	–4	–16	–197	–9
Cash earnings	**171**	**149**	**873**	**618**	**839**

Net asset value EPRA NAV, MSEK	Q1 2015	Q1 2014	2014	2013	2012
Recognised shareholders´equity	10,645	10,903	10,401	10,429	9,395
Add: Revaluation of Operating properties	1,054	203	803	121	–68
Add: Fair value of financial derivatives	933	441	900	278	599
Less: Deferred tax assets, related to derivatives	–205	–126	–219	–93	–179
Add: Deferred tax liabilities, related to properities	2,011	1,732	1,930	1,653	1,426
EPRA NAV	**14,438**	**13,153**	**13,816**	**12,388**	**11,174**

SPECIFICATION OF COSTS

Investment properties, MSEK	2014	2013	2012
Operating costs	–37	–43	–44
Maintenance costs	–77	–79	–67
Property tax	–84	–95	–86
Site leasehold rent	–31	–30	–32
Property administration	–63	–66	–65
Costs, Investment properties	**–292**	**–313**	**–293**

Note: Specification of costs for Property management is not reported on a quarterly basis.

Operating properties, MSEK	2014	2013	2012
Employee costs	–641	–593	–560
Marketing and sales	–151	–132	–113
Repairs and maintenance	–28	–26	–22
Other operating costs	–458	–348	–295
Depreciation	–109	–102	–88
Costs, Operating properties	–1,387	–1,200	–1,078

Note: Specification of costs for Operator activities is not reported on a quarterly basis.

KEY FIGURES

Financial data	Q1 2015	Q1 2014	2014	2013	2012
Return on equity, %	3.6	3.3	12.0	9.6	5.4
Equity to asset ratio, %	38.7	38.1	38.1	37.4	34.3
Loan to value ratio, %	47.5	53.9	48.7	55.5	59.4
Interest cover ratio	2.5	2.1	2.6	2.3	2.4
Average cost of debt, %	–3.4	–3.9	–3.6	–4.0	–3.9
Net interest bearing debt, MSEK	12,444	13,948	12,587	13,986	14,081
Investments, excluding acquisitions, MSEK	86.2	159.0	527.5	660.7	535.0
Per share data[1)]					
Earnings per share, SEK	2.5	2.3	8.4	6.3	3.3
Cash earnings per share, SEK	1.1	1.0	5.8	4.1	5.6
Shareholders' equity per share, SEK	71.0	72.7	69.3	69.5	62.9
Net asset value (EPRA NAV) per share, SEK	96.3	87.7	92.1	82.6	74.8
Dividend per share, SEK[2)]	—	—	6.9	1.4	1.3
Average weighted number of shares, after dilution, thousands	150,000	150,000	150,000	149,412	149,400
Property data					
Number of hotels, end of period[3)]	104	119	104	119	119
Number of rooms, end of period[3)]	21,969	24,780	21,969	24,780	24,661
WAULT, years	8.7	8.4	9.0	—	—
Property market value, MSEK	26,996	27,101	26,504	26,282	25,291
Market value, Investment properties MSEK	21,233	22,588	20,843	21,911	21,842
Market value, Operating properties MSEK	5,763	4,513	5,660	4,371	3,449

1) Retroactively adjusted for share split in May 2015. Total number of outstanding shares after full dilution amounts to 150,000,000, of which 75,000,000 are A shares and 75,000,000 are B shares. For the purpose of comparability, the total number of shares has been used to calculate the key figures.
2) 2014 includes the proposed dividends, as well as the resolved upon extraordinary dividend paid in 2014.
3) Hotel properties owned by Pandox.

DEFINITIONS

Return on equity, %
Profit or loss for the period, attributable to the shareholders of the parent company, as a percentage of average equity (shareholders'equity).

Equity to asset ratio, %
Reported shareholders' equity as a percentage of total assets at the end of the period.

Loan to value ratio, %
Interest-bearing liabilities as a percentage of the total market value of properties at the end of the period.

Interest cover ratio
Profit before value changes, plus financial expenses and depreciation, divided by financial expenses.

Average cost of debt, %
Average interest rate paid as a percentage of current interest-bearing debt.

Net interest bearing debt, MSEK
Total interest-bearing liabilities less cash and cash equivalents.

Investments, excluding acquisitions, MSEK
Investments in properties, excluding acquisitions.

Gross profit, Property management, MSEK
Revenue less directly related costs for Property management.

Gross profit, Operator activities, MSEK
Revenue less directly related costs for Operator activities and depreciation on fixed assets excluding acquisitions.

Net operating income, Property management, MSEK
Net operating income corresponds to gross profit Property management. See "– Certain definitions and key figures" for full reconciliation.

Net operating income, Operator activities, MSEK
Gross profit for Operator activities plus depreciation included in costs, Operator activities. See "– Certain definitions and key figures" for full reconciliation.

EBITDA, MSEK
Total net operating income less central administration excluding depreciation. See "– Certain definitions and key figures" for full reconciliation.

Cash earnings, MSEK
EBITDA plus financial income less financial expenses less current tax. See "Certain definitions and key figures" for full reconciliation.

Cash earnings per share, SEK
EBITDA plus financial income less financial expenses less current tax, divided by the weighted average total number of shares outstanding.

Earnings per share, SEK
Profit for the period, attributable to the owners of the parent company, divided by the weighted average total number of shares outstanding.

Shareholders' equity per share, SEK
Reported shareholder's equity, attributable to the shareholders of the parent company, divided by the total number of shares outstanding at the end of the period.

Net asset value (EPRA NAV) per share, SEK
Recognised equity, attributable to the owners of the parent company, including reversal of derivatives and deferred tax and revaluation of Operating properties divided by the total number of diluted shares outstanding at the end of the period. See "– Certain definitions and key figures" for full reconciliation.

Dividend per share, SEK
Dividend for the year divided by the total weighted number of diluted shares outstanding at the end of the period.

Weighted average number of shares, before dilution
The weighted average number of shares incorporates any changes in the amount of outstanding shares, before dilution, over the reporting period.

Weighted average number of shares, after dilution
The weighted average number of shares incorporates any changes in the amount of outstanding shares, after dilution, over the reporting period.

Number of hotels
Number of owned hotel properties, at the end of the period.

Number of rooms
Number of rooms in owned hotel properties, at the end of the period.

WAULT (Investment properties), years
Average lease term remaining to expiry, across the Investment property portfolio, weighted by contracted rental income.

Property market value, MSEK
Market value of Investment properties plus market value of Operating properties.

Operating and financial review

The information presented below should be read in conjunction with the section "Selected financial information" and the Company's audited consolidated financial statements and the financial information included in the sections "Historical annual financial information for 2012–2014" and "Interim financial information", respectively. The information below contains forward-looking statements that are subject to various risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of many different factors, including, but not limited to, those described in section "Important information to investors - Forward-looking information" and elsewhere in this Offering Circular, including those in section "Risk factors". The audited historical consolidated financial information and reviewed historical consolidated financial information presented below has been derived from the sections "Historical annual financial information for 2012–2014" and "Interim financial information" and have been prepared in accordance with IFRS.

OVERVIEW

Business

Pandox is one of northern Europe's leading hotel property companies, with a portfolio focused on the Nordic countries. Pandox is an active owner that combines a large property portfolio with solid operational knowledge, thereby creating value and new opportunities across the hotel value chain. Pandox's strategy is to own and invest in sizeable hotel properties primarily situated in strategic locations that present attractive earnings capacity, value growth opportunities and yield attractive risk-adjusted returns. Pandox primarily owns full-service hotels in the upper-medium to high-end segment where the Company has identified an opportunity to enhance its operating and financial performance through both active asset management and targeted capital investments focused on refurbishment or repositioning. The Company has invested significant capital for refurbishment, restructuring and renegotiations of agreements, as well as repositioning of hotels and hotel operations.

Operating segments

The Company has two operating segments, Property management and Operator activities, which together comprise 104 owned hotel properties with an aggregate of 21,969 rooms in eight countries.

Property management includes the Company's properties owned for the purpose of obtaining rental income and value growth. Property management comprises the Company's 89 owned hotels, with an aggregate of 17,195 rooms which are leased through long-term leases to external market-leading regional hotel operators such as Scandic and Nordic Choice, or leading international hotel companies such as Hilton and Rezidor.

The Operator activities segment includes 16 hotels with a total of 5,066 rooms across five countries in Europe and Canada, which the Company operates through Pandox Operations. Of the 16 hotel properties, 15 hotel properties, with a total of 4,774 rooms, are fully owned by Pandox. The remaining hotel properties, owned by one of Pandox's owners Eiendomsspar AS, is the Grand Hotel Oslo in Norway, with 292 rooms. This hotel is operated by Pandox under a 15-year revenue-based lease contract.

In addition, the Company manages various hotel properties on behalf of external owners through the business section Pandox Asset Management, and reports its result under the Property management segment, with the exception of the Pelican Bay Lucaya Resort hotel property, which is reported under the Operating activities segment. The current portfolio includes eight hotels with a total of 1,505 rooms in Oslo, Norway. The Oslo portfolio is owned by one of Pandox's owners, Eiendomsspar AS. The Company is compensated based on a percentage of hotel revenue.

In addition, Pandox holds an asset management assignment for the 186 room Pelican Bay Lucaya Resort hotel property, indirectly owned by Helene Sundt AS and CGS Holding AS, two of Pandox's owners. The Company is compensated based on a percentage of hotel revenue.

Within its two operating segments, the Company operates in five geographic areas: Sweden, Finland, Norway, Denmark and International (which includes the Company's business in Belgium, Germany, Switzerland and Canada).

Factors affecting comparability of financial information

Acquisitions and Divestments

In August 2010, the Company agreed to acquire 50 per cent of the Norgani Group. On 1 December 2013, the Company completed its acquisition of the remaining 50 per cent of the Norgani Group. However, the annual financial information for the years 2012 and 2013 included in this Offering Circular reflects Pandox accounts as if 100 per cent of the shares in Norgani Group had been acquired on 1 January 2012. For more information regarding the Norgani acquisition, see "Business Overview—The property portfolio—Projects—The Shark project" and Note 1 in section "Historical annual financial information for 2012–2014". In addition, on 31 December 2012, as part of the Norgani transaction, the Company acquired four hotel properties in Denmark, three located in Copenhagen and one in Kolding.

During the periods under review, the only material divestiture occurred in 2014, when Pandox divested 14 hotels in Sweden to Fastighets AB Balder, and the Hilton London Docklands to H.I.G. Capital. The total proceeds from this divestiture amounted to approximately SEK 2.7 billion.

Hotels included in Operator activities segment

The Operator activities segment included 10 hotels as of 31 December 2012, 14 as of 31 December 2013 and 15 as of 31 December 2014. In 2013, three hotels located in Germany and one in Denmark, were transferred from Property management to Operator activities. During 2013, the lease contracts for Hilton Bremen, Hilton Dortmund and Scandic Lübeck expired on 1 January 2013 for the hotel properties in Dortmund and Lübeck and on 1 June 2013 for the hotel property in Bremen. At each expiration date, Pandox assumed responsibility for the hotel operations under separate franchise agreements, two with Rezidor for the hotels in Dortmund and Bremen, now both Radisson Blu hotels, and one with InterContinental for the hotel in Lübeck, now the Holiday Inn Lübeck. In addition, in December 2013, Pandox took over the operations of First Hotel Copenhagen, Denmark, and at the same time entered into a franchise contract with First Hotels.

As of 1 April 2014, Pandox took over the hotel operations for Omena Hotel in Copenhagen, Denmark. The hotel has changed its name to Urban House Copenhagen, and as of 1 April 2014, the hotel property is reported under the Operator activities segment.

Significant factors affecting the Group's operational and financial performance

Pandox believes that the factors described below have contributed to the development of its operational and financial performance during the periods under review. These significant factors include, in particular:

Consumer demand and global economic conditions

The development of the Group's earnings and the value of its hotel properties are dependent upon trends within the hotel market, which is closely linked to the performance of the general economy and is affected by business activity and personal leisure spending levels. For more information, see "Market Overview—Macroeconomic drivers". While economic trends can be monitored and followed, factors that influence local hotel markets are significantly more complex and can include local economic conditions, the proportion of new hotel capacity in the market, how well developed a market is for a brand name and segments, currency fluctuation and extraordinary events. The effects of macroeconomic factors may be reduced by certain of the Company's lease agreement structures, such as minimum guaranteed rental arrangements or the Company's diverse geographic locations.

Agreement types and structure

Rental agreements/leases are a common model in the Nordic region and can be found in other parts of Europe, but are rarer in the rest of the world. A rental agreement/lease can be structured in different ways and can be based on different metrics, such as revenue, result or fixed-fee rent.

Revenue-based leases are tied to the sales of the hotel operations. This variety of agreement provides the hotel property owner with a share of the growth in both the market as a whole and in changes in market shares, since the rent is increased in proportion to the revenue generated by the hotel business. In order to limit any possible risks, these agreements generally provide a minimum guaranteed rent. In 2014, rental income amounted to SEK 1,417.8 million, of which 95 per cent, or SEK 1,353.3 million, was derived from revenue-based rent agreements. Of the SEK 1,353.3 million, 77 per cent, or SEK 1,038.4 million, was derived from revenue-based rent agreements that specify a minimum guaranteed rent and the remaining SEK 314.9 million, was derived from revenue-based rent agreements without guaranteed rent. Of the SEK 1,038.4 million, SEK 242.3 million consisted of rent that was paid over and above the minimum guaranteed rent.

Result-based leases are those where the hotel property owner receives a share of the hotel operator's net operating income. This type of agreements requires that the hotel property owner is informed of and given access to the operating company's finances and operations. This form of contract can also include a guaranteed rent. The Company has no result-based lease contracts in its hotel properties portfolio.

Fixed-rent leases provide the lessor with a guaranteed rent that is typically indexed annually. In 2014, 4 per cent, corresponding to SEK 51.0 million, of the Company's revenue was generated from fixed-rent leases, which are leases with non-hotel tenants situated within the hotel properties. The majority of these contracts are indexed with CPI.

Franchise agreements are entered into with a hotel brand company for the hotel property owner's own operations. The hotel property owner thereby benefits from a large system that, among other things, supports the hotel's overall distribution, marketing and sales functions. This means that the hotel property owner owns the hotel operations, as well as the hotel property. Typically, the franchisee pays royalties on the revenues and booking fees, and additional fees for access to such things as the franchisor's loyalty programme or marketing and advertising. In 2014, the Company had entered into franchise agreements for eight of its 104 hotels. Of these eight hotels, four have franchise agreements with InterContinental, two have franchise agreements with Radisson, one has a franchise agreement with Hilton and one has a franchise agreement with First Hotels.

Management agreements, primarily used in the US, UK and Asia, establish an agency relationship, where a hotel operator is assigned to operate and manage the hotel on behalf of the hotel property owner for a management fee, which is often based on revenues. This means that the hotel property owner owns the hotel operations, as well as the hotel property. The Company has two properties in Canada under management agreements.

Investments, project development and investment programmes

As an active owner of hotel properties, Pandox seeks to develop and position its hotels through investment and renovation programmes. For more information, see "Business Overview—The property portfolio—Projects". During the periods under review, the Company has undertaken significant investments amounting to SEK 527.5 million, SEK 660.7 million and SEK 535.0 million for the years ended 31 December 2014, 2013 and 2012 respectively. For the year ended 31 December 2014, the investments are primarily related to project Shark and investments at Radisson Blu Arlandia, Radisson Blu Bremen as well as Radisson Blu Dortmund.

Seasonality

The hotel industry is seasonal in nature. Based on historical results, the Company generally expects its revenue to be highest in the second and the fourth quarter. However, the Company's various agreement structures and locations of its properties reduces the effects of seasonality, as the demand for the Company's hotels varies from property to property and depends upon location, type of property, and competitive mix within the specific market.

Interest rates

The Company maintains credit facilities at floating rates of interest. However, these floating interest rates are offset by interest rate swaps, which the Company enters into in order to extend fixed interest periods. As of 31 March 2015, interest-rate swaps amounted to SEK 9,704.9 million. For more information on developments in the interest rates of the currencies in which the Company raises debt during the periods under review, please see "Market Overview—Macroeconomic drivers—Interest rates".

Exchange rates

The Company conducts portions of its operations in functional currencies other than its reporting currency, the Swedish krona, and has assets and liabilities in foreign currencies. The Group's policy is to hedge part of its currency exposure by financing hotel properties in local currencies. The Company does not hedge its currency exposure arising from shareholder's equity in non-Swedish subsidiaries. Transaction exposure, the risk that exchange rate fluctuations will change the value of a contract before it is settled, is limited, as revenue and costs are usually in the same currency. The Group is required to translate its results, assets and liabilities from local currency into Swedish krona at market-based exchange rates for each reporting period. When comparing the Group's results of operations between periods, there may be material portions of the changes in the Group's revenues or expenses between periods that are derived from exchange rates effects.

Explanation of profit and loss line items

Rental income

Rental income relates to income earned from the leasing of hotel premises, and includes income from Asset Management services. In addition to the rent generated by the hotel tenant, four per cent of the total rental income comes from the rental of offices and retail outlets located within the hotel properties, and other minor rental incomes.

Comparable units and constant exchange rate

The Company calculates revenues for comparable units at a constant exchange rate in order to eliminate the effects of exchange rate fluctuations and changes in the property portfolio due to acquisitions and divestments. Comparable units are defined as properties that have been fully owned during the entire current period and the corresponding comparative period. Constant exchange rate is defined as the exchange rate of the current period, and the corresponding comparative period is recalculated based on the same rate.

Other property income

Other property income is reported gross, and consists primarily of the portion of property costs attributable to heat, electricity and property tax debited to tenants.

Revenue Operator activities

Revenue Operator activities refers to revenues earned by the Group from operating 15 wholly-owned hotel properties and the Grand Hotel Oslo, which is owned by one of Pandox's owners, Eiendomsspar AS.

Costs Property management

Costs Property management refers to expenses that pertain to the operation of the Group's 89 properties included in the Property management segment. The costs include operating costs, such as costs for electricity, heating, water, janitorial services and maintenance costs, property tax and site leasehold rents. In addition, this line item includes allocated property administration expenses. Costs Property management are reported gross, and the portion of costs debited to tenants for items such as heat, electricity and property tax is reported as other property income.

Costs Operator activities

Costs Operator activities reflects expenses incurred by the Group in connection with operating 15 wholly-owned hotel properties and the Grand Hotel Oslo including depreciation on building, furniture, fixtures and equipment.

Central administration

Central administration refers to expenses for central administration of the Group, including costs for central functions such as executive management, business development, finance, the board of directors, legal affairs, IT, audit, administration, IR and depreciation of the machinery and equipment belonging to central administration. This line item does not include expenses of these categories which are allocated to and included in costs Property management.

Financial income

Financial income refers to interest income on cash equivalents. Interest income is recognised according to the effective-interest method as the income is earned.

Financial expenses
Financial expenses are interest, charges and other expenses arising when Pandox takes on interest-bearing liabilities. These expenses are included in the interest expense that is recognised according to the effective-interest method.

Changes in value of properties, unrealised
Investment properties are recognised at fair value, appraised using an internal valuation model. Unrealised changes in value are other changes in value of the Group's properties that do not arise from acquisitions or capitalised investment expenditures. For further information, see section "Historical annual financial information for 2012–2014 —Note 1— Accounting Principles".

Changes in value of properties, realised
Investment properties are recognised at fair value, appraised using an internal valuation model. Realised changes in value refer to changes in value from the most recent quarterly report up to the divestment date for properties divested during the period after taking into account capitalised investment expenditures during the period. For further information, see section "Historical annual financial information for 2012–2014—Note 1— Accounting Principles".

Changes in value of derivatives, unrealised
For financial hedging of forecasted interest flows from borrowing at variable interest rates, interest rate swaps, where the Company obtains a floating interest rate and pays a fixed interest rate, are used. Interest-rate swaps are measured at fair value in the balance sheet. The coupon rate portion is recognised on an ongoing basis as a component of interest expense. Unrealised changes in fair value of interest-rate swaps are recognised in changes in value of derivatives, unrealised. For further information, see section "Historical annual financial information for 2012–2014—Note 1— Accounting Principles".

Current tax
Current tax is tax to be paid or received for the year in question applying the tax rates that have been enacted or substantially enacted as of the closing day. Current tax also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax
Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. Deferred tax is measured based on how the underlying assets or liabilities are expected to be realised or paid.

RESULTS OF OPERATIONS

Three months ended 31 March 2015 compared to three months ended 31 March 2014

	Three months ended 31 March	
MSEK	2015	2014
Revenues Property management		
Rental income	318.9	344.4
Other property income	13.0	14.2
Revenue Operator activities	366.7	304.4
Total revenues	**698.6**	**663.0**
Costs Property management	–71.9	–80.6
Costs Operator activities	–348.1	–295.7
Gross profit	**278.6**	**286.7**
– whereof gross profit Property management	*260.0*	*278.0*
– whereof gross profit Operator activities	*18.6*	*8.7*
Central administration	–21.3	–15.1
Financial income	0.7	1.2
Financial expenses	–114.6	–144.9
Profit before changes in value	**143.4**	**127.9**
Changes in value		
Properties, unrealised	363.1	479.9
Derivatives, unrealised	–33.1	–163.0
Profit before tax	**473.4**	**444.8**
Current tax	–4.7	–3.9
Deferred tax	–94.7	–89.5
Net profit for the period attributable to owners of the parent company	**374.0**	**351.4**

Rental income
Rental income for the three months ended 31 March 2015 amounted to SEK 318.9 million compared to SEK 344.4 million for the three months ended 31 March 2014, a decrease of SEK 25.5 million or 7.4 per cent. For comparable units and at a constant exchange rate, rental income increased by 3.6 per cent, primarily due to higher economic activity in many of Pandox's markets resulting in increased demand for hotel rooms and services, new lease contracts with improved conditions and the reopening of renovated hotels.

Rental income for Sweden for the three months ended 31 March 2015 amounted to SEK 182.6 million compared to SEK 207.4 million for the three month ended 31 March 2014, a decrease of SEK 24.8 million or 12.0 per cent. The decrease was primarily due to the disposal of 14 hotel properties to Fastighets AB Balder in April 2014. For comparable units, rental income increased by 5.2 per cent, primarily due to increased demand in markets such as Stockholm, as well as in several regional cities.

Rental income for Norway for the three months ended 31 March 2015 amounted to SEK 45.8 million compared to SEK 44.1 million for the three months ended 31 March 2014, an increase of SEK 1.7 million or 3.8 per cent. For comparable units and at a constant exchange rate, rental income increased by 2.4 per cent primarily due to recently renovated hotel properties returning to full capacity.

Rental income for Finland for the three months ended 31 March 2015 amounted to SEK 48.0 million compared to SEK 45.4 million for the three month ended 31 March 2014, an increase of SEK 2.6 million or 5.6 per cent. For comparable units and at a constant exchange rate, rental income decreased by 0.3 per cent due to weak market development in Finland resulting from the country's current economic situation.

Rental income for Denmark for the three months ended 31 March 2015 amounted to SEK 28.1 million compared to SEK 26.2 million for the three months ended 31 March 2014, an increase of SEK 1.9 million or 7.4 per cent. The increase was primarily due to a positive market development in Copenhagen, particularly for hotel properties situated outside the city centre. For comparable units and at a constant exchange rate, rental income increased by 2.5 per cent.

Rental income for International for the three months ended 31 March 2015 amounted to SEK 14.4 million compared to SEK 21.3 million for the three months ended 31 March 2014, a decrease of SEK 6.8 million or 31.8 per cent. The decrease was primarily due to the disposal of Hilton London Docklands in April 2014. For comparable units and at a constant exchange rate, rental income increased by 0.3 per cent in a stable market environment.

Other property income

Other property income for the three months ended 31 March 2015 amounted to SEK 13.0 million, compared to SEK 14.2 million for the three month ended 31 March 2014, a decrease of SEK 1.2 million or 8.5 per cent. The decrease was primarily due to the disposal of the 14 hotel properties to Fastighets AB Balder in April 2014. For comparable units and at a constant exchange rate, other property income increased by 2.1 per cent.

Revenue Operator activities

Revenue Operator activities for the three months ended 31 March 2015 amounted to SEK 366.7 million compared to SEK 304.4 million for the three month ended 31 March 2014, an increase of SEK 62.3 million or 20.5 per cent. For comparable units and at a constant exchange rate, revenue Operator activities increased by 8.9 per cent as a result of an improved market, particularly in Montreal, and a gain in market share by recently renovated and repositioned hotels.

There was no revenue Operator activities for Sweden or Norway, as the Company did not operate its hotel properties in Sweden and did not report any income for Norway in the first quarter 2015 and 2014 respectively.

Revenue Operator activities for Finland for the three months ended 31 March 2015 amounted to SEK 4.9 million compared to SEK 5.7 million for the three month ended 31 March 2014, a decrease of SEK 0.8 million or 14.0 per cent. For comparable units and at a constant exchange rate, revenue Operator activities decreased by 18.3 per cent due to a weak Finnish domestic market combined with a weaker demand from the Russian market which is important to the hotel.

Revenue Operator activities for Denmark for the three months ended 31 March 2015 amounted to SEK 19.2 million compared to SEK 12.7 million for the three month ended 31 March 2014, an increase of SEK 6.5 million or 51.2 per cent. The increase was primarily due to a positive market development in Copenhagen, particularly in hotel properties located outside the city centre, and a contribution of SEK 2.1 million from properties reclassified from Property management to Operator activities. For comparable units and at a constant exchange rate, revenue Operator activities increased by 26.5 per cent.

Revenue Operator activities for International for the three months ended 31 March 2015 amounted to SEK 342.6 million compared to SEK 286.0 million for the three month ended 31 March 2014, an increase of SEK 56.6 million or 19.8 per cent. The increase was primarily due to stronger demand and increased occupancy on several of Pandox' markets, particularly in Montreal, combined with positive effects from recently renovated hotel properties returning to full capacity with increased market shares in Germany and Brussels. For comparable units and at a constant exchange rate, revenue Operator activities increased by 8.7 per cent.

Costs Property management

Costs Property management for the three months ended 31 March 2015 amounted to SEK 71.9 million compared to SEK 80.6 million for the three month ended 31 March 2014, a decrease of SEK 8.7 million or 10.8 per cent. The decrease was due to the divestment of 14 hotel properties in Sweden to Fastighets AB Balder and of the Hilton London Docklands to H.I.G. Capital in 2014, resulting in a decrease in costs Property management of SEK 8.3 million, of which operating costs accounted for SEK 2.5 million, maintenance costs of SEK 2.2 million and property tax costs of SEK 3.6 million.

Costs Operator activities

Costs Operator activities for the three months ended 31 March 2015 amounted to SEK 348.1 million compared to SEK 295.7 million for the three month ended 31 March 2014, an increase of SEK 52.4 million or 17.7 per cent. The increase was primarily due to an increase in activity and demand driven by a positive market environment, as well as recently refurbished hotel properties by increasing their occupancy rates and thereby gaining market shares. The increase was also due to an increase of SEK 5.1 million in costs Operator activities resulting from Pandox's takeover of Urban House Copenhagen in April 2014. Urban House Copenhagen was subsequently reported as part of the Operator activities segment.

Depreciation included in costs Operator activities for the three months ended 31 March 2015 amounted to SEK 31.9 million compared to SEK 24.5 million for the three month ended 31 March 2014, an increase of SEK 7.4 million or 30.2 per cent. The increase was primarily due to the reporting of Urban House Copenhagen being moved to Operator activities, as well as activated investment programmes in The Hotel Brussels, Radisson Blu Bremen, Radisson Blu Dortmund and Holiday Inn Lübeck.

Gross profit

Gross profit for the three months ended 31 March 2015 amounted to SEK 278.6 million compared to SEK 286.7 million for the three months ended 31 March 2014, a decrease of SEK 8.1 million or 2.8 per cent.

Gross profit before depreciation for the three months ended 31 March 2015 amounted to SEK 310.5 million compared to SEK 311.2 million for the three months ended 31 March 2014, a decrease of SEK 0.7 million or 0.2 per cent. The decrease was primarily due to the disposal of 14 hotel properties in Sweden to Fastighets AB Balder and the Hilton London Docklands to H.I.G Capital during the spring of 2014, which affected gross profit Property management negatively by SEK 37.4 million between the first quarter 2015 and the first quarter 2014.

Gross profit for the Property management segment amounted to SEK 260.0 million for the three months ended 31 March 2015, compared to SEK 278.0 million for the three months ended 31 March 2014, a decrease of SEK 18.0 million or 6.5 per cent due to the reasons set forth above.

Gross profit for the Operator activities segment amounted to SEK 18.6 million for the three months ended 31 March 2015, compared to SEK 8.7 million for the three months ended 31 March 2014, an increase of SEK 9.9 million or 113.8 per cent due to the reasons set forth above.

Central administration

Central administration for the three months ended 31 March 2015 amounted to SEK 21.3 million compared to SEK 15.1 million for the three months ended 31 March 2014, an increase of SEK 6.2 million. The increase was primarily due to the development of common group functions and certain non-recurring costs.

Financial income

Financial income for the three months ended 31 March 2015 amounted to SEK 0.7 million compared to SEK 1.2 million for the three months ended 31 March 2014, a decrease of SEK 0.5 million. The decrease was primarily due to lower interest rates and a decrease in cash equivalents.

Financial expenses

Financial expenses for the three months ended 31 March 2015 amounted to SEK 114.6 million compared to SEK 144.9 million for the three months ended 31 March 2014, a decrease of SEK 30.3 million. The decrease was primarily the result of the repayment of debt following the divestment of 15 properties in 2014 and lower interest rates on outstanding debt.

Changes in value of properties, unrealised

Unrealised changes in value of properties for the three months ended 31 March 2015 amounted to SEK 363.1 million. The increase was primarily due to continued yield compression in the market, resulting in an effect on the demanded valuation yields and, therefore, the demanded discount rates throughout a majority of the hotel properties in Pandox's Investment properties portfolio. Unrealised changes in value of properties for the three months ended 31 March 2014 amounted to SEK 479.9 million.

Changes in value of properties, realised

There were no changes for the three months ended 31 March 2015 or for the three months ended 31 March 2014 as no properties were sold.

Changes in value of derivatives, unrealised

Unrealised changes in value of derivatives for the three months ended 31 March 2015 amounted to SEK -33.1 million primarily due to lower market interest rates. The unrealised changes in value of derivatives for the three months ended 31 March 2014 amounted to SEK -163 million.

Current tax

Current tax for the three months ended 31 March 2015 amounted to SEK 4.7 million compared to SEK 3.9 million for the three months ended 31 March 2014, an increase of SEK 0.8 million.

Deferred tax

Deferred tax for the three months ended 31 March 2015 amounted to SEK 94.7 million compared to SEK 89.5 million for the three months ended 31 March 2014, an increase of SEK 5.2 million. The change was primarily due to improved pre-tax profit.

Profit or loss for the quarter

The profit for the three months ended 31 March 2015 amounted to SEK 374.0 million compared to SEK 351.4 million for the three months ended 31 March 2014, an increase of SEK 22.6 million or 6.4 per cent due to the reasons set forth above.

Year ended 31 December 2014 compared to year ended 31 December 2013

	Year Ended 31 December	
MSEK	2014	2013
Revenues Property management		
Rental income	1,417.8	1,522.5
Other property income	59.5	66.6
Revenue Operator activities	1,598.3	1,307.7
Total revenues	**3,075.6**	**2,896.8**
Costs Property management	–291.6	–312.5
Costs Operator activities	–1,387.1	–1,200.2
Gross profit	**1,396.9**	**1,384.1**
-whereof gross profit Property management	*1,185.7*	*1,276.6*
-whereof gross profit Operator activities	*211.2*	*107.5*
Central administration	–82.0	–64.0
Financial income	4.8	7.6
Financial expenses	–540.9	–614.7
Profit before changes in value	**778.8**	**713.0**
Changes in value		
Properties, unrealised	906.3	375.5
Properties, realised	290.7	—
Derivatives, unrealised	–622.0	320.8
Profit before tax	**1,353.8**	**1,409.3**
Current tax	–15.9	–197.0
Deferred tax	–85.2	–264.6
Net profit for the year attributable to owners of the Parent Company	**1,252.7**	**947.7**

Rental income

Rental income for the year ended 31 December 2014 amounted to SEK 1,417.8 million, compared to SEK 1,522.5 million for the year ended 31 December 2013, a decrease of SEK 104.7 million or 6.9 per cent. The decrease was primarily due to the sale of 15 hotel properties during the spring of 2014, resulting in a decrease in rental income of SEK 126.2 million, and a reclassification of 4 properties, from Property management to Operator activities, resulting in a decrease in rental income with SEK 42.4 million. For comparable units and at a constant exchange rate, rental income increased by 3.5 per cent due to an expanding hotel market, new lease contracts with improved revenue-based rents and the fact that recently renovated hotels have returned to full operating capacity during 2014.

Rental income for Sweden for the year ended 31 December 2014 amounted to SEK 826.1 million compared to SEK 895.5 million for the year ended 31 December 2013, a decrease of SEK 69.4 million or 7.7 per cent. The decrease was primarily due to the sale of 14 hotel properties to Fastighets AB Balder in April 2014. For comparable units, the rental income increased by 3.7 per cent due to an expanding hotel market, increased rental income capacity resulting from the return of recently renovated hotel properties to full capacity and new lease contracts with higher rent levels.

Rental income for Norway for the year ended 31 December 2014 amounted to SEK 198.9 million, compared to SEK 192.8 million for the year ended 31 December 2013, an increase of SEK 6.1 million or 3.2 per cent. At a constant exchange rate, the increase amounted to 5.0 per cent and was primarily related to increased rental income due to renovated and extended hotels returning to full capacity.

Rental income for Finland for the year ended 31 December 2014 amounted to SEK 198.5 million, compared to SEK 188.2 million for the year ended 31 December 2013, an increase of SEK 10.3 million or 5.5 per cent. At a constant exchange rate, the increase was only 0.3 per cent, due to relatively large supply increases in a few Finnish regional cities, which had a negative effect on the rental income.

Rental income for Denmark for the year ended 31 December 2014 amounted to SEK 133.3 million, compared to SEK 150.0 million for the year ended 31 December 2013, a decrease of SEK 16.7 million or 11.1 per cent. The decrease was primarily due to the reclassification of Urban House Copenhagen and First Hotel Copenhagen to Operator activities. For comparable units and at a constant exchange rate, rental income increased by 6.6 per cent, primarily due to a strong market in Copenhagen, particularly for hotel properties situated outside the city centre.

Rental income for International for the year ended 31 December 2014 amounted to SEK 61.0 million, compared to SEK 95.9 million for the year ended 31 December 2013, a decrease of SEK 34.9 million or 36.4 per cent. The decrease was primarily due to the sale of Hilton London Docklands in April 2014, and the reclassification of Radisson Blu Bremen as of 1 June 2013 to Operator activities. For comparable units and at a constant exchange rate, rental income increased by 1.1 per cent in a stable market environment.

Other property income

Other property income for the year ended 31 December 2014 amounted to SEK 59.5 million, compared to SEK 66.6 million for the year ended 31 December 2013, a decrease of SEK 7.1 million or 10.7 per cent. The decrease was primarily due to the sale of 15 hotel properties during 2014. For comparable units and at a constant exchange rate, other property income decreased by SEK 1.0 million due to lower other property income in Sweden.

Revenue Operator activities

Revenue Operator activities for the year ended 31 December 2014 amounted to SEK 1,598.3 million, compared to SEK 1,307.7 million for the year ended 31 December 2013, an increase of SEK 290.6 million or 22.2 per cent. The Hotel Brussels showed a significant increase in market share and revenue generation, and Urban House Copenhagen and First Hotel Copenhagen were moved to the Operator activities segment after Pandox's takeover of the hotels' operations. In addition, the increase was due to a stronger international hotel market. For comparable units and at a constant exchange rate, revenue Operator activities increased by 12.0 per cent, equal to SEK 161.5 million of which approximately half was due to the revenue increase in The Hotel Brussels and the other half was primarily due to a stronger hotel market in Montreal and Brussels.

There was no revenue Operator activities for Sweden or Norway, as the Company did not operate its hotel properties in Sweden and Norway in 2014 and 2013.

Revenue Operator activities for Finland for the year ended 31 December 2014 amounted to SEK 25.4 million, compared to SEK 23.2 million for the year ended 31 December 2013, an increase of SEK 2.2 million or 9.5 per cent. At a constant exchange rate, the increase was 4.1 per cent.

Revenue Operator activities for Denmark for the year ended 31 December 2014 amounted to SEK 89.8 million, compared to SEK 2.0 million for the year ended 31 December 2013, an increase of SEK 87.8 million. The increase was due to the fact that the operations of First Hotel Copenhagen were taken over by Pandox in December 2013 and the operations of Urban House Copenhagen were taken over by Pandox in April 2014, and therefore, the 2014 revenue Operator activities includes the results from the first year of operations for both hotels.

Revenue Operator activities for International for the year ended 31 December 2014 amounted to SEK 1,483.1 million, compared to SEK 1,282.5 million for the year ended 31 December 2013, an increase of SEK 200.6 million or 15.6 per cent. At a constant exchange rate, revenue increased by 12.1 per cent. This was primarily due to a significant revenue increase for The Hotel Brussels upon completion of the hotel's renovation in October 2013 as well as strong hotel markets in both Brussels and Montreal.

Costs Property management

Costs Property management for the year ended 31 December 2014 amounted to SEK 291.6 million, compared to SEK 312.5 million for the year ended 31 December 2013, a decrease of SEK 20.9 million or 6.7 per cent. The decrease was primarily due to the divestment of 14 hotel properties in Sweden to Fastighets AB Balder and the Hilton London Docklands to H.I.G. Capital in 2014, resulting in a decrease in operating costs of SEK 6.3 million and a decrease of property tax costs of SEK 11.0 million.

Costs Operator activities

Costs Operator activities, including depreciation, for the year ended 31 December 2014 amounted to SEK 1,387.1 million, compared to SEK 1,200.2 million for the year ended 31 December 2013, an increase of SEK 186.9 million or 15.6 per cent. The increase was primarily due to the operations of First Hotel Copenhagen being taken over by Pandox in December 2013 and the operations of Urban House Copenhagen being taken over by Pandox in April 2014, and both hotels were subsequently reported as part of the Operator activities segment in 2014. In addition, The Hotel Brussels had its first fully operational year since the completion of the hotel's renovation in October 2013, which increased costs Operator activities due to increased activity at the hotel resulting from the hotel now being fully operational. Finally, due to higher activites in the markets in both Brussels and Montreal, there was a general increase in costs.

Depreciation included in costs Operator activities for the year ended 31 December 2014 amounted to SEK 109.0 million, compared to SEK 101.7 million for the year ended 31 December 2013, an increase of SEK 7.3 million or 7.2 per cent. The increase was primarily due to investments in The Hotel Brussels, Radisson Blu Bremen, Radisson Blu Dortmund and Holiday Inn Lübeck.

Gross profit

Gross profit for the year ended 31 December 2014 amounted to SEK 1,396.9 million compared to SEK 1,384.1 million for the year ended 31 December 2013, an increase of SEK 12.8 million or 0.9 per cent.

Gross profit before depreciation for the year ended 31 December 2014 amounted to SEK 1,505.9 million, compared to SEK 1,485.8 million for the year ended 31 December 2013, an increase of SEK 20.1 million or 1.4 per cent. The increase was primarily due to an expanding international hotel market, increased rental income capacity due to renovated hotel properties returning to full capacity after the renovations and an improved result from operator activities, partly due to The Hotel Brussels return to full capacity upon conclusion of the renovation. The increase in gross profit before depreciation was partly offset by the divestment of 14 hotel properties in Sweden to Fastighets AB Balder and the Hilton London Docklands to H.I.G. Capital during the spring of 2014, which affected gross profit in the Property management segment negatively by SEK 90.6 million between 2014 and 2013.

Gross profit for the Property management segment for the year ended 31 December 2014 amounted to SEK 1,185.7 million, compared to SEK 1,276.6 million for the year ended 31 December 2013, a decrease of SEK 90.9 million, or 7.1 per cent, due to the reasons set forth above. Gross profit for the Operator activities segment for the year ended 31 December 2014 amounted to SEK 211.2 million, compared to SEK 107.5 million for the year ended 31 December 2013, an increase of SEK 103.7 million or 96.5 per cent resulting from an increase in revenue, which exceeded the increase in expenses Operator activities due to the reasons set forth above.

Central administration

Central administration for the year ended 31 December 2014 amounted to SEK 82.0 million, compared to SEK 64.0 million for the year ended 31 December 2013, an increase of SEK 18.0 million or 28.1 per cent. The increase was primarily due to costs for external valuations of the Pandox hotel portfolio and legal costs of a one-off character.

Financial income

Financial income for the year ended 31 December 2014 amounted to SEK 4.8 million compared to SEK 7.6 million for the year ended 31 December 2013, a decrease of SEK 2.8 million, primarily due to a planned decrease in cash equivalents.

Financial expenses

Financial expenses for the year ended 31 December 2014 amounted to SEK 540.9 million, compared to SEK 614.7 million for the year ended 31 December 2013, a decrease of SEK 73.8 million. The decrease was primarily due to a decrease in total interest bearing liabilities from SEK 14,574.8 million as of 31 December 2013 to SEK 12,908.1 million as of 31 December 2014, together with lower borrowing margins and lower market interest rates.

Changes in value of properties, unrealised

Unrealised changes in value of properties for the year ended 31 December 2014 amounted to SEK 906.3 million. The increase resulted from lower discount rates and improved net operating income forecasts. Unrealised changes in value of properties for the year ended 31 December 2013 amounted to SEK 375.5 million.

Changes in value of properties, realised

Realised changes in value of properties for the year ended 31 December 2014 amounted to SEK 290.7 million due to the divestment of 15 hotel properties during 2014, of which SEK 41.6 million are attributable to the divestment of Hilton London Docklands to H.I.G. Capital and the remaining SEK 249.1 million were attributed to the 14 properties in Sweden sold to Fastighets AB Balder. The profits resulted from the divestments being valued at lower discount rates than those used by the Company in its internal valuations. No realised changes in value of properties were reported for the year ended 31 December 2013.

Changes in value of derivatives, unrealised

Unrealised changes in value of derivatives for the year ended 31 December 2014 amounted to SEK -622.0 million compared to SEK 320.8 million for the year ended 31 December 2013 due to a substantial reduction of the market interest rates during 2014, which had a direct negative impact on the market value of derivatives.

Current tax

Current tax for the year ended 31 December 2014 amounted to SEK 15.9 million, compared to SEK 197.0 million for the year ended 31 December 2013, a decrease of SEK 181.1 million. The decrease was primarily due to tax costs of a one-off character in 2013 of SEK 170.0 million, of which SEK 138.8 million was related to the Swedish Tax Authority's reassessment notice of a sale of a portfolio of hotel properties via non-Swedish subsidiaries dating back to 2005. Other Swedish real estate companies have received similar reassessment notices in connection with sale of properties with the same arrangement. In addition, a tax cost of SEK 31.2 million arised due to a reassessment of taxation in relation to the acquisition of a German hotel property dating back to 2006.

Deferred tax

Deferred tax for the year ended 31 December 2014 amounted to SEK 85.2 million, compared to SEK 264.6 million for the year ended 31 December 2013, a decrease of SEK 179.4 million. The decrease in 2014 compared to the previous year was primarily due to non-taxable income relating to sale of properties.

Profit and loss for the year

The profit and loss for the year ended 31 December 2014 amounted to SEK 1,252.7 million, compared to SEK 947.7 million for the year ended 31 December 2013, an increase of SEK 305.0 million, due to the reasons set forth above.

Year ended 31 December 2013 compared to year ended 31 December 2012

	Year ended 31 December	
in SEK millions	2013	2012
Revenues Property management		
Rental income	1,522.5	1,540.4
Other property income	66.6	55.1
Revenue Operator activities	1,307.7	1,178.9
Total revenues	2,896.8	2,774.4
Costs Property management	–312.5	–293.1
Costs Operator activities	–1,200.2	–1,078.1
Gross profit	1,384.1	1,403.2
– whereof gross profit Property management	*1,276.6*	*1,302.4*
– whereof gross profit Operator activities	*107.5*	*100.8*
Central administration	–64.0	–57.2
Financial income	7.6	14.1
Financial expenses	–614.7	–599.7
Profit before changes in value	713.0	760.4
Changes in value		
Properties, unrealised	375.5	232.9
Properties, realised	—	29.4
Derivatives, unrealised	320.8	–212.1
Profit before tax	1,409.3	810.6
Current tax	–197.0	–9.0
Deferred tax	–264.6	–305.1
Net profit for the year attributable to owners of the Parent Company	947.7	496.5

Rental income

Rental income for the year ended 31 December 2013 amounted to SEK 1,522.5 million, compared to SEK 1,540.4 million for the year ended 31 December 2012, a decrease of SEK 17.9 million or 1.2 per cent. During 2013, reclassifications of hotel properties from Property management to Operator activities affected rental income negatively by SEK 34.7 million. In December 2012, Pandox acquired four hotel properties located in Denmark whereof three in Copenhagen and one in Kolding. Rental income increase due to these acquisitions amounted to SEK 48.7 million in 2013. In 2012, two hotel properties in Sweden were divested, affecting comparability by SEK 4.6 million between 2012 and 2013. For comparable units and at a constant exchange rate, rental income decreased by 0.9 per cent, primarily as a result of planned renovation programmes in a large number of hotel properties (Project Shark) and as a result of a weak Finnish market due to weak economic activity in the country and a lower demand from Russian customers.

Rental income for Sweden for the year ended 31 December 2013 amounted to SEK 895.5 million, compared to SEK 906.9 million for the year ended 31 December 2012, a decrease of SEK 11.4 million or 1.3 per cent. The decrease was primarily due to renovations in a large number of properties, primarily relating to project Shark. For comparable units and adjusted for the divestment of two hotel properties in Sweden in 2012, rental income decreased by 0.5 per cent in 2013 compared to 2012.

Rental income for Norway for the year ended 31 December 2013 amounted to SEK 192.8 million, compared to SEK 201.1 million for the year ended 31 December 2012, a decrease of SEK 8.3 million or 4.1 per cent. The decrease was primarily due to exchange rate effects. At a constant exchange rate, rental income increased by 1.0 per cent, although renovations had a negative effect on capacity on one property in Oslo.

Rental income for Finland for the year ended 31 December 2013 amounted to SEK 188.2 million, compared to SEK 204.2 million for the year ended 31 December 2012, a decrease of SEK 16.0 million or 7.8 per cent. At a constant exchange rate, the decrease amounted to 6.8 per cent and was primarily due to a weaker Finnish hotel market as a result of the lower activity in the Finnish economy, as well as decreased demand from Russian customers. Major capacity additions in the Tampere hotel market also contributed to the decline in rental income for 2013.

Rental income for Denmark for the year ended 31 December 2013 amounted to SEK 150.0 million, compared to SEK 96.0 million for the year ended 31 December 2012, an increase of SEK 54.0 million or 56.3 per cent. Of the increase, SEK 48.7 million was primarily due to the acquisition of four hotel properties in Denmark. For comparable units and at a constant exchange rate, rental income increased by 6.9 per cent, due to a stronger Copenhagen market and increased rental income after the completion of the renovations to the property portfolio that were carried out in 2010 and 2011.

Rental income for International for the year ended 31 December 2013 amounted to SEK 95.9 million, compared to SEK 132.1 million for the year ended 31 December 2012, a decrease of SEK 36.2 million or 27.4 per cent. The decrease was primarily due to the reclassification of three hotels from Property management to Operator activities in Germany. For comparable units and at a constant exchange rate, rental income increased by 0.2 per cent. The relatively moderate growth in most markets was effected by a decrease in rental income from the London property in 2013 compared to 2012 due to the Olympic Games held in 2012.

Other property income

Other property income for the year ended 31 December 2013 amounted to SEK 66.6 million, compared to SEK 55.1 million for the year ended 31 December 2012, an increase of SEK 11.5 million or 20.9 per cent. The increase was primarily due to the acquisition of four hotels in Denmark, as well as increases in other property income in the Swedish and Danish property portfolios. For comparable units and at a constant exchange rate, other property income increased by 15.2 per cent.

Revenue Operator activities

Revenue Operator activities for the year ended 31 December 2013 amounted to SEK 1,307.7 million, compared to SEK 1,178.9 million for the year ended 31 December 2012, an increase of SEK 128.8 million or 10.9 per cent. The increase was primarily due to Pandox's takeover of operations in three hotel properties in Bremen, Dortmund and Lübeck during 2013. For comparable units and at a constant exchange rate, revenue Operator activities increased by 3.1 per cent, equal to SEK 36.0 million, due to positive market development, particularly in Brussels and Montreal during the last quarter. In addition, The Hotel Brussels became fully operational in October 2013 and contributed SEK 32.3 million to the revenue increase.

There was no revenue Operator activities for Sweden or Norway, as the Company did not operate its hotel properties in Sweden and Norway in 2013 and 2012.

Revenue Operator activities for Finland for the year ended 31 December 2013 amounted to SEK 23.2 million, compared to SEK 22.9 million for the year ended 31 December 2012, an increase of SEK 0.3 million or 1.3 per cent.

Revenue Operator activities for Denmark for the year ended 31 December 2013 amounted to SEK 2.0 million, compared to SEK 6.1 million for the year ended 31 December 2012, a decrease of SEK 4.1 million.

Revenue Operator activities for International for the year ended 31 December 2013 amounted to SEK 1,282.5 million, compared to SEK 1,149.9 million for the year ended 31 December 2012, an increase of SEK 132.6 million or 11.5 per cent. The increase was primarily due to Pandox's takeover of operations in three hotel properties in Bremen, Dortmund and Lübeck during 2013. For comparable units and at a constant exchange rate, revenue Operator activities increased by 3.2 per cent, equal to SEK 35.5 million, as a result of positive market developments, particularly in Brussels and Montreal during the last quarter. In addition, The Hotel Brussels was fully operational from October 2013 and contributed SEK 32.3 million to the revenue increase.

Costs Property management

Costs Property management for the year ended 31 December 2013 amounted to SEK 312.5 million, compared to SEK 293.1 million for the year ended 31 December 2012, an increase of SEK 19.4 million or 6.6 per cent. The increase was primarily due to maintenance costs in connection with major refurbishment projects, increased property tax costs due to acquired hotel properties in Denmark, and increased property tax costs in the existing Danish portfolio.

Costs Operator activities

Costs Operator activities for the year ended 31 December 2013 amounted to SEK 1,200.2 million, compared to SEK 1,078.1 million for the year ended 31 December 2012, an increase of SEK 122.1 million or 11.3 per cent. The increase was primarily due to Pandox's takeover of operations in three hotel properties in Bremen, Dortmund and Lübeck and as a result of positive market development and higher activity levels in the hotels in Brussels and Montreal. In addition, The Hotel Brussels became fully operational in October 2013, and its costs Operator activities increased in line with the increased activites.

Depreciations included in costs Operator activities for the year ended 31 December 2013 amounted to SEK 101.7 million, compared to SEK 87.5 million for the year ended 31 December 2012, an increase of SEK 14.2 million or 16.2 per cent. The increase was primarily due to Pandox's takeover of operations for hotel properties in Bremen, Dortmund and Lübeck, as well as increased depreciation concerning The Hotel Brussels due to its renovations projects.

Gross profit

Gross profit for the year ended 31 December 2013 amounted to SEK 1,384.1 million compared to SEK 1,403.2 million for the year ended 31 December 2012, a decrease of SEK 19.1 million or 1.4 per cent.

Gross profit before depreciation for the year ended 31 December 2013 amounted to SEK 1,485.8 million, compared to SEK 1,490.7 million for the year ended 31 December 2012, a decrease of SEK 4.9 million or 0.3 per cent. The decrease was primarily due to renovation programmes in a large number of hotel properties (project Shark) and for the hotel properties in Bremen, Dortmund and Lübeck, which had a negative effect on earning capacity. In addition, the decrease was also partially due to a weak Finnish market resulting from weak economic activity in the country, as well as decreased demand from Russian customers.

Gross profit for the Property management segment for the year ended 31 December 2013 amounted to SEK 1,276.6 million, compared to SEK 1,302.4 million for the year ended 31 December 2012, a decrease of SEK 25.8 million or 2.0 per cent, attributable to a decrease in rental income combined with an increase in expenses Property management due to reasons set forth above.

Gross profit for the Operator activities segment for the year ended 31 December 2013 amounted to SEK 107.5 million, compared to SEK 100.8 million for the year ended 31 December 2012, an increase of SEK 6.7 million or 6.6 per cent, as the increase in revenue Operator activities exceeded the increase in costs Operator activities due to the reasons set forth above.

Central administration

Central administration for the year ended 31 December 2013 amounted to SEK 64.0 million, compared to SEK 57.2 million for the year ended 31 December 2012, an increase of SEK 6.8 million or 11.9 per cent. The increase was primarily due to increased costs for external consultancy fees in relation to various due diligence activities.

Financial income

Financial expenses for the year ended 31 December 2013 amounted to SEK 7.6 million, compared to SEK 14.1 million for the year ended 31 December 2012, a decrease of SEK 6.5 million. The decrease was primarily due to a planned decrease in cash equivalents.

Financial expenses

Finance cost for the year ended 31 December 2013 amounted to SEK 614.7 million, compared to SEK 599.7 million for the year ended 31 December 2012, an increase of SEK 15.0 million. The increase was primarily due to higher borrowing margins and the acquisition of four Danish hotel properties in December 2012.

Changes in value of properties, unrealised

Unrealised changes in value of properties for the years ended 31 December 2013 and 2012 amounted to SEK 375.5 million and SEK 232.9 million in 2012, respectively. This change was due to improved net operating income forecasts, combined with lower discount rates.

Changes in value of properties, realised

There were no realisation of changes in value of properties for the year ended 31 December 2013 since Pandox did not divest any properties in 2013. Realised changes in the value of properties for the year ended 31 December 2012 corresponded to a gain of SEK 29.4 million relating to the divestment of two hotel properties in Sweden.

Changes in value of derivatives, unrealised

Unrealised changes in value of derivatives for the year ended 31 December 2013 amounted to SEK 320.8 million compared to SEK -212.1 million for the year ended 31 December 2012. The increase was due to a change in market interest rates.

Current tax

Current tax for the year ended 31 December 2013 amounted to SEK 197.0 million, compared to SEK 9.0 million for the year ended 31 December 2012, an increase of SEK 188.0 million. The increase was primarily due to tax costs of a one-off character in 2013 of SEK 170.0 million, of which SEK 138.8 million was related to the Swedish Tax Authority's reassessment notice of a sale of a portfolio of hotel properties through non-Swedish subsidiaries that dated back to 2005. Other Swedish real estate companies have received similar reassessment notices in connection with the sale of properties with the same arrangement. In addition, a tax cost of SEK 31.2 million arised due to reassessment of taxation in relation to the acquisition of a German hotel property dating back to 2006.

Deferred tax

Deferred tax for the year ended 31 December 2013 amounted to SEK 264.6 million, compared to SEK 305.1 million for the year ended 31 December 2012, a decrease of SEK 40.5 million. The decrease was primarily due to a reassessment of the Company's use of loss carry-forwards as well as the reporting of deferred taxes relating to Investment properties.

Profit or loss for the year

The profit for the year ended 31 December 2013 amounted to SEK 947.7 million, compared to SEK 496.5 million for the year ended 31 December 2012, an increase of SEK 451.2 million due to the reasons set forth above.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

The Group primarily generates cash flow through the ownership and operation of the Group's hotel properties in accordance with its business model. As an active owner of its hotel properties, Pandox invests in various investment, development and renovation programmes. From time to time, the Group receives proceeds of sales from the divestments of hotel properties and invests capital in the acquisition of hotel properties.

The Group generally receives rental income in advance from its tenants, while the Group's Operating activities typically receive revenue from operations in arrears. The Group pays a large part of its operating and interest expenses in arrears. In sum, the Group considers its working capital financing requirements to be relatively limited.

The Group prepares liquidity forecasts on an ongoing basis. The consolidated liquidity forecast forms the basis of the Group's borrowing or investment requirements and control of the overall liquidity situation and need for liquidity reserves. The Group maintains a long-term aim for the level of liquidity in the form of any liquidity reserves (bank funds, liquid rent-bearing placements and forecasted positive cash flows in 12 months) and credit facilities in an amount corresponding to at least 12 months' known outgoing payments including interest payments and current repayments or repayments that have been decided on.

The Group's financing primarily consists of long-term credit arrangements with interest bearing liabilities distributed across four lenders and six currencies as of 31 December 2014. See "–Liquidity and capital resources–Borrowing and funding sources".

The Group maintains a central bank account through which liquid assets are held in an interest-bearing transaction account. The Group also invests in fixed term bank deposits from time to time. As of 31 March 2015, the Group maintained credit facilities in the total amount of SEK 6,439.4 million. As of 31 March 2015, SEK 4,860.9 million was drawn under the facilities.

The table below sets out the maturity structure of the Group's financial debt as at 31 March 2015.

Year due	Capital tied up[1]	Interest loans[2]	Net interest, interest swaps, negative value[2]	Total
SEK millions				
2015	1,112.8	20.7	30.8	51.5
2016	936.7	11.7	37.8	49.5
2017	224.2	3.2	34.2	37.4
2018	3,137.8	33.2	22.5	55.7
2019	6,049.6	102.9	8.7	111.6
2020 and later	1,360.8	19.6	146.6	166.4
Total	**12,821.9**	**191.3**	**280.8**	**472.1**

1) Excluding amortisations.
2) Calculation based on ending balance as of 31 March 2015 and actual interest rates as of the same date and implies an estimated yearly interest expense for the different maturity periods.

During 2015, SEK 1,112.8 million in loans are due for refinancing. The refinancing process has started and present lenders have expressed their intentions to stay as lenders.

Working capital

The Group believes that its existing working capital together with available credit facilities and forecasted cash flows from the operations are sufficient to meet the Company's present working capital requirements over the next twelve month period.

Cash flows

MSEK	Q1 2015	Q1 2014	2014	2013	2012
OPERATING ACTIVITIES					
Profit before tax	473	445	1,354	1,409	811
Reversal of depreciation	32	25	110	102	88
Changes in value, Property management, realised	—	—	–291	—	–29
Changes in value, Property management, unrealised	–363	–480	–906	–376	–233
Changes in value, derivatives, unrealised	33	163	622	–321	212
Taxes paid	–5	–4	–7	–242	–3
Cash flow from operating activities before changes in working capital	**171**	**149**	**881**	**573**	**846**
Increase/decrease in operating receivables	12	44	–13	–41	70
Increase/decrease in operating liabilities	–33	9	12	8	–277
Change in working capital	**–21**	**53**	**–1**	**–33**	**–207**
Cash flow from operating activities	**150**	**202**	**881**	**540**	**639**
INVESTING ACTIVITIES					
Investments in Investment properties	–40	–128	–353	–452	–326
Investments in Operating properties	–31	–21	–87	–40	–13
Investments in equipment/interiors	–15	–10	–88	–169	–196
Divestment of subsidiaries, net effect on liquidity	—	—	2,607	—	232
Acquisitions of subsidiaries, net effect on liquidity	—	—	—	—	–560
Acquisitions of financial assets	0	–1	–2	–35	–6
Divestment of financial assets	2	22	24	0	3
Cash flow from investing activities	**–85**	**–138**	**2,101**	**–696**	**–866**

Note: Investments in Investment properties, investments in Operating properties and investments in equipment/interiors will not be reported on a quarterly basis going forward.

	Q1 2015	Q1 2014	2014	2013	2012
FINANCING ACTIVITIES					
New share issue	—	—	—	435	—
Group contributions to Parent Company shareholders	—	—	–175	—	–15
New loans	—	—	422	160	1,396
Amortisation of debt	–8	–7	–2,387	–609	–564
Paid dividends	–	–	–1,103	–199	–337
Cash flow from financing activities	**–8**	**–7**	**–3,242**	**–213**	**481**
Cash flow for the period	**57**	**57**	**–261**	**–369**	**253**
Cash and cash equivalents at beginning of period	321	589	589	939	685
Exchange differences in cash and cash equivalents	0	1	–7	19	1
Cash and cash equivalents at end of period	378	647	321	589	939
Information regarding interest payments					
Interest received	1	1	5	8	14
Interest paid	–114	–143	–522	–607	–592
Information regarding cash and cash equivalents at end of period					
Cash and cash equivalents consist of bank balances	378	647	321	589	939

Cash flow from operating activities

The cash flow from operating activities amounted to SEK 150 million for the three months ended 31 March 2015, compared to SEK 202 million for the three months ended 31 March 2014. The decrease of SEK 52 million was due to changes in working capital.

The cash flow from operating activites corresponded to a cash inflow of SEK 881 million for the year ended 31 December 2014, compared to SEK 540 million for the year ended 31 December 2013. The SEK 340 million increase was primarily due to paid taxes of SEK 242 million, with a minor corresponding tax in 2014. For more information, see "—Year ended 31 December 2014 compared to Year ended 31 December 2013—Current Tax".

The cash flow from operating activites amounted to SEK 540 million for the year ended 31 December 2013, compared to SEK 639 million for the year ended 31 December 2012. The SEK 98 million decrease was primarily due to paid taxes of SEK 242 million, with a minor corresponding tax in 2012. For more information, see "—Year ended 31 December 2013 compared to Year ended 31 December 2012—Current Tax".

Cash flow from investment activities

The cash flow from investment activites corresponded to a cash inflow of SEK 85 million for the three months ended 31 March 2015, compared to a cash outflow of SEK 138 million for the three months ended 31 March 2014. The SEK 53 million difference was primarily due to lower levels of investments in 2015.

The cash flow from investment activites amounted to SEK 2,101 million for the year ended 31 December 2014, compared to a cash outflow of SEK 696 million for the year ended 31 December 2013. The SEK 2,797 million difference was primarily due to the sale of a property portfolio in 2014.

The cash flow from operating activites corresponded to a cash outflow of SEK 696 million for the year ended 31 December 2013, compared to a cash outflow of SEK 866 million for the year ended 31 December 2012. The SEK 171 million difference was primarily due to lower levels of acquisitions in 2012.

Cash flow from financing activities

The cash flow from financing activites corresponded to a cash outflow of SEK 8 million for the three months ended 31 March 2015, compared to a cash outflow of SEK 7 million for the three months ended 31 March 2014. The SEK 1 million difference was due to higher levels of amortisations in 2015.

The cash flow from financing activites corresponded to a cash outflow of SEK 3,242 million for the year ended 31 December 2014, compared to a cash outflow of SEK 213 million for the year ended 31 December 2013. The SEK 3,029 million difference was primarily due to amortisation of debt and dividends paid to the Company's owners in connection with the sale of property.

The cash flow from financing activites corresponded to a cash outflow of SEK 213 million for the year ended 31 December 2013, compared to a cash inflow of SEK 481 million for the year ended 31 December 2012. The SEK 694 million difference was primarily due to the net effect of new borrowings in 2012 and a SEK 435 million new issue in 2013.

Borrowing and funding sources

Financial liabilities

The Group's loan portfolio has a spread maturity structure with an average capital tie-up period of 4.6 years and an average interest period of 3.8 years as of 31 December 2014. The average interest period includes the effect of interest swaps. As of 31 December 2014, the average interest rate amounted to 3.6 per cent. Hedge accounting is not used for interest rate swaps. The Group maintains financing for its hotel properties in local currencies.

In order to gain flexibility and administrative benefits, the Company has, to the extent possible, centralised all borrowing in the Group. The objective is to have long-term framework agreements, which provide the possibility of borrowing with varying maturities. Derivative instruments such as swaps are preferably used for the extension of fixed interest rate periods.

The table below sets out the fixed rent structure of the Group as of 31 March 2015.

	Fixed interest				Derivatives		
MSEK, unless otherwise stated	Credits	Derivatives	Amount	Share	Volume	Share	Average interest rate[1]
< 1 year	12,821.9	–8,475.4	4,346.5	33.9%	1,229.5	12.7%	3.9%
1–2 year	—	844.1	844.1	6.6%	844.1	8.7%	4.1%
2–3 year	—	858.9	858.9	6.7%	858.9	8.9%	4.6%
3–4 year	—	808.6	808.6	6.3%	808.6	8.3%	3.6%
4–5 year	—	250.0	250.0	1.9%	250.0	2.6%	4.1%
> 5 year	—	5,713.8	5,713.8	44.6%	5,713.8	58.9%	2.4%
Total/net/avg	12,821.9	0.0	12,821.9	100%	9,704.9	100%	3.1%

1) Excluding bank margins in loan agreements.

The table below sets out the interest maturity structure in each currency as of 31 March 2015.

	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share	Interest[2]
Year due	(MSEK, unless otherwise indicated)[1]							(per cent)	
2015	1,128.3	557.9	1,157.5	239.5	237.2	776.2	3,920.0	32.0	2.5
2016	380.0	—	464.4	—	—	249.7	1,105.5	8.5	4.2
2017	200.0	—	250.7	—	224.2	184.0	887.9	6.7	4.4
2018	250.0	—	232.2	—	—	210.4	698.2	5.4	4.3
2019	—	—	116.0	—	—	—	368.9	0.9	2.1
2020 and later	3,600.0	631.7	1,732.0	—	—	—	5,896.1	46.5	3.6
Total	5,558.3	1,189.6	3,952.8	239.5	461.4	1,420.3	12,821.9	100.0	3.4
Share, %	43	9	31	2	4	11	100	—	—
Average interest rate, %	3.6	2.9	3.2	3.0	3.7	3.9	3.4	—	—
Average fixed rate period, years	4.6	3.7	3.4	0.1	1.2	1.1	3.6	—	—
Property market value	12,573.2	2,549.2	7,619.4	730.0	784.5	2,739.5	26,995.9	—	—

1) Converted to SEK.
2) Average interest rate including bank margin.

Credit facilities

For more information on the key terms of the Group's credit facilities, see "Legal considerations and supplementary information—Material agreements—Financing agreements".

Historical material investments

	Three months ended 31 March		Year ended 31 December		
MSEK	2015	2014	2014	2013	2012
Investments, Sweden	27.7	63.4	202.3	246.7	190.4
Investments, Denmark	18.8	8.6	33.8	15.2	54.2
Investments, Norway	1.3	7.3	22.1	50.5	29.7
Investments, Finland	12.4	30.2	127.9	144.1	45.5
Investments, International	26.0	49.6	141.4	204.2	215.2
Total investments	86.2	159.0	527.5	660.7	535.0

Following Pandox's acquisition of Norgani Hotels in 2010, Pandox entered into an agreement with its largest tenant, Scandic, to refurbish and upgrade 40 hotels for a total of SEK 1.6 billion of which Pandox's share amounted to SEK 1.0 billion. The project, called Shark, is in its final phase and is expected to be completed during 2015. The project has managed to keep the total investments within the original budget. The Shark project comprises city centre hotels as well as ring road/highway hotels. Among the city centre hotels are well-known properties such as Scandic Malmen in Stockholm, Scandic Park in Helsinki and Scandic Solli in Oslo. The ring road/highway hotels include Scandic Kungens Kurva, Scandic Backadal and Scandic Klarälven, all located in Sweden. For more information, see "Business Overview—The property portfolio—Projects—The Shark project".

Significant commitments

As of 31 March 2015, the Company's estimated remaining investment committments amounted to SEK 560 million, SEK 360 million relate to 2015 and the remaining SEK 200 million relate to investments and commitments in 2016 and 2017. Major current investment projects include the Hilton Helsinki Strand, Quality Ekoxen Linköping and Scandic Winn Karlstad. The Group primarily intends to finance these investment undertakings through cash flow from operating activities at its existing operations.

FINANCIAL RISK MANAGEMENT

The Group is subject to various types of risk related to financing. The main risks are interest-rate risk, currency risk, liquidity risk and refinancing risk. For more information regarding the Company's financial risk management, see Note 17 in section "Historical annual financial information for 2012–2014".

Interest-rate risk

Interest-rate risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market interest rates. The Group's interest-rate risk arises mainly through long-term borrowing. The aim of interest-rate risk management is to achieve the desired stability in the Company's combined cash flows. The interest-rate risk strategy comprises a balanced combination of variable interest and fixed interest – with interest-rate swaps being used to achieve the desired fixed-interest periods. When choosing an interest-rate risk strategy, consideration is given to how sensitive the Company's combined cash flows are to developments in interest rates over a time horizon of several years. At the same time, it is ensured that there is no risk that possible changes in the market value of the derivatives required to achieve the proposed strategy will have unacceptable effects on equity.

The interest-rate strategy is expressed as a standard portfolio. The standard portfolio is described as a maturity structure for the fixed interest period in the loan agreements combined with derivative instruments. The standard portfolio has risk limits that are expressed as maximum deviation from the standard portfolio. The Group seeks to maintain its portfolio with varying maturity dates and fixed interest periods. Further, the Group has developed and implemented systems and procedures designed to support continuous monitoring and reporting of interest rate exposures. The Group enters into interest-rate swaps to extend fixed interest periods. As of 31 March 2015, the fair value of these interest-rate swaps amounted to SEK -933.0 million.

Currency risk

Currency risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in foreign exchange rates. Pandox reduces currency exposure in foreign investments by taking out loans in local currency. Equity is currency-hedged ahead of acquisitions/investments and divestments in order to avoid changes in the value of equity during the period between signing of the deal and the entry or exit. The same applies in the case of foreign investments where there is a clear exit strategy. In general, the foreign operations have both income and costs in the local currency, which means that currency exposure resulting from current operations is limited to translation risk from the relevant local currency to SEK. In view of the limited risk, Pandox does not currency-hedge these flows unless there is particular reason to do so.

Liquidity risk

Liquidity risk is the risk that a company will have difficulty fulfilling its obligations relating to financial liabilities. A liquidity forecast, including all incoming and outgoing payments, is prepared on an ongoing basis. The consolidated liquidity forecast forms the basis of the Company's borrowing or investment requirements and control of the overall liquidity situation and need for liquidity reserves. A long-term aim for the level of liquidity in the form of liquidity reserves (bank balances, liquid interest-bearing investments and forecast positive cash flows over 12 months) and credit facilities is an amount corresponding to at least 12 months' known outgoing payments including interest payments and current repayments or repayments that have been decided on. As of 31 March 2015, bank balances and liquid interest-bearing investments amounted to SEK 377.6 million and unutilised credit facilities to SEK 1,578.5 million.

Refinancing risk

Financing risk is defined as the risk that at some point in time the Company will not have access to funds for refinancing, investments and other payments, or will only have access to such funds at increased cost. To limit financing risk, the following overall guidelines are to be followed:

- 3 to 4 main suppliers of financing;
- No individual lender to account long-term for more than 50 per cent of the total loan volume;
- A maximum of 40 per cent of loan portfolio agreements to be due for renegotiation within the next 12-month period;
- Pandox must always implement good forward planning for refinancing negotiations, so that the refinancing risk is reduced and liquidity problems do not arise;
- Loan agreements should always contain the possibility of early redemption using a means of calculation known in advance; and
- To simplify administration, if possible all Swedish borrowing is to take place within Pandox Aktiebolag (publ) and foreign borrowing in the respective foreign company.

Pandox currently have four main suppliers of financing, whereof no one accounts for more than 40 per cent of the volume. Renegotiations have started regarding the approximately 10 per cent of the portfolio that matures within twelve months.

Credit risk

Credit risk is the risk that Pandox's counterparty in a financial instrument is unable to fulfil an obligation, thereby causing Pandox a financial loss. In Pandox's financial activities, counterparty risk arises mainly when investing surplus liquidity, in derivative contracts and in agreements on credit facilities. The risk is to be spread by using multiple counterparties, and only approved counterparties may be used. Permitted counterparties for credit facilities, revolving facilities and derivative instruments are Nordic counterparties with a minimum rating of either A- (S&P) or A3 (Moody's), or another counterparty with a minimum rating of either A (S&P) or A2 (Moody's).

Counterparty Risk

Pandox has a well-diversified property portfolio with well-established, stable and sound tenants. Although this means there is a certain concentration of credit risk, the tenants' financial strength compensates for this.

A further factor that reduces the potential credit risk is Pandox's operational readiness, which means it is able to take over the operation of a property if necessary. Alongside the hotel contracts, income from tenants of commercial premises amounted to 4 per cent of Pandox's total rental income in 2014.

The occupancy rate of Pandox's wholly owned property portfolio was 99.8 per cent and vacant space consisted of stores and office premises. As per 31 March 2015 there were overdue rent receivables relating to three tenants, the total amount being SEK 0.7 million. It has been determined that no impairment losses will need to be recognised.

Capital Adequacy

Pandox's financial position is followed up primarily on the Company's financial target of a loan-to-value ratio of 45–60 per cent. Internal follow-up of financial position does not focus on equity. The loan-to-value ratio at the end of 2014 was 49 per cent, at the end of 2013 55 per cent and at the end of 2012 59 per cent. The decrease in 2014 is mainly due to repayments made in conjunction with divestments from the property portfolio and increased market value of the property portfolio. Pandox has not infringed upon or breached any covenants in the loan agreements, in the period from 1 January 2012 and up until the date of this Offering Circular.

CRITICAL ACCOUNTING ESTIMATES AND SUBJECTIVE JUDGMENTS

For more information regarding critical accounting estimates and judgments, see Note 23 to section "Historical annual financial information for 2012–2014". For more information regarding the effects of the transition to IFRS, see Note 24 to section "Historical annual financial information for 2012–2014".

VALUATION

Pandox performs internal valuations of all Investment Properties and recognises property holdings at fair value. In addition, all Investment Properties are valued by professional, external property appraisers who are independent of Pandox, and these assumptions and values form an important element in the assessment of the internal valuations.

The applied valuation model is a combination of the method of location and price (Sw. *ortprismetod*) and a yield-based method. The valuation model consists of an accepted and proven cash flow model where future cash flows that the hotel properties are expected to generate are discounted. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year and takes into consideration, among other things, developments in the underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and return in the long term.

External valuations of all Investment Properties are carried out annually by independent property appraisers. The external appraisers complete a more in-depth inspection at least every three years or in conjunction with major changes to the Investment property. The external valuations provide an important reference point for Pandox's internal valuations. For more information, see Note 12 to section "Historical annual financial information for 2012–2014".

Valuation reports

The Property Valuation Reports encompass the entirety of Pandox's property portfolio and assess that the aggregate value of the properties is SEK 26,645 million as of October 2014.[1] As of 31 March 2015, the aggregate market value of the Company's property portfolio was SEK 26,996 million. The difference between the values in the Property Valuation Reports and Pandox's valuation of the properties is mainly explained by changes in yield levels since October 2014, and changes in exchange rates.

For further information on the Independent Appraisers and the scope, limitations and valuation methods of the Property Valuation Reports, see the Property Valuation Reports included in section "Property valuation reports".

TRENDS

The Group's developments for the period since 31 March 2015 are described in "—Significant changes since 31 March 2015". In addition, the Group has recently experienced continued improvements in the general economic environment and a positive trend in the travel market, as further described in, e.g., "—Results of Operations" and "—Significant Factors affecting the Group's operational and financial performance".

Based on Pandox's strong market position and portfolio, which are supported by increased operating activities and interest rates that remain low, the Company expects to further increase its cash earnings in 2015. See "Interim report – Outlook".

SIGNIFICANT CHANGES SINCE 31 MARCH 2015

On 23 April 2015, the Company announced that it will take over operations at Mr. Chip in Kista, Sweden, effective 1 June 2015. The hotel property has been owned by the Group since 2001 and is currently part of the Property management segment.

On 5 May 2015, the Company announced that Pandox and Elite Hotels had agreed on new long-term lease agreements for two hotels, Elite Park Avenue Gothenburg and Elite Stora Hotellet Jönköping (both located in Sweden). Following the renegotiation of the lease agreements both hotels will undergo refurbishments, see "Business overview – The property portfolio – Projects" for more information.

On 5 May 2015, at the Annual General Meeting of Pandox Aktiebolag (publ), the shareholders approved the board of directors' proposal to distribute a dividend of SEK 150 million to SU-ES AB and resolved to create two share classes, A shares and B shares, as well as a split of shares (6:1). For more information regarding Pandox's share capital structure, see section "Share capital and ownership structure".

On 8 May 2015, the Company announced that it will take over operations at Quality Hotel & Resort Fagernes, Norway, effective 1 January 2016. The hotel property has been owned by the Group since 2010 and is currently part of Property management segment.

[1] The following exchange rates as of 31 December 2014 have been used to calculate the aggregate value of the properties: CAD: 6.7196; DKK:1.2781; EUR: 9.5155; NOK:1.0516.

Capitalisation, indebtedness and other financial information

The tables in this section describe the Company's capitalisation and indebtedness at Group level as of 31 March 2015. See section "Share capital and ownership structure" for further information about the Company's share capital and shares. The tables in this section should be read in conjunction with section "Operating and financial review", the section "Historical annual financial information for 2012–2014" and the section "Interim financial information" of this Offering Circular.

CAPITALISATION

MSEK	31 March 2015
Total current interest-bearing debt	**1,222**
Guaranteed	—
Secured[1]	1,222
Unguaranteed/unsecured	—
Total non-current interest-bearing debt	**11,600**
Guaranteed	—
Secured[1]	11,600
Unguaranteed/unsecured	—
Shareholders' equity	
Share capital	375
Other paid-in capital	404
Reserves	1,487
Retained earnings, including profit for the period	8,379
Total shareholders' equity	**10,645**

1) Security is primarily in mortages in properties and, in some cases, mortgages in properties and shares.

NET INDEBTEDNESS[2]

MSEK	31 March 2015
(A) Cash	—
(B) Cash equivalents	378
(C) Trading securities	—
(D) Liquidity (A)+(B)+(C)	**378**
(E) Current financial receivables	**—**
(F) Current bank debt	1,222
(G) Current portion of non-current debt	—
(H) Other current financial debt	—
(I) Other current financial debt (F)+(G)+(H)	**1,222**
(J) Net current financial indebtedness (I)-(E)-(D)	**844**
(K) Non-current bank loans	11,600
(L) Bonds issued	—
(M) Other non-current financial debt	—
(N) Non-current financial indebtedness (K)+(L)+(M)	**11,600**
(O) Net financial indebtedness (J)+(N)	**12,444**

2) The table indicating net indebtedness only includes interest-bearing debt. Other than the information that is presented in the table, Pandox had non interest-bearing debt to SU-ES regarding a group contribution of 158.5 million as of 31 March 2015. The debt was repaid in its entirety in May 2015.

Board of directors, executive management and auditor

BOARD OF DIRECTORS

Pandox's board of directors consists of seven ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual shareholders' meeting 2016. The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and/or the Ultimate Owners.

			Independent of	
Name	Position	Member since	The Company and executive management	The Ultimate Owners
Christian Ringnes	Chairman	2004	Yes	No
Leiv Askvig	Board member	2004	Yes	No
Olaf Gauslå	Board member	2004	Yes	No
Bengt Kjell	Board member	1996	Yes	Yes
Christian Sundt	Board member	2008	Yes	No
Helene Sundt	Board member	2008	Yes	No
Mats Wäppling	Board member	2003	Yes	Yes

CHRISTIAN RINGNES

Born 1954. Chairman of the board since 2004.

Education: Master of Business Administration from Harvard Business School. Bachelor of Business from École des Hautes Études Commerciales. Examen Philosophicum from University of Oslo.

Other current assignments: CEO of Eiendomsspar AS and Victoria Eiendom AS (as well as board assignments in subsidiaries and affiliated companies of the group). Chairman of the board of directors of SU-ES AB, NSV-Invest AS (as well as board assignments in a number of the group's affiliated companies), Sundt AS (as well as board assignments in several of the group's affiliated companies), Oslo Flaggfabrikk AS, Flagg Eiendom AS, Eco Adventure AS, Ringnes Holding AS (as well as board assignments in several of the group's affiliated companies), C. Ludens Ringnes Foundation and Fam. Christian Ringnes Foundation. Board member of Schibsted ASA and Thor Corporation AS (as well as board assignments in several of its subsidiaries).

Previous assignments (last five years): Deputy Chairman of the board of directors of Nathionaltheateret AS. Member of the Supervisory board of Herkules Private Equity 1 AS. Chairman of the board of directors of Norgani Hotels AS and several of its subsidiaries.

Shareholding in the Company: Christian Ringnes owns 39.6 per cent of the shares in Victoria Eiendom AS, which owns 46.7 per cent of the shares in Eiendomsspar AS, which indirectly, through SU-ES, owns 49.753 per cent of the shares in the Company.

LEIV ASKVIG

Born 1957. Board member since 2004.

Education: Advanced Management Program from Harvard Business School. Bachelor of Business Administration from the Norwegian School of Management in Oslo.

Other current assignments: CEO of Sundt AS (as well as board assignments in several of its subsidiaries). Chairman of the board of directors of Aurora LPG Holding ASA (as well as board assignments in several of its subsidiaries). Chairman of the board of directors of Basen Kapital AS and Basen Gimle AS. Board member of Verdane Capital IV AS, Alfarveg AS, Skips AS Tudor and Civita AS. Board member of Eiendomsspar AS and Victoria Eiendom AS.

Previous assignments (last five years): Chairman of the board of directors of Oslo Børs VPS Holding ASA. Board member of Agder OPS Vegselskap AS, Astrup Fearnley AS and Verdipapirsentralen – VPS ASA.

Shareholding in the Company: Leiv Askvig does not own any shares in the Company.

OLAF GAUSLÅ

Born 1961. Board member since 2004.

Education: State Authorised Public Accountant from the Norwegian School of Economics. Master of Business Administration from the Norwegian School of Economics.

Other current assignments: Chairman of the board of directors of OG Invest AS. CFO of Eiendomsspar AS and Victoria Eiendom AS (as well as board and management assignments in several subsidiaries of Eiendomsspar AS and Victoria Eiendom AS). Board member of SU-ES AB.

Previous assignments (last five years): Board member of Norgani Hotels AS and several of its subsidiaries.

Shareholding in the Company: Olaf Gauslå does not own any shares in the Company.

BENGT KJELL

Born 1954. Board member since 1996.

Education: Master of Business Administration from Stockholm School of Economics.

Other current assignments: Acting CEO and board member of AB Industrivärden. Chairman of the board of directors of SSAB, Hemfosa Fastigheter AB, Skånska Byggvaror Holding AB and Expandum Invest AB. Board member of Indutrade AB, ICA Gruppen AB and Långebro Förvaltning AB.

Previous assignments (last five years): Chairman of the board of directors of Indutrade AB. Board member of Skanska AB, Höganäs AB, Munters AB, Helsingborgs Dagblad, Plastal Industri AB and Nordic Tankers Holding AB.

Shareholding in the Company: Bengt Kjell does not own any shares in the Company.

CHRISTIAN SUNDT

Born 1977. Board member since 2008.

Education: Bachelor in Business Administration (No. Bedriftsøkonom) from the Norwegian Business School in Oslo.

Other current assignments: Chairman of the board of directors and owner of CGS Holding AS and chairman of the board of directors of Jacob Aalls Gate 2 AS. Board member of Sundt Barn AS, Sundt Air Holding AS, Katta Barnehage AS, Hakkespetten Barnehage AS, Helene Sundt AS, Sundt Air AS, Sundt Eiendom II AS, Sundt Eiendom I AS, Sundt AS, Sigval bergesen D Y og Hustru and Sundtwang AS.

Previous assignments (last five years): –

Shareholding in the Company: Christian Sundt owns 100 per cent of the shares in CGS Holding AS, which indirectly, through SU-ES, owns 24.876 per cent of the shares in the Company. He also owns 4.2 per cent of the shares in Eiendomsspar AS, which indirectly, through SU-ES, owns 49.753 per cent of the shares in the Company.

HELENE SUNDT

Born 1979. Board member since 2008.

Education: Legal studies.

Other current assignments: Chairman of the board of directors and owner of Helene Sundt AS. Board member of Sundt AS, CGS Holding AS, Sundt Air Holding AS and Heches Holding AB.

Previous assignments (last five years): –

Shareholding in the Company: Helene Sundt owns 100 per cent of the shares in Helene Sundt AS, which indirectly, through SU-ES, owns 24.876 per cent of the shares in the Company. She also owns 4.2 per cent of the shares in Eiendomsspar AS, which indirectly, through SU-ES, owns 49.753 per cent of the shares in the Company.

MATS WÄPPLING

Born 1956. Board member since 2003.

Education: Master of science in engineering from KTH Royal Institute of Technology in Stockholm.

Other current assignments: Chairman of the board of directors of Vasakronan AB (publ), Nordic Modular Group, PKM Invest AB, Instalco Holding AB and Nordic Modular Group Holding AB. Board member of Mats Wäppling AB, Besqab AB (publ), Tottentolvan AB and Vesper Holding AB. Deputy board member of stina wappling music AB.

Previous assignments (last five years): Board member and CEO of SWECO AB (publ) (as well as board and management assignments in several companies of the SWECO group). Chairman of the board of VAI VA-Projekt AB. Board member of Vasakronan AB (publ).

Shareholding in the Company: Mats Wäppling does not own any shares in the Company.

EXECUTIVE MANAGEMENT

ANDERS NISSEN

Born 1957. CEO since 1995.

Education: Program in public administration from Lund University.

Other current assignments: Board member of Björnberg Fastighetsförvaltning AB and Svenska Handbollslandslaget AB. Deputy board member of Mr H Nissen AB.

Previous assignments (last five years): Member of the organisational board of the Swedish participation in the 2011 world cup in handball.

Shareholding in the Company: Anders Nissen owns 100 per cent of the shares in Blåklockevägen AS, which indirectly, through SU-ES, owns 0.495 per cent of the shares in the Company.

LIIA NÕU

Born 1965. CFO since 2007.

Education: Master of Business Administration from Stockholm School of Economics.

Other current assignments: –

Previous assignments (last five years): Board member of Vasallen AB, Projectplace Holding AB and Projectplace International AB.

Shareholding in the Company: Liia Nõu does not own any shares in the Company.

THOMAS BACKTEMAN

Born 1965. IR Manager since 2015.

Education: Master of Business Administration from Stockholm University.

Other current assignments: IR-manager for Coor Service Management Holding AB. Board member of Scalatore AB. Chairman of the board of directors of the Teach for Sweden Foundation.

Previous assignments (last five years): Chairman of the board of directors and deputy board member of The Swedish Mountain Company AB. Board member of FR & R Invest AB and the Swedish Advertising Ombudsman Foundation (Sw. Reklamombudsmannen).

Shareholding in the Company: Thomas Backteman does not own any shares in the Company.

LARS HÄGGSTRÖM

Born 1954. Senior Vice President, Asset and Technical Development since 2000.

Education: Marine Engineer, School of Nautical Studies in Stockholm. Studies in energy and refrigeration at KTH Royal Institute of Technology.

Other current assignments: Board member of Häggström & Co Aktiebolag. Deputy board member of Häggbranten AB.

Previous assignments (last five years): –

Shareholding in the Company: Lars Häggström does not own any shares in the Company.

ALDERT SCHAAPHOK

Born 1959. Senior Vice President, Director International Operations since 2004.

Education: Bachelor in Business Administration in Hotel Management from Hotelschool the Hague.

Other current assignments: Board and management assignments in several subsidiaries of the Pandox group.

Previous assignments (last five years): –

Shareholding in the Company: Aldert Schaaphok does not own any shares in the Company.

JONAS TÖRNER

Born 1971. Vice President, Business Intelligence since 2005.

Education: Studies to obtain a Master of Science in Business Administration and Economics (finance & accounting), University of Stockholm Studies to obtain a Bachelor of Science in Engineering (electronics), KTH Royal Institute of Technology, Stockholm.

Other current assignments: –

Previous assignments (last five years): Deputy board member of Vägume utbildnings- och konsult Aktiebolag. Partner in Pearch and Pike Handelsbolag.

Shareholding in the Company: Jonas Törner does not own any shares in the Company.

OTHER INFORMATION ABOUT THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

There are no family ties between any of the members of the board of directors or executive management.[1)] However, Christian Sundt and Helene Sundt are siblings.

Several members of the board of directors own shares in the Ultimate Owners and/or hold board or management positions in companies that are affiliated with the Ultimate Owners. Aldert Schaaphok is the CEO and majority shareholder of ALMAS Int. Hotel Concepts BvbA, a company that manages hotels, exclusively, for Pandox. In addition to the aforesaid, there are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and executive management of the Company and their private interests and/or other undertakings. However, several members of the board of directors and executive management have financial interests in Pandox due to their holding, either direct or indirect, of shares in the Company and/or their participation in the share-price based incentive programme for executive management.

Leiv Askvig was a member of the board of directors of World Waterways AS when the company filed for bankruptcy. None of the members of the board of directors or the members of the executive management have, during the last five years, (i) been sentenced for fraud-related offences, (ii) except as set out above, represented a company which has been declared bankrupt or filed for liquidation, (iii) been the subject of sanctions or accused by authorities or bodies acting for particular professional groups under public law or (iv) been subject to injunctions against carrying on business.

All members of the board of directors and the members of the executive management are available at the Company's main office at Vasagatan 11, SE-111 20 Stockholm, Sweden.

AUDITOR

Per Gustafsson (born 1959) and Willard Möller (born 1943) have been the Company's auditors since 2003 and were, at the annual shareholders' meeting 2015, re-elected until the end of the annual shareholders' meeting 2016. Per Gustafsson and Willard Möller are authorised public accountants and members of FAR (professional institute for authorised public accountants). Per Gustafsson's office address is c/o KPMG, Box 16106, SE-103 23 Stockholm, Sweden and Willard Möller's office address is Drottninggatan 35, SE-252 21 Helsingborg, Sweden. Per Gustafsson and Willard Möller have been auditors throughout the entire period covered by the historic financial information presented in this Offering Circular. The Company's deputy auditors are Pär Olle Lövgren and Ulf Christer Sundborg. Pär Olle Lövgren's office address is SET Revision AB, Paddockvägen 20, SE-252 86 Helsingborg, Sweden and Ulf Christer Sandborg's office address is KPMG Bohlins AB, Enhagsslingan 2, SE-187 40 Täby, Sweden.

1) Family ties include spouses or cohabitants, underage children, or other related parties with whom the member of the board of directors or executive management shares a household.

Corporate governance

CORPORATE GOVERNANCE

Pandox is a Swedish public limited liability company. Prior to the listing of Pandox's B shares on Nasdaq Stockholm, corporate governance in the Company was based on Swedish law and internal rules and instructions. Once the Company's B shares have been listed on Nasdaq Stockholm, the Company will comply with Nasdaq Stockholm's Rule Book for Issuers and apply the Swedish Corporate Governance Code (the "Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied from the first annual shareholders' meeting held the year following the listing. The Company is not obliged to comply with every rule in the Code, since the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and the chosen alternative solutions are described and the reasons are explained in the corporate governance report (according to the so-called "comply or explain principle").

The Company will apply the Code from the time of the listing of the B shares on Nasdaq Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the 2015 financial year. However, in the first corporate governance report, the Company is not required to explain non-compliance with such rules that have not been relevant during the period covered by the corporate governance report. Currently, the Company does not expect to report any deviations from the Code in the corporate governance report.

SHAREHOLDERS' MEETING

According to the Swedish Companies Act (2005:551) (Sw. aktiebolagslagen), the shareholders' meeting is the Company's ultimate decision-making body. At the shareholders' meeting, the shareholders exercise their voting rights in a number of issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual shareholders' meeting must be held within six months from the end of the financial year. In addition to the annual shareholders' meeting, extraordinary shareholders' meetings may be convened. According to the articles of association, shareholders' meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. Post- och Inrikes Tidningar) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Svenska Dagbladet.

Right to participate in shareholders' meetings

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling five workdays prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend the shareholders' meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the shareholders' meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares owned or represented by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven weeks prior to the shareholders' meeting.

BOARD OF DIRECTORS

The board of directors is the second-highest decision-making body of the Company after the shareholders' meeting. According to the Swedish Companies Act, the board of directors is responsible for the organisation of the company and the management of the company's affairs, which includes, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits and evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board of directors appoints the CEO.

Members of the board of directors are normally appointed by the annual shareholders' meeting for the period until the end of the next annual shareholders' meeting. According to the Company's articles of association, the members of the board of directors elected by the shareholders' meeting shall be not less than four and not more than seven.

According to the Code, the chairman of the board of directors is to be elected by the shareholders' meeting and has special responsibility for leading the work of the board of directors and ensuring that the work of the board of directors is organised efficiently.

The board of directors applies the written rules of procedure, which are revised annually and adopted by the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO. At the inaugural board meeting, the board of directors also adopts instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual predetermined schedule. In addition to these meetings, board meetings can be convened to handle issues which cannot be postponed until the next ordinary board meeting. In addition to the board meetings, the chairman of the board of directors and the CEO meet continuously to discuss the management of the Company.

Currently, the Company's board of directors consists of seven ordinary members elected by the shareholders' meeting, who are presented in section "Board of directors, executive management and auditor".

Audit committee

The board of directors has resolved that the board of directors in its entirety shall perform the tasks of the audit committee. The audit committee shall, without it affecting the responsibilities and tasks of the board of directors, monitor the Company's financial reporting, monitor the efficiency of the Company's internal controls, internal auditing and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors, pay close attention as to whether the auditors are providing other services besides audit services for the Company, and assist in the preparation of proposals for the shareholders' meeting's decision on election of auditors.

Remuneration committee

Pandox has a remuneration committee consisting of two members: Christian Ringnes and Mats Wäppling. The remuneration committee shall prepare matters concerning remuneration principles, remuneration and other employment terms for the CEO and the executive management.

THE CEO AND OTHER EXECUTIVE MANAGEMENT

The CEO is subordinate to the board of directors and is responsible for the everyday management and operations of the Company. The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling of information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for financial reporting, the CEO is responsible for the financial reporting in the Company and must therefore ensure that the board of directors receives adequate information for the board of directors to be able to continuosly evaluate the Company's financial condition.

The CEO must continuously keep the board of directors informed of developments in the Company's operations, the development of rental revenue, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and other executive management are presented in section "Board of directors, executive management and auditor".

REMUNERATION TO THE MEMBERS OF THE BOARD OF DIRECTORS, CEO AND EXECUTIVE MANAGEMENT

Remuneration to the members of the board of directors

Fees and other remuneration to the members of the board of directors, including the chairman, are resolved on by the shareholders' meeting. At the annual shareholders' meeting held on 5 May 2015, it was resolved that the fee to the chairman of the board of directors should be SEK 600,000 and that the fee to the other members should be SEK 400,000. In addition, SEK 50,000 shall be paid to each member of the board for the board of directors' performance of the tasks of the audit committee and compensation for the members of the remuneration committee shall be an additional SEK 50,000 each. The members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board.

Remuneration to the board of directors during the 2014 financial year

The table below presents an overview of remuneration to the board of directors elected by the shareholders for the 2014 financial year.

Name	Function	Board fee (SEK)
Christian Ringnes	Chairman	—
Leiv Askvig	Board member	—
Olaf Gauslå	Board member	—
Bengt Kjell	Board member	400,000
Christian Sundt	Board member	—
Helene Sundt	Board member	—
Mats Wäppling	Board member	400,000
Total		800,000

Guidelines for remuneration to the CEO and other executive management

The first annual shareholders' meeting to be held following the listing on Nasdaq Stockholm will resolve on guidelines for the remuneration of the CEO and the other members of executive management.

Current employment agreements for the CEO and other executive management

Decisions as to the current remuneration levels and other conditions for employment for the CEO and the other members of the executive management have been resolved on by the board of directors.

Currently, the CEO and three other members of the executive management are employed by the Company and two members of the executive management are engaged by the Company on consultancy agreements. The table below presents an overview of remuneration to the CEO and other members of executive management for the 2014 financial year.

(SEK thousand) Name	Basic salary	Variable remuneration	Other benefits	Pension costs	Total
Anders Nissen, CEO	4,500	1,500	100	1,575	7,675
Other members of executive management[1)]	10,698[2)]	2,100	300	1,700	14,798
Total	15,198	3,600	400	3,275	22,473

1) Four individuals in 2014.
2) Includes remuneration paid under consultancy agreements. Based on an average exchange rate of 9.0968 for EUR during 2014.

Agreements concerning pensions shall, wherever possible, be based on fixed premiums and must be in accordance with the levels, practice and collective bargaining agreements applicable in the country where the relevant member of the executive management is employed.

The CEO, other members of executive management and certain other employees participate in a long-term, share-price based incentive programme. The maximum amount payable for each participant is capped at a certain level, which varies between SEK 5 million and SEK 30 million. See "– Incentive programme" below for more information.

Members of executive management employed by the Company are entitled to a notice period of either six or twelve months in the event that notice is given by the Company. If notice is given by the member of executive management, the notice period is six months. The CEO and the Company are entitled to a mutual notice period of six months. In the event that notice is given by the Company, the CEO is also entitled to severance pay amounting to 18 monthly base salaries.

Incentive programme

On 5 May 2015, the board of directors resolved on a long-term share price-based incentive programme for the members of the executive management (the "Incentive Programme") and other key personnel. Under the Incentive Programme the participants have been allocated a number of synthetic warrants for B shares in the Company. The number of allocated synthetic warrants is based on the participant's position in Pandox. The Incentive Programme matures on 31 December 2020. When the Incentive Programme matures, the share price of Pandox's B shares (the "Maturity Share Price") is compared to an adjusted assumed initial share price of the Pandox's B shares (the "Initial Share Price"). The difference between the Maturity Share Price and the Initial Share Price, multiplied with the number of synthetic warrants allocated, will be paid in cash to the participants. The maximum amount payable for each participant is capped at a certain level, which varies between SEK 5 million and SEK 30 million. The maximum amount payable for all participants is SEK 97 million. The Company has not hedged the Incentive Programme.

Payment of the amounts attributable to the Incentive Programme is conditional on the participant still being employed by the Company on the maturity date and that neither the participant nor the Company has given notice of termination.

AUDITING

The auditor shall review the Company's annual reports and accounting, as well as the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual shareholders' meeting.

Pursuant to the Company's articles of association, the Company shall have two auditors and two deputy auditors. The Company's auditors are Per Gustafsson and Willard Möller and deputy auditors are Pär Olle Lövgren and Ulf Christer Sundborg. The Company's auditors and deputy auditors are presented in more detail in section "Board of directors, executive management and auditor".

In 2014, the total remuneration for the Company's auditors was SEK 9.8 million.

Share capital and ownership structure

GENERAL INFORMATION

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 150,000,000 and not more than SEK 600,000,000, and the number of shares may not be less than 60,000,000 and not more than 240,000,000. The Company may issue shares of two classes, A shares and B shares, and shares of either class may be issued in an amount corresponding to the entire share capital. As at the date of this Offering Circular, the Company has issued a total of 150,000,000 shares, comprised of 75,000,000 A shares and 75,000,000 B shares. The shares are denominated in SEK and the quota value of each share is SEK 2.5.

All shares in the Company have been issued pursuant to Swedish law and have been fully paid. The Company's articles of association contain a conversion clause and a post-transfer purchase clause for the Company's A shares. All B shares are freely transferrable.

The offered B shares are not subject to a mandatory offering, redemption rights or sell-out obligation. No public takeover offer has been made for the offered B shares during the current or preceding financial year.

CERTAIN RIGHTS ASSOCIATED WITH THE SHARES

The offered shares are all of the same class, class B. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551).

Voting rights

Each A share entitles the holder to three votes at shareholders' meetings, whereas each B share entitles the holder to one vote at shareholders' meetings. The Offering only includes the Company's B shares.

Preferential rights to new shares etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportional to the class of shares (A shares or B shares) and the number of such shares held prior to the issue.

If the Company issues only A shares or B shares in a cash issue or a set-off issue, all shareholders shall, as a general rule, have pre-emption rights to subscribe for new shares pro rata to the number of shares previously held by them, irrespective of whether their previously-held shares were A shares or B shares.

Rights to dividends and balances in case of liquidation

All shares grant equal rights to dividends and the Company's assets and any surpluses in the event of liquidation.

Resolutions regarding dividends are passed at shareholders' meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the shareholders' meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If a shareholder cannot be reached through Euroclear Sweden, such shareholder still retains its claim on the Company to the dividend amount, subject to a statutory limitation of ten years. Upon the expiry of the period of limitations, the dividend amount shall pass to the Company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also section "Tax considerations in Sweden".

Transfer restrictions and conversion rights of A shares

The A shares are subject to transfer restrictions in order to ensure that the A shares are kept within the current group of shareholders holding A shares. The shareholders holding A shares may, however, convert their A shares to B shares, which thereafter can be freely transferred like other B shares. For further detailed description of these conversion rights and transfer restrictions, please refer to section 7 (conversion clause) and section 15 (post-transfer purchase) of the articles of association in section "Articles of association" of this Offering Circular.

CENTRAL SECURITIES REGISTER

The Company's shares are registered in a CSD register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. No share certificates have been issued for the Company's shares. Svenska Handelsbanken AB (publ) will act as account operator. The ISIN code for the Company's B share is SE0007100359.

SHARE CAPITAL DEVELOPMENT

At the date of this Offering Circular, there are 75,000,000 A shares and 75,000,000 B shares in the Company. The below table shows historic changes in the Company's share capital since 1995.

		Change in number of shares		Number of shares after the transaction		Share capital	
Time	Event	A	B	A	B	Change	Total
18 May 2015	New share class and share split 6:1	75,000,000	50,000,000	75,000,000	75,000,000	—	375,000,000
19 December 2013	New share issue	—	100,000	—	25,000,000	1,500,000	375,000,000
6 April 2000	New share issue	—	9,900,000	—	24,900,000	148,500,000	373,500,000
5 February 1998	New share issue	—	5,000,000	—	15,000,000	75,000,000	225,000,000
23 August 1995	Bonus issue	—	1,247,500	—	2,500,000	74,850,000	150,000,000
23 August 1995	New share issue	—	1,250,000	—	1,252,500	75,000,000	75,150,000

CONVERTIBLES, WARRANTS, ETC.

At the listing of the Company's B shares on Nasdaq Stockholm, there will be no outstanding warrants, convertibles or other share-related instruments in the Company.

OWNERSHIP STRUCTURE

The table below sets forth Pandox's ownership structure immediately before the Offering and directly after completion of the Offering.

	Shareholding before the Offering			After the Offering (if the Over-allotment option is not exercised)				After the Offering (if the Over-allotment option is exercised in full)			
	Number		Per cent	Number		Per cent		Number		Per cent	
Shareholder	A	B		A	B	Shares	Votes	A	B	Shares	Votes
Shareholders with holdings exceeding 5 per cent of the shares											
SU-ES AB[1]	75,000,000[2]	75,000,000	100%	75,000,000[2]	22,826,086	65.22%	82.61%	75,000,000[2]	15,000,000	60%	80%
Shareholding members of the board of directors and executive management, and other shareholders											
Christian Ringnes[3]	—	—	—	—	—	—	—	—	—	—	—
Helene Sundt[4]	—	—	—	—	—	—	—	—	—	—	—
Christian Sundt[5]	—	—	—	—	—	—	—	—	—	—	—
Anders Nissen[6]	—	—	—	—	—	—	—	—	—	—	—
Total	75,000,000	75,000,000	100%	75,00,000	22,826,086	65.22%	82.61%	75,000,000	15,000,000	60%	80%
New shareholders[7]	—	—	—	—	52,173,914	34.78%	17.39%	—	60,000,000	40%	20%
Total	75,000,000	75,000,000	100%	75,00,000	75,000,000	100%	100%	75,000,000	75,000,000	100%	100%

1) SU-ES owns all A and B shares in the Company. All shares in SU-ES are indirectly owned by the Ultimate Owners and Anders Nissen. Eiendomsspar AS indirectly holds 49.753 per cent of the shares in SU-ES, Helene Sundt AS indirectly holds 24.876 per cent of the shares in SU-ES, CGS Holding AS indirectly holds 24.876 per cent of the shares in SU-ES and Anders Nissen indirectly holds 0.495 per cent of the shares in SU-ES.

2) All A shares have been pledged in favour of DNB Bank ASA as security for a SEK 1,465 million loan to SU-ES. The intention of the Ultimate Owners is to repay the loan with part of the proceeds that are received through the Offering, thereby releasing the security.

3) Christian Ringnes owns 39.6 per cent of the shares in Victoria Eiendom AS, which owns 46.7 per cent of the shares in Eiendomsspar AS, which indirectly, through SU-ES, holds 49.753 per cent of the shares in the Company.

4) Helene Sundt owns 100 per cent of the shares in Helene Sundt AS, which indirectly, through SU-ES, owns 24.876 per cent of Pandox. She also owns 4.2 per cent of the shares in Eiendomsspar AS which indirectly, through SU-ES, holds 49.753 per cent of the shares in the Company.

5) Christian Sundt owns 100 per cent of the shares in CGS Holding AS, which indirectly, through SU-ES, owns 24.876 per cent of Pandox. He also owns 4.2 per cent of the shares in Eiendomsspar AS which indirectly, through SU-ES, holds 49.753 per cent of the shares in the Company.

6) Anders Nissen owns 100 per cent of Blåklockevägen AS, which indirectly, through SU-ES, owns 0.495 per cent of the shares in Pandox.

7) New shareholders includes Cornerstone Investors.

LOCK UP-ARRANGEMENTS, ETC.

Under the placing agreement which is expected to be entered into on or around 17 June 2015, SU-ES and Anders Nissen will undertake, with certain exceptions, not to sell shares in the Company for a certain period after trading on Nasdaq Stockholm has commenced (the "Lock-up period") without prior written consent from the Joint Bookrunners. The Lock-up period for SU-ES will be 180 days. The Lock-up period for Anders Nissen will be 360 days. At the end of the respective Lock-up periods, the B shares may be offered for sale, which may affect the market price of the B shares. Joint Bookrunners may make exceptions from the undertaking. Pursuant to the agreement, the Company will undertake, with certain exceptions, certain obligations such as not to resolve upon or propose to the shareholders' meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 180 days from the first day of trading of the Company's B shares on Nasdaq Stockholm without prior written consent from the Joint Bookrunners. See section "Legal considerations and supplementary information – Placing agreement".

Articles of association

Articles of association for Pandox Aktiebolag (publ), registration number 556030-7885. Adopted at the annual shareholders' meeting on 5 May 2015.

§ 1 NAME
The company's name is Pandox Aktiebolag. The company is a public limited liability company (publ).

§ 2 REGISTERED OFFICE
The board of directors' registered office shall be situated in Stockholm, Sweden.

§ 3 OBJECT OF THE COMPANY'S BUSINESS
The object of the company's business is to, directly or indirectly, through fully or partly owned companies, operate hotels, own and manage real property, and any other activities compatible therewith. The company shall also have the right to raise loans and other forms of debt liabilities, give guarantees and provide security (including for the obligations of third parties).

§ 4 SHARE CAPITAL AND SHARES
The share capital shall be not less than SEK 150,000,000 and not more than SEK 600,000,000. The number of shares shall be not less than 60,000,000 and not more than 240,000,000.

§ 5 CSD COMPANY
The company's shares shall be registered in a securities register in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

§ 6 CLASSES OF SHARES
The company's shares may be issued in two classes: class A shares carrying three (3) votes per share and class B shares carrying one vote per share.

Class A shares may be issued up to a maximum number of shares that represents the full share capital of the company. Class B shares may be issued up to a maximum number of shares that represents the full share capital of the company.

If the company resolves to issue new class A and class B shares, where payment is not to be made in kind, owners of class A and class B shares shall enjoy pre-emption rights to subscribe for new shares of the same class pro rata to the number of shares previously held by them (primary pre-emption right). Shares which are not subscribed for pursuant to the primary pre-emption rights shall be offered to all shareholders (secondary pre-emption right). If the shares thus offered are not sufficient for the subscription pursuant to the secondary pre-emption rights, the shares shall be allocated between the subscribers pro rata to the number of shares previously held and, to the extent such allocation cannot be effected, by the drawing of lots.

If the company resolves to issue only class A or class B shares, where payment is not to be made in kind, all shareholders shall, irrespective of whether their shares are class A or class B shares, have pre-emption rights to subscribe for new shares pro rata to the number of shares previously held by them.

If the share capital is increased by a bonus issue, new shares shall be issued in relation to the number of shares of the same classes already held. In such cases, old shares of a specific class shall entitle to new shares of the same class. Following a requisite amendment in the Articles of Association, the aforementioned stipulation shall not infringe on the possibility to issue shares of a new class by a bonus issue.

§ 7 CONVERSION CLAUSE
Holders of class A shares shall be entitled to convert all or part of the shareholder's class A shares to class B shares. The request for conversion shall be made in writing to the board of directors. The request shall state the number of class A shares that the shareholder wants to convert and the total number of class A shares and class B shares that the shareholder holds at the time of the request.

The board of directors shall consider the request and take the necessary actions that such conversion requires. The conversion shall immediately thereafter be reported to the Swedish Companies Registration Office for registration and is effected when it has been registered and the conversion been noted in the CSD register.

§ 8 BOARD OF DIRECTORS
The board of directors elected by the shareholders' meeting shall consist of not less than four (4) and not more than seven (7) members with no deputy board members.

§ 9 AUDITOR
The company shall have two (2) auditors and two (2) deputy auditors or a registered public accounting firm.

§ 10 NOTICE OF SHAREHOLDERS' MEETING
Notice of shareholders' meetings shall be published in the Swedish Official Gazette and be kept available on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

§ 11 PARTICIPATION IN SHAREHOLDERS' MEETINGS
A shareholder, who wants to participate in a shareholders' meeting must be registered as shareholder in such a transcription or report of the entire share register as referred to in Chapter 7 Section 28 third paragraph of the Swedish Companies Act (2005:551), as regards the fact five weekdays prior to the meeting, and notify

the company not later than on the day specified in the notice of the meeting. The aforementioned day must not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth weekday prior to the meeting. If a shareholder wishes to be joined by counsel (not more than two counsels) at the shareholders' meeting, the number of counsels must be stated in the notice of participation.

§ 12 PLACE FOR SHAREHOLDERS' MEETINGS
Shareholders' meetings shall be held in Stockholm.

§ 13 BUSINESS AT SHAREHOLDERS' MEETINGS
The following business shall be addressed at annual shareholders' meetings:

1) election of a chairman of the meeting;
2) preparation and approval of the voting list;
3) approval of the agenda;
4) election of two persons who shall approve the minutes of the meeting;
5) determination of whether the meeting was duly convened;
6) submission of the annual report and the auditors' report and, where applicable, the consolidated financial statements and the auditors' report for the group;
7) resolutions regarding:
   a. adoption of the income statement and the balance sheet and, when applicable, the consolidated income statement and the consolidated balance sheet;
   b. allocation of the company's profits or losses in accordance with the adopted balance sheet;
   c. discharge of the members of the board of directors and the managing director from liability;
8) determination of the number of members of the board of directors to be elected by the shareholders' meeting and the number of auditors and, where applicable, deputy auditors;
9) determination of fees for members of the board of directors and auditors;
10) election of the members of the board of directors;
11) election of auditors and, where applicable, deputy auditors;
12) other matters, which should be resolved by the shareholders' meeting according to the Swedish Companies Act or the company's articles of association.

The general meeting is opened by the chairman of the board of directors or by such person as appointed by the board of directors.

§ 14 FISCAL YEAR
The company's financial year shall be the calendar year.

§ 15 POST-TRANSFER PURCHASE
If a class A share has been transferred to someone else than (i) Eiendomsspar AS, CGS Holding AS, Helene Sundt AS or Blåklockevägen 4 AS, or (ii) a legal entity in which the legal entities set out in (i) severally or jointly controls, directly or indirectly, 100 per cent of the votes, the existing holders of shares in the company shall be entitled to purchase the share.

The new owner of the class A share shall, as soon as possible, and in the manner set out in the Companies Act, notify the board of directors of the share transfer ("Post-transfer Purchase Offer"). A Post-transfer Purchase Offer may not be exercised in respect of a smaller number of shares than the shares covered by the offer.

The board of directors shall immediately give notice of the Post-transfer Purchase Offer to every post-transfer purchase rights holder with a known postal address. The notice shall indicate the period within which requests to exercise post-transfer purchase rights are to be made.

Requests to exercise post-transfer purchase rights must be made within two (2) months of a proper Post-transfer Purchase Offer in accordance with the above. If requests to exercise post-transfer purchase rights are made by more than one post-transfer purchase rights holder, the shares covered by the offer shall, to the greatest extent possible, be distributed amongst holders of class A shares in relation to their previous holding of class A shares. In the event that there are any remaining shares covered by the offer after holders of class A shares have exercised their right to purchase shares, such remaining shares shall be distributed amongst holders of class B shares in relation to their previous holding of class B shares.

The purchase sum per class A share shall amount to the share's quota value. No other conditions shall apply.

Where the transferee and the person requesting a purchase pursuant to a post-transfer purchase rights fail to agree upon the purchase, the person requesting the purchase may initiate proceedings within two (2) months of the date on which the request was made to the board of directors. Such dispute shall be settled by arbitration.

The price to be paid upon the exercise of post-transfer purchase rights shall be paid within one (1) month of the date on which the price was determined.

The post-transfer purchase clause does not apply to class B shares.

Legal considerations and supplementary information

LEGAL STRUCTURE

Pandox's business is conducted in accordance with the Swedish Companies Act (2005:551). The parent company Pandox Aktiebolag (publ), registration number 556030-7885, is a Swedish public limited liability company which was founded on 28 January 1932 and registered with the Swedish Companies Registration Office on 5 February 1932. The Company's registered office is situated in Stockholm, Sweden.

See section "–Group structure" below for a brief description of the Group and Pandox's position within the Group, as well as details on domestic and foreign subsidiaries.

MATERIAL AGREEMENTS

Financing agreements

General information

Pandox Aktiebolag (publ) has entered into 20 credit agreements, eight of which the Company has entered into as borrower (or joint borrower with a subsidiary). The other 12 credit agreements have been entered into by subsidiaries of Pandox Aktiebolag (publ) and Pandox Aktiebolag (publ) has entered into them as guarantor. The credit facilities under the credit agreements are provided by Nordea Bank AB (publ), Skandinaviska Enskilda Banken AB (publ) ("SEB"), Svenska Handelsbanken AB (publ) ("Handelsbanken") and DNB Bank ASA ("DNB") and a number of their respective subsidiaries or affiliates. The security arrangements entered into in relation to the credit arrangements comprise mainly mortgages on real properties and pledges on Pandox Aktiebolag (publ)'s subsidiaries in the form of share and partnership pledges and in relation to the credit agreements where a subsidiary acts as borrower, guarantees from Pandox Aktiebolag (publ).

The Group's interest bearing debt to credit institutions as of 31 March 2015 amounted to SEK 12,821.9 million, of which SEK 4,592.0 million related to debts under credit agreements entered into by Pandox Aktiebolag (publ) as borrower and SEK 8,229.9 million related to debts under credit agreements entered into by Pandox's subsidiaries as borrowers with Pandox Aktiebolag (publ) as guarantor.

A majority of the Group's credit facilities have floating interest rates. Pandox has entered into interest swaps with DNB, Nordea Bank Finland plc, Handelsbanken and SEB pursuant to which Pandox Aktiebolag (publ) has replaced a portion of the floating interest rates charged under the credit agreements against fixed interest rates.

For a breakdown of maturity dates, average interest rates and denomination of Pandox's financing, see "Operating and financial review – Liquidity and capital resources".

Covenants and other provisions of the financing agreements

The credit agreements contain customary covenants (including financial reporting) and, in relation to Pandox's subsidiaries, customary restrictions on obtaining additional financing and other indebtedness and granting security, customary restrictions regarding acquisition and sale of assets, restrictions regarding repayment of intra-group loans and restrictions regarding change of business, etc.

Each of Grand Hotel of Brussels NV, Hotellus Belgium NV, Holcro NV, Hotel Bloom! SA, Le Noveau Palace SA and Town Hotel SA may not, under its respective credit agreement, distribute to any of its owners (by way of dividend or otherwise) proceeds from the sale of any of its assets without the prior written consent from DNB.

Furthermore, a majority of the credit agreements include cross-default provisions under which loans provided under such credit agreements will become immediately due if the borrower or another relevant member of the Group defaults under another financing arrangement to which it is a party. In most cases there are threshold amounts which must be exceeded in order for the cross-default provisions to be triggered.

A majority of the credit agreements also contain change of control – provisions requiring mandatory prepayments of outstanding loans under credit agreements and, in most cases, payment of break costs as a result thereof, in the event that Eiendomsspar AS, Helene Sundt AS and CGS Holding AS jointly cease to indirectly own or control a minimum of 51 per cent of the share capital or votes in Pandox Aktiebolag (publ). For further information regarding SU-ES's ownership in the Company after the Offering, refer to "Share capital and ownership structure – Ownership structure".

Lease Agreements with external hotel operators

Lease agreements are entered into with external hotel operators on a hotel-by-hotel basis. A majority of the lease agreements with external hotel operators have revenue-based rents and also contain provisions regarding minimum rents. Of the rental income in 2014, 95 per cent originates from revenue based leases. 77 per cent of the revenue based rental income in 2014 had provisions for a minimum guaranteed rent. Furthermore, the minimum guaranteed rents are normally index adjusted.

The tenants are generally obliged to reimburse the landlord for costs regarding property tax and for costs regarding electricity, heating, cooling etc. Generally, the lease agreements contain a separate appendix setting out in detail each party's responsibility for operation and maintenance of the leased premises.

New contracts or renegotiations are typically for 10–20 years. For more information regarding the lease agreements' maturity structure, see "Business overview —The property portfolio —Property management – Lease structure".

Asset Management Agreements

As of the date of the Offering Circular, Pandox has entered into nine asset management agreements. Eight of the asset management agreements concern a hotel portfolio comprising eight hotels located in Oslo, Norway. Pursuant to the agreements, the Company provides asset management services to the owner of the hotel property. In seven of these agreements, the management fee equals two per cent of the annual rental income received from the hotel operators. In one of the agreements the management fee equals two per cent of the annual revenue.

One asset management agreement relates to the hotel Pelican Bay Lucaya Resort in the Grand Bahama Island. Pursuant to that agreement, Pandox provides consultancy and advisory services to the operator of the hotel. The management fee is two per cent of the annual gross revenue derived from the hotel operations.

The Oslo hotel portfolio and the Pelican Bay Lucaya Resort hotel property are owned by Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS, respectively, which all are entities also affiliated with the Ultimate Owners, see also "– Related party transactions". All nine asset management agreements have a term of one year at a time and are automatically prolonged unless terminated by either party at least three months before they expire.

Franchise and Management Agreements

Members of the Group have entered into franchise and management agreements with international hotel chains. Pursuant to the franchise agreements, the relevant Group company of the Group is granted a license to operate hotels under the trademarks and system (including know-how) of the relevant hotel chain. The licenses are generally non-assignable and non-exclusive and limited to the operation of the relevant hotel. Pursuant to the management agreements, where the Group companies retain a hotel operator to manage and operate the hotel, the Group companies are given a limited license to use such hotel operator's trademarks and systems, and in other agreements, where the Group companies have limited responsibility for the hotel operations, the agreements lack such license.

All of the agreements are favourable to the franchisor or the respective hotel operators, and impose extensive requirements on the Group companies, such as limited rights of determination as regards the operation of the hotel, non-compete provisions, extensive indemnification liabilities, large investments requirements in relation to property improvements and redecoration and extensive insurance policies. In numerous agreements, the franchisor may terminate the agreement on a wide variety of grounds, such as failure to fulfil unspecified standards, and such early termination requires the franchisee to pay significant termination fees, whereas the franchisees' right to terminate is very limited and may be subject to termination fees. It is not unusual that franchisors with as strong trademarks as in the relevant agreements are able to negotiate agreements that are very advantageous for the franchisor.

DIVESTMENT AGREEMENTS

According to a share transfer agreement dated 27 March 2014 between Pandox Aktiebolag (publ), Fastighets AB Prince Philip, Pandox Sweden AB and Norgani Holding AB as sellers and Fastighets AB Balder as buyer, the sellers have indirectly divested a portfolio of 14 hotel properties through a sale of property companies to Fastighets AB Balder. Pandox Aktiebolag (publ) is jointly and severally liable for the sellers' liabilities under the share transfer agreement. Under the agreement the seller has a total liability for breach of warranties that is limited to SEK 300 million.

According to the share transfer agreement, the sellers guarantee that the annual gross income (excluding VAT) from tenants and other holders of any right of use on the divested properties will amount to an annual guaranteed amount of SEK 174 million during the period 2014–2018. The guaranteed amount is subject to indexation based on changes in the Swedish Consumer Price Index. For the years 2017 and 2018 the sellers' obligation to compensate under the guarantee is limited to SEK 10 million and SEK 5 million respectively. Pandox has made provisions in its balance sheet for expected payments under the annual gross income guarantee until 2018.

INSURANCE

Pandox has several master insurance policies in place, including (i) a global property and business interruption policy, (ii) a global liability insurance policy, (iii) a crime insurance policy, (iv) a directors and officers liability insurance policy, (v) a corporate travel insurance policy and (vi) a terrorism insurance policy, which are provided by a variety of Swedish and international insurers.

In certain instances, the master policies are supplemented by local policies in relevant countries. The master insurance policies cover the Group, apart from the global property and business interruption master policy that excludes Intercontinental Montreal, which is insured locally, the separate terrorism insurance policy covers Pandox's properties outside the Nordic region (terrorism insurance for properties in the Nordic region is included in the basic insurance) and the corporate travel insurance master policy only covers Pandox Aktiebolag (publ), Norgani Suomi Holding OY and Norgani Hotels AS.

Pandox assesses that its insurances are adequate for the risks normally associated to Pandox's business. However, there can be no guarantee that Pandox would not suffer losses that are not covered by the Company's insurances.

LEGAL AND ARBITRATION PROCEEDINGS

Pandox is the plaintiff in one legal proceeding of material significance. The legal proceeding has arisen in the ordinary course of business and relates to claims for future rent under a long-term lease agreement against a lessee that has been declared bankrupt. The claims for compensation have been directed against, inter alia, the lessee's former board of directors in view of undue transactions contrary to Norwegian law in connection with the lessee's filing for bankruptcy, resulting in a significant loss for Pandox. Pandox's claim has been included as a claim in the bankruptcy. The bankruptcy estate has also pursued a claim against, inter alia, the former board of directors on similar grounds as those Pandox bases its claims on. Pandox and the bankruptcy estate have entered into an agreement concerning the costs for the litigation, whereupon the bankruptcy estate will cover NOK 700,000 and Pandox will cover all costs incurred in excess of NOK 700,000 in such legal proceeding

The claims have been valued to zero in the Group's consolidated statement of financial position. Should the court rule in favour of Pandox, any compensation will be reported as other income in the consolidated statement of profit and loss. The Company does not expect the legal proceeding described above to have a material adverse effect on Pandox's business or financial condition if the court was to rule against Pandox's claim.

Apart from the legal proceeding described above, Pandox is not, and has not been, party to any legal proceedings or arbitration during the last 12 months which may have, or have had, a material adverse effect on the Company's or the Group's financial condition or profitability.

PLACING AGREEMENT

According to the terms of the agreement on the placing of shares which is intended to be signed on or around 17 June 2015 between the Company, SU-ES and the Managers (the "Placing agreement"), SU-ES undertakes to divest approximately 34.78 per cent of the shares in the Company to the purchasers indicated by the Managers, alternatively (if the Managers fail to indicate purchasers), the Managers undertake to acquire the shares included in the Offering themselves. SU-ES also intends to grant an Over-allotment option, whereby it pledges at the request of the Stabilising Manager, on behalf of the Managers, at the latest 30 days from the first day of trading in the Company's B shares to divest additional B shares, corresponding to a maximum of 15 per cent of the B shares in the Offering, corresponding to approximately 5.22 per cent of the total number of shares in the Company. The Over-allotment option may only be exercised in order to cover possible over-allotments within the framework of the Offering.

Through the Placing agreement, the Company makes customary representations and warranties to the Managers, primarily in relation to the information in the Offering Circular being correct, the Offering Circular and the Offering fulfilling requirements in laws and regulation and that there are no legal, or other, hindrances for the Company to enter into the agreement or for the completion of the Offering. Pursuant to the Placing agreement, the Managers' commitment to indicate purchasers for or, if the Managers fail to do so, themselves acquire the B shares comprised by the Offering is conditional upon, among other things, the representations and warranties made by the Company and SU-ES being correct. Under the Placing agreement, the Company will, subject to customary qualifications, undertake to indemnify the Managers against certain claims under certain conditions.

Through the Placing agreement, SU-ES and Anders Nissen undertake, with customary conditions, not to sell shares in the Company during the lock-up period (see further in section "Share capital and ownership structure – Lock up-arrangements, etc."). Under the Placing agreement, the Company also undertakes, not to (i) issue, offer, pledge, sell, undertake to sell or otherwise transfer or divest, directly or indirectly, any shares in the Company or any other securities which are convertible to or can be exercised or exchanged for such shares, or (ii) purchase or sell options or other instruments or enter into swap agreements or other arrangements which wholly or partly assign financial risk associated with ownership of the Company to another party prior to 180 days at the earliest after the date when trading starts on Nasdaq Stockholm. The Joint Bookrunners may, however, grant exemptions from these limitations.

STABILISATION

In connection with the Offering, the Stabilising Manager may, on behalf of the Managers, effect transactions aimed at supporting the market price of the B shares at levels above those which might otherwise prevail in the open market. Such stabilisation transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the B shares on Nasdaq Stockholm and ending not later than 30 calendar days thereafter. The Stabilising Manager is not, however, required to undertake any stabilisation and there is no assurance that stabilisation will be undertaken.

Stabilisation, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. Within one week after the end of the stabilisation period, the Stabilising Manager will make public whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

Any profit that arises through the stabilisation will accrue to SU-ES.

SUBSCRIPTION UNDERTAKINGS

Swedbank Robur Fonder, on behalf of its funds, and AMF have on 5 June 2015 agreed with the Joint Bookrunners, SU-ES and Pandox to acquire 10,500,000 B shares each in the Offering, corresponding to seven per cent each of the total number of shares in the Company and 3.5 per cent each of the total number of votes in the Company. Hence, the Offering is secured up to 35 per cent (provided full exercise of the Over-allotment option). The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are made on the same terms and conditions as for other investors in the Offering. The Cornerstone Investors are, however, guaranteed allotment in accordance with their respective undertakings.

The Joint Bookrunners, SU-ES and Pandox's board of directors deem the Cornerstone Investors' credit worthiness sound and that they, accordingly, will be able to meet their respective undertakings. The Cornerstone Investors' undertakings are, however, not secured through a bank guarantee, blocked funds, pledge of collateral or similar arrangement. The Cornerstone Investors' undertakings are associated with certain conditions relating to, among other things, that a certain dispersion of the Company's shares is achieved in connection with the Offering and that the Offering is completed within a certain time frame. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors do not fulfil their undertakings.

Cornerstone Investors	Subscription undertaking (% of the Offering based on full exercise of the Over-allotment option)	Subscription undertaking (% of the total number of shares in the Company)	Number of B shares
Swedbank Robur Fonder	17.5	7	10,500,000
AMF	17.5	7	10,500,000
Total	35	14	21,000,000

Description of the Cornerstone Investors

Swedbank Robur Fonder

Swedbank Robur Fonder is one of Scandinavia's largest fund managers and a fully-owned subsidiary of Swedbank. Swedbank Robur Fonder offers savings alternatives to private individuals and institutional clients through investment funds and discretionary capital management.

AMF

AMF is a limited liability life insurance company that is owned equally by the Swedish Trade Union Confederation (LO) and the Confederation of Swedish Enterprise. The company is run according to mutual principles, entailing that AMF's profits accrue in their entirety to the customers.

With SEK 552 billion in assets managed as of 31 March 2015 for approximately 4 million customers, AMF is one of Sweden's leading pension companies and one of the largest owners on Nasdaq Stockholm. AMF has approximately 350 employees.

RELATED PARTY TRANSACTIONS

Pandox carries out transactions with subsidiaries in the Group. Such transactions mainly entail allocation of centrally incurred administrational costs and interest expenses relating to receivables and liabilities. All related party transactions are entered into on market terms.

Pandox has entered into asset management and lease agreements with the Ultimate Owners. For more information on related party transactions, see notes 26 and 28 in section "Historical annual financial information for 2012–2014". See also section "– Interests of advisors" and section "– Material agreements – Asset Management agreements".

INTERESTS OF ADVISORS

The Managers provide financial advisory and other services to the Company, SU-ES and the Ultimate Owners in connection with the Offering, for which they will receive a commission from SU-ES equal to 1.5 per cent of the gross proceeds of the shares sold in the Offering. In addition, SU-ES may choose to pay to the Managers a discretionary fee, the amount and allocation of which is to be determined on the first day of trading in the Company's B shares on Nasdaq Stockholm, equal to not more than 0.5 per cent of the gross proceeds of the shares sold in the Offering. The total compensation received by the Managers is dependent on the success of the Offering. The Company will not pay any commission to the Managers.

From time to time, the Managers will provide services in the ordinary course of business and to the Ultimate Owners and parties affiliated to the Ultimate Owners in connection with other transactions.

In addition, SEB is acting as lender under one credit agreement with Pandox Aktiebolag (publ) and a Danish subsidiary of Pandox Aktiebolag (publ) as co-borrowers and as lender under one credit agreement with two Danish subsidiaries as borrowers and Pandox Aktiebolag (publ) as guarantor. Handelsbanken, directly or through its Hamburg branch, is acting as lender under four credit agreements entered into with Pandox Aktiebolag (publ) as borrower. DNB is acting as lender under nine credit agreements with Group companies as borrowers and Pandox Aktiebolag (publ) as guarantor.

Moreover, Handelsbanken and DNB Bank ASA are jointly acting as mandated lead arrangers and original lenders in one credit arrangement with Pandox's subsidiaries as borrowers and guarantors. DNB Bank ASA is acting as agent and DNB Bank ASA and Handelsbanken's Norwegian branch are jointly acting as hedge guarantor under the same arrangement.

COSTS RELATED TO THE OFFERING

In consideration of the Managers' assistance in the Offering and the listing of the B shares on Nasdaq Stockholm, the Managers will, subject to certain reservations, be reimbursed by SU-ES for external expenses incurred by them.

Pandox's costs associated with the listing of the B shares on Nasdaq Stockholm and the Offering are expected to amount to approximately SEK 20 million. Such costs relate primarily to costs for auditors, attorneys, the printing of the Offering Circular, and costs related to management presentations. Pandox will be reimbursed by SU-ES for these expenses.

Pandox will not receive any proceeds from the Offering.

DOCUMENTS AVAILABLE FOR INSPECTION

Pandox's (i) articles of association, (ii) annual reports for the financial years 2014, 2013 and 2012, including auditors' reports, and (iii) the Property Valuation Reports are available for inspection during office hours at the Company's head office at Vasagatan 11, SE-111 20 Stockholm, Sweden. These documents are also available in electronic form on Pandox's website, www.pandox.se.

GROUP STRUCTURE

Pandox is currently the parent company of 37 directly owned subsidiaries and 145 indirectly owned subsidiaries, including subsidiaries in Sweden, Norway, Denmark, Finland, Canada, Belgium, Germany, Luxembourg, the Netherlands and Switzerland. The list below sets out all of Pandox Aktiebolag (publ)'s direct and indirect subsidiaries and affiliated companies as of 31 March 2015.

Directly owned subsidiaries	Registration No	Domiciled	Share of capital / votes
HOTAB Förvaltning AB	556475-5592	Stockholm, Sweden	100
Pandox Förvaltning AB	556097-0815	Stockholm, Sweden	100
Hotab 6 AB	556473-6352	Stockholm, Sweden	100
Fastighets AB Grand Hotell i Helsingborg	556473-6329	Stockholm, Sweden	100
Pandox Fastighets AB	556473-6261	Stockholm, Sweden	100
Fastighets AB Mora Hotell	556475-9370	Stockholm, Sweden	75[1)]
Fastighets AB Stora Hotellet i Jönköping	556469-4064	Stockholm, Sweden	100
Pandox Belgien AB	556495-0078	Stockholm, Sweden	100
Pandox Hotel Management AB	556469-9782	Stockholm, Sweden	100
Hotellus Holding AB	556475-9446	Stockholm, Sweden	100
Pandox Luxemburg AB	556515-9216	Stockholm, Sweden	100
Pandox i Halmstad AB	556549-8978	Stockholm, Sweden	100
Pandox i Borås AB	556528-0160	Stockholm, Sweden	100
Grand i Borås Fastighets AB	556030-7083	Stockholm, Sweden	100
Hotell Värmdövägen 84 AB	556286-4826	Stockholm, Sweden	100
Hotellus International AB	556030-2506	Stockholm, Sweden	100
Hotellus Östersund AB	556367-3697	Stockholm, Sweden	100
Ademrac Holding 1 AB	556683-3371	Stockholm, Sweden	100
Ademrac Holding 2 AB	556683-3363	Stockholm, Sweden	100
Ademrac AB	556426-2748	Stockholm, Sweden	6.6[2)]
Ypsilon Hotell AB	556481-4134	Stockholm, Sweden	100
Pandox Kolmården AB	556706-8316	Stockholm, Sweden	100
Hotellus Sverige Ett AB	556778-8699	Stockholm, Sweden	100
Hotellus Sverige Två AB	556778-8707	Stockholm, Sweden	100
Sech Holding AB	556819-2214	Stockholm, Sweden	100
Pandox Portfölj 2 AB	556982-7040	Stockholm, Sweden	100
Pandox Sollentuna Centrum 12 AB	556660-3949	Stockholm, Sweden	100
Pandox Sweden AB	556942-1687	Stockholm, Sweden	100
Pandox Operations AB	556980-3207	Stockholm, Sweden	100
KB Lorensberg 49:2	916833-3269	Gothenburg, Sweden	100[3)]
Pandox i Malmö AB	556704-3723	Malmö, Sweden	100
Hotellus Denmark A/S	28970927	Denmark	100
Le Nouveau Palace NV	0423.048.375	Belgium	99.97[4)]
Hotel Bloom ! NV	0476.704.322	Belgium	99.99[5)]
Pandox Belgium NV	0890.427.732	Belgium	99.99[6)]
Pandox RMC BVBA	0552.929.692	Belgium	99.00[7)]
Convention Hotel International AG	CHE-101.458.856	Switzerland	100

1) Fastighets AB Mora Hotell is owned to 25 per cent by Hotellus Holding AN, which is fully owned by Pandox Aktiebolag (publ).
2) Ademrac AB is owned to 93.4 per cent by Ademrac Holding 1 AB and Ademrac Holding 2 AB, which both are fully owned by Pandox Aktiebolag (publ).
3) Partner, limited partner is Pandox Förvaltning AB.
4) Le Nouveau Palace NV is owned to 0.03 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).
5) Hotel Bloom! NV is owned to 0.01 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).
6) Pandox Belgium NV is owned to 0.01 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).
7) Pandox RMC BVBA is owned to 1 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).

Indirectly owned subsidiaries	Registration No	Domiciled
Arlanda Flyghotell KB	916500-8021	Stockholm, Sweden
Fastighetsbolaget Utkiken KB	916611-7755	Stockholm, Sweden
Fastighets AB Hotell Kramer	556473-6402	Stockholm, Sweden
Hotellus Nordic AB	556554-6594	Stockholm, Sweden
Hotellus Järva Krog AB	556351-7365	Stockholm, Sweden
Hotellus Mölndal AB	556554-6636	Stockholm, Sweden
Bioeffect AB	556244-5030	Stockholm, Sweden
Vestervold KB	916631-9534	Stockholm, Sweden
Hotellus Mellansverige AB	556745-4656	Stockholm, Sweden
Skogshöjd Handels & Fastighets AB	556066-0432	Stockholm, Sweden
Norgani Sweden Holding AB	556660-3238	Stockholm, Sweden
Norgani Alvik Hasselbacken AB	556735-4872	Stockholm, Sweden
Norgani Hasselbacken AB	556698-4612	Stockholm, Sweden
Fastighets AB Prince Philip	556488-0028	Stockholm, Sweden
Norgani Holding AB	556942-1703	Stockholm, Sweden
Norgani Stockholm Pundet 1 AB	556660-3394	Stockholm, Sweden
Norgani Kiruna Hovmästaren 1 AB	556660-3451	Stockholm, Sweden
Norgani Mora Stranden 37:3 AB	556660-3493	Stockholm, Sweden
Norgani Luleå Tjädern 19 AB	556660-4426	Stockholm, Sweden
Norgani Kalmar Hammaren 4 AB	556660-6538	Stockholm, Sweden
Norgani Karlstad Sandbäcken 1:3 AB	556658-7340	Stockholm, Sweden
Norgani Sandviken Grillen 8 AB	556658-7381	Stockholm, Sweden
Norgani Linköping Ekoxen 9 och 11 AB	556658-7407	Stockholm, Sweden
Norgani Skövde Liljekonvaljen 14 AB	556658-7449	Stockholm, Sweden
Norgani Halmstad Gillestugan 1 AB	556658-7456	Stockholm, Sweden
Norgani Göteborg Backa 149:1 och 866:397 AB	556658-7480	Stockholm, Sweden
Norgani Malmö Gunghästen 1 AB	556688-7278	Stockholm, Sweden
Norgani Stockholm Gråberget 29 AB	556688-7450	Stockholm, Sweden
Norgani Bollnäs Sundsbro 10 AB	556688-7344	Stockholm, Sweden
Norgani Portfölj 2 AB	556982-7032	Stockholm, Sweden
Norgani Hotelleiendom i Göteborg AB	556674-0709	Stockholm, Sweden
Norgani Hotelleiendom i Helsingborg AB	556674-0063	Stockholm, Sweden
Norgani Hotelleiendom i Jönköping AB	556674-0212	Stockholm, Sweden
Norgani Hotelleiendom i Luleå AB	556674-0485	Stockholm, Sweden
Norgani Hotelleiendom i Malmö AB	556674-0436	Stockholm, Sweden
Norgani Hotelleiendom i Sundsvall AB	556674-0071	Stockholm, Sweden
Norgani Hotelleiendom i Södertälje AB	556673-9768	Stockholm, Sweden
Norgani Hotelleiendom i Umeå AB	556673-9677	Stockholm, Sweden
Norgani Hotelleiendom i Uppsala AB	556673-9776	Stockholm, Sweden
Norgani Hotelleiendom i Östersund AB	556673-9750	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Blyet	556673-9685	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Osten	556674-0469	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Radien	556674-0196	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Sågen	556674-0493	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Valbo-Backa	556674-0204	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Vindmotorn	556673-9818	Stockholm, Sweden
Norgani Suomi Holding AB	556705-2781	Stockholm, Sweden
Norgani Suomi 2 AB	556705-0694	Stockholm, Sweden
Norgani Suomi 3 AB	556704-9688	Stockholm, Sweden
Norgani Suomi 4 AB	556705-0983	Stockholm, Sweden
Norgani Suomi 5 AB	556704-8151	Stockholm, Sweden
Norgani Suomi 6 AB	556704-8144	Stockholm, Sweden
Norgani Suomi 7 AB	556704-8136	Stockholm, Sweden
Norgani Suomi 9 AB	556705-0520	Stockholm, Sweden
Norgani Suomi 10 AB	556704-4218	Stockholm, Sweden
Norgani Suomi 11 AB	556704-8227	Stockholm, Sweden
Norgani Suomi 12 AB	556704-8219	Stockholm, Sweden
Norgani Suomi 13 AB	556704-8201	Stockholm, Sweden

Indirectly owned subsidiaries	Registration No	Domiciled
Norgani Suomi 14 AB	556704-8193	Stockholm, Sweden
Norgani Suomi 15 AB	556704-8185	Stockholm, Sweden
Norgani Suomi 17 AB	556704-8169	Stockholm, Sweden
Pandox OP1 AB	556980-3215	Stockholm, Sweden
Pandox OP2 AB	556980-9600	Stockholm, Sweden
Pandox OP3 AB	556980-9618	Stockholm, Sweden
Pandox OP4 AB	556980-9626	Stockholm, Sweden
Pandox OP5 AB	5569809584	Stockholm, Sweden
Pandox OP1 AB	556980-3215	Stockholm, Sweden
Norgani Stockholm Herrgården 2 AB	556660-4285	Gothenburg, Sweden
Norgani Hotelleiendom i Sverige AB	556674-0170	Gothenburg, Sweden
Hotellinvest Holding DK 1 ApS	29828644	Denmark
Hotellinvest Holding DK 2 ApS	29830053	Denmark
Hotellinvest DK 1 ApS	10998476	Denmark
Hotellinvest DK 2 ApS	28886217	Denmark
Hotellinvest DK 3 ApS	25241266	Denmark
Norgani Hotel Cosmopole ApS	25060407	Denmark
K/S Norgani Hotel	24250830	Denmark
Komplementarselskabet Norgani Hotel ApS	14446478	Denmark
Norgani Hotel København A/S	20029633	Denmark
Urban House Hotel ApS	35632654	Denmark
Oy Norgani 1 Ab	2050600-9	Finland
Oy Norgani 2 Ab	2050598-9	Finland
Oy Norgani 3 Ab	2050596-2	Finland
Oy Norgani 4 Ab	2050594-6	Finland
Oy Norgani 5 Ab	2050593-8	Finland
Oy Norgani 8 Ab	2050586-6	Finland
Oy Norgani 9 Ab	2050625-2	Finland
Oy Norgani 10 Ab	2050619-9	Finland
Oy Norgani 11 Ab	2050616-4	Finland
Oy Norgani 12 Ab	2050612-1	Finland
Oy Norgani 13 Ab	2050610-5	Finland
Oy Norgani 14 Ab	2050609-2	Finland
Oy Norgani 16 Ab	2050603-3	Finland
NorGani Finland Holding Oy	1530970-5	Finland
Kiinteistö Oy Hotelli Pilotti	0426438-8	Finland
Kiinteistö Oy Pakkalan Kartanonkoski 5	0747929-6	Finland
Oy Korpilampi Ab	1495021-8	Finland
Hotellus Suomi Oy	1495017-0	Finland
Norgani Hotels AS	988 016 683	Norway
Norgani Hotelleiendom AS	988 201 227	Norway
Hotellinvest Holding AS	990 122 806	Norway
Norgani Eiendom Bodø AS	991 393 048	Norway
Norgani Hotell Bastionen AS	940 157 633	Norway
Norgani Norge Holding AS	989 197 355	Norway
Alexandra Hotell AS	910 114 174	Norway
Norgani Hotell Kristiansand AS	938 214 964	Norway
Norgani Hotell Oslo AS	951 361 542	Norway
Norgani Hotell Bergen AS	967 989 371	Norway
Norgani Hotell Hafjell AS	938 214 875	Norway
Norgani Hotell KNA AS	890 618 812	Norway
Norgani Hotell Bergen Airport AS	919 626 852	Norway
Norgani Fagernes Turisthotell AS	919 844 604	Norway
Norgani Olrud Hotell KS	940 459 311	Norway
Norgani Olrud Hotell AS	940 459 133	Norway
Norgani Hamnneset Hotell ANS	961 324 807	Norway
Norgani Hotell Hamnneset AS	981 118 995	Norway
Norgani Hotell Lillehammer AS	952 479 806	Norway
Lillehammer Turisthotell AS	913 915 739	Norway
Norgani Hotell Bodø AS	987 141 433	Norway
Pandox OP Grand Norge AS	913 535 251	Norway
Pandox OP Grand Norge 1 AS	914 015 669	Norway

Indirectly owned subsidiaries	Registration No	Domiciled
Pandox OP Grand Norge 2 AS	814 019 802	Norway
Pandox OP Grand Norge 3 AS	914 124 131	Norway
Pandox OP Grand Norge 4 AS	914 124 700	Norway
Pandox OP Lillehammer AS	815 129 822	Norway
Grand Hotel of Brussels NV	0443.822.213	Belgium
Hotellus Belgium NV	0413.537.526	Belgium
Town Hotel NV	0437.378.839	Belgium
Elba Belgium Holding BVBA	0889.537.114	Belgium
Elba Leasehold BVBA	0889.633.520	Belgium
Elba Freehold BVBA	0889.630.649	Belgium
Holcro NV	0421.732.937	Belgium
Euro Lifim Holding BV	33227692	Netherlands
Pandox Holland BV	34277494	Netherlands
Pandox Holland 2 BV	34304039	Netherlands
Hotellus Luxembourg SARL	B 131027	Luxembourg

Indirectly owned subsidiaries	Registration No	Domiciled
Hotellus Canada Holdings Inc.	0793511[1] 844035584[2] 1164498975[3]	British Columbia
Hotellus Montreal Holdings Inc.	0823951[1] 807214218[2] 1165155541[3]	British Columbia
Hotellus Montreal Inc.	0827355[1] 801087016[2] 1168133123[3]	British Columbia
Pandox Berlin GmbH	HRB 96069 B[4]	Germany
Hotellus Deutschland GmbH	HRB 41151[5]	Germany
Grundstücksgesellschaft ATLANTIS mbH	HRB 41381[5]	Germany
Pandox Germany GmbH	HRB 68809[5]	Germany
Pandox Lübeck GmbH	HRB 68868[5]	Germany
Pandox Dortmund GmbH	HRB 68856[5]	Germany
Pandox Bremen GmbH	HRB 68847[5]	Germany
Pandox Deutschland GmbH & Co. KG[6]	HRA 21826[5]	Germany

Affiliated companies	Registration No	Domiciled
Pandox Verwaltungs GmbH[7]	HRB 66726[5]	Germany

1) BC reg. no.
2) Federal reg. no.
3) Quebec reg. nr. (NEQ).
4) Commercial register that is kept by the local court in Charlottenburg, Germany.
5) Commercial register that is kept by the local court in Düsseldorf, Germany
6) Pandox owns 94 per cent of the shares and a third party owns the remaining 6 per cent of the shares.
7) Pandox owns 49 per cent of the shares and a third party owns the remaining 51 per cent of the shares.

Tax considerations in Sweden

Below is a summary of certain Swedish tax issues related to the Offering and the admission for trading of the B shares in the Company on Nasdaq Stockholm for private individuals and limited liability companies that are residents of Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide general information regarding only the B shares in the Company as of the admission for trading on Nasdaq Stockholm.

The summary does not cover:

- *the A shares in the Company;*
- *situations where shares are held as current assets in business operations;*
- *situations where shares are held by a limited partnership or a partnership;*
- *situations where shares are held in an investment savings account (Sw. investeringssparkonto);*
- *special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares in the Company that are deemed to be held for business purposes (for tax purposes);*
- *special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares;*
- *special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. investeraravdrag);*
- *foreign companies conducting business through a permanent establishment in Sweden; or*
- *foreign companies that have been Swedish companies.*

Furthermore, special tax rules apply to certain categories of companies. The tax consequences for each individual shareholder depend to some extent on the holder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the Offering and the admission for trading of the B shares in the Company on Nasdaq Stockholm, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation.

PRIVATE INDIVIDUALS

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 per cent.

Capital losses on listed shares may be fully offset against taxable capital gains the same year on shares, as well as on listed securities taxed as shares (however not mutual funds, (Sw. värdepappersfonder), or hedge funds, (Sw. specialfonder) or containing Swedish receivables only, (Sw. räntefonder)). Capital losses not absorbed by these set-off rules are deductible at 70 per cent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 per cent of the net loss that does not exceed SEK 100,000 and 21 per cent of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 per cent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee.

LIMITED LIABILITY COMPANIES

For limited liability companies (Sw. aktiebolag) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22 per cent.

Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilised during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year that has the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment companies.

SHAREHOLDERS WITH LIMITED TAX LIABILITY IN SWEDEN

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is normally withheld. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The tax rate is 30 per cent. The tax rate is, however, generally reduced through tax treaties for the avoidance of double taxation. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, for nominee-registered shares, by the nominee.

Shareholders not resident in Sweden for tax purposes - who are not conducting business through a permanent establishment in Sweden – are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden due to a habitual abode in Sweden or a stay in Sweden for six consecutive months at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties for the avoidance of double taxation.

Selling and transfer restrictions

GENERAL

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the Company's B shares or the possession or distribution of the Offering Circular or any other offering material in any country or jurisdiction where action for that purpose is required.

Persons into whose possession the Offering Circular comes are required by the Company, the Ultimate Owners and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver B shares or have in their possession or distribute such offering material, in all cases at their own expense.

UNITED STATES

The shares in the Offering have not been and will not be registered under the Securities Act of 1933 or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States unless the shares are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. Shares may only be sold outside the United States in offshore transactions in compliance with Regulation S and in accordance with applicable law. In addition, until the end of the 40th calendar day after commencement of the Offering, an offering or sale of shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirement of the Securities Act.

Each purchaser of the shares in the Offering in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

(i) the purchaser acknowledges that the Shares in the Offering have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;

(ii) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the shares in the Offering was, located outside the United States at the time the buy order for the shares was originated;

(iii) the purchaser acknowledges that the shares in the Offering have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;

(iv) the purchaser is aware of the restrictions on the offer and sale of the shares in the Offering pursuant to Regulation S described in this document; and

(v) the Company shall not recognise any offer, sale, pledge or other transfer of the shares in the Offering made other than in compliance with the above stated restrictions.

AGREEMENT ON CONFIDENTIALITY

Recipients of this document outside of Sweden are hereby informed that this document is provided on a confidential basis and may not, under any circumstances, be reproduced, forwarded or otherwise further distributed, neither in whole nor in part. Furthermore, the recipient is only permitted to use this document for the purpose of considering an acquisition of shares in the Group and may not disclose the content of this document or use any information herein for any other purpose. This document is personal for every recipient and does not constitute an offering to acquire shares to any person or to the public in any jurisdiction outside Sweden. Recipients of this document will be deemed to have agreed to the above by receiving this document.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Group is organised under the laws of Sweden. The majority of the Company's board members and management are resident outside the United States. All or a substantial portion of the Group's assets and the assets of such persons' are located outside the United States. As a result, it may not be possible for investors to effect service of a lawsuit against the Group or such persons, or for a U.S. court to enforce a U.S. judgment against the Group or the management of the Group. U.S. judgments or enforcement decisions, relating to the civil liability provisions of the federal or state securities legislation of the United States are not directly enforceable in Sweden. The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters, other than for arbitration awards. Accordingly, a final judgment for the payment of money rendered by a U.S. court based on civil liability will not be directly enforceable in Sweden. However, if the party in whose favour such final judgment is rendered brings a new lawsuit in a competent court in Sweden, that party may submit the final judgment that has been rendered in the United States to a Swedish court. Even though a judgment by a federal or state court in the United States against the Company or the Group will neither be recognised nor enforced by a Swedish court, such judgment may serve as evidence in a similar action in a Swedish court.

EEA

In relation to each member state of the EEA that has implemented the Prospectus Directive (2003/71/EC) (each, a "relevant member state") other than Sweden, the offer of B shares will only be made:

(i) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant member state, subject to obtaining the prior written consent of the Managers nominated by the Company for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of B shares shall require the Company, the Ultimate Owners or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus

Directive (other than the Swedish prospectus).

Each person in a relevant member state, other than persons receiving offers contemplated in the Swedish prospectus in Sweden, who receives any communication in respect of, or who acquires B shares under, the offers contemplated in the Offering Circular will be deemed to have represented, warranted and agreed to and with each of the Managers, the Ultimate Owners and the Company that:

(a) it is a qualified investor as defined in the Prospectus Directive; and in the case of any B shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) such Company shares acquired by it in the Offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Managers has been given to the offer or resale; or (ii) where such Company shares have been acquired by it on behalf of persons in any relevant member state other than qualified investors, the offer of those Company shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer" in relation to any of the Company's B shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Company B shares to be offered so as to enable an investor to decide to purchase any of the Company's B shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

UNITED KINGDOM

In the United Kingdom, the Offering Circular is only being distributed to, and is only directed at (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Order; (ii) high net-worth entities falling within Articles 49(2)(a) to (d) of the Order; or (iii) other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). In the United Kingdom, any investment or investment activity to which the Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

JAPAN

The B shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Act"). Accordingly, no B shares will be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

AUSTRALIA

Please note that this Offering Circular:

(a) does not constitute a prospectus or a product disclosure statement under the Corporations Act 2001 of the Commonwealth of Australia ("Corporations Act"); (b) does not purport to include the information required of a prospectus under Part 6D.2 of the Corporations Act or a product disclosure statement under Part 7.9 of the Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission ("ASIC"), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (c) may not be provided in Australia other than to select investors ("Exempt Investors") who are able to demonstrate that they (i) fall within one or more of the categories of investors under section 708 of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are "wholesale clients" for the purpose of section 761G of the Corporations Act.

The B shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the B shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any B shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the B shares, you represent and warrant to us that you are an Exempt Investor.

As any offer of B shares under this Offering Circular or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those B shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the B shares you undertake to us that you will not, for a period of 12 months from the date of issue of the B shares, offer, transfer, assign or otherwise alienate those B shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

HONG KONG

The B shares may not be offered or sold by means of any document other than (1) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong); or (2) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder; or (3) in other circumstances which do not result in this Offering Circular being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the B shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to B shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

SINGAPORE

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the B shares may not be circulated or distributed, nor may the B shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"); (2) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the B shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, Institutional Offering Shares, debentures and units of Institutional Offering Shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

OTHER JURISDICTIONS

The B shares in the Company have not been registered and will not be registered in Australia, Hong Kong, Canada or any jurisdiction outside of Sweden and may therefore not be offered or sold in or into any such jurisdiction other than in certain exempt cases where a prospectus would not be required under applicable laws and regulations in such jurisdiction and as otherwise would comply with the applicable securities legislation in such jurisdiction.

Definitions

ABG
ABG Sundal Collier Norge ASA.

Avanza
Avanza Bank AB.

CAD
Canadian dollar.

Carnegie
Carnegie Investment Bank AB (publ).

Code
The Swedish Code of Corporate Governance.

Cornerstone Investors
Swedbank Robur Fonder, on behalf of its funds, and AMF.

DKK
Danish krone.

DNB Markets
DNB Markets, part of DNB Bank ASA, Sweden branch.

EUR
Euro.

Euroclear Sweden
Euroclear Sweden AB.

FF&E
Furniture, fixtures and equipment

Global Coordinator and Joint Bookrunner
ABG.

Handelsbanken
Svenska Handelsbanken AB (publ), or, as appropriate, Handelsbanken Capital Markets (a part of Svenska Handelsbanken AB (publ)).

Joint Coordinators and Joint Bookrunners
Handelsbanken and Morgan Stanley.

Managers
ABG, Handelsbanken, Morgan Stanley, Carnegie, DNB Markets and SEB.

Morgan Stanley
Morgan Stanley & Co. International plc.

Nasdaq Stockholm
The regulated market operated by NASDAQ OMX Stockholm AB.

NOK
Norwegian krone.

Offering
The offer of B shares in Pandox as set out in the Offering Circular.

Offering Circular
This Offering Circular.

Offering price
The final offering price which is expected to be determined within the range of SEK 100–110.

Pandox, the Company or the Group
Pandox Aktiebolag (publ), the group in which Pandox Aktiebolag (publ) is the parent company or a subsidiary of the group, as the context may require.

Placing agreement
The agreement regarding placing of shares described in section "Legal considerations and supplementary information – Placing agreement".

SEB
SEB Corporate Finance, Skandinaviska Enskilda Banken AB (publ).

SEK, MSEK
Swedish krona, million Swedish kronor.

SU-ES
SU-ES AB (previously Pandox Holding AB).

Ultimate Owners
Eiendomsspar AS, Helene Sundt AS and CGS Holding AS.

USD
US Dollar.

Historical financial information

Interim financial information

Interim report

January–March 2015

A strong quarter for Pandox

- Revenue from Property management amounted to MSEK 331.9 (358.6*), a decrease of 7.4 per cent, which is explained by the divestment of 15 hotel properties in April 2014. Adjusted for currency effects and comparable units, revenue increased by 3.6 per cent.
- Net operating income from Property management[3] amounted to MSEK 260.0 (278.0), a decrease of 6.5 per cent. Adjusted for currency effects and comparable units, net operating income increased by 3.9 per cent.
- Net operating income from Operator activities[4] amounted to MSEK 50.5 (33.2), an increase of 52.1 per cent. Adjusted for currency effects and comparable units, net operating income increased by 34.5 per cent.
- EBITDA amounted to MSEK 289.4 (296.3), reflecting the divestment of 15 hotel properties in April 2014, but was supported by an underlying increase in net operating income from both Property management and Operator activities.
- Profit for the period was MSEK 374.0 (351.4), corresponding to SEK 2.49 (2.34) per share.
- Property market value amounted to MSEK 26,995.9 (26,503.7), and changes in value in the period amounted to MSEK 363.1 (479.9).
- Net asset value (EPRA NAV) per share was SEK 96.25 (87.69).
- Cash earnings amounted to MSEK 170.8 (148.7) and SEK 1.14 (0.99) per share respectively, an increase by 14.9 per cent.
- Pandox expects continued growth in cash earnings in 2015.[5]

Key figures[1, 2]

MSEK	Q1 2015	Q1 2014[2]	*Change in %*	FY 2014
Revenue Property management	331.9	358.6	*−7.4*	1,477.3
Net operating income Property management[3]	260.0	278.0	*−6.5*	1,185.7
Net operating income Operator activities[4]	50.5	33.2	*52.1*	320.2
EBITDA	289.4	296.3	*−2.3*	1,424.5
Profit for the period	374.0	351.4	*6.4*	1,252.7
Earnings per share, diluted, SEK[6]	**2.49**	**2.34**	***6.4***	**8.35**
Cash earnings, MSEK	170.8	148.7	*14.9*	872.5
Cash earnings per share, diluted, SEK[6]	1.14	0.99	*14.9*	5.82
Key data				
Net interest bearing debt, MSEK	12,444.3	13,947.5	*−10.8*	12,587.4
Equity asset ratio, %	38.7	38.1	—	38.1
Loan to value, %	47.5	53.9	—	48.7
Interest cover ratio	2.5	2.1	—	2.6
Property market value, MSEK	26,995.9	27,100.6	*−0.4*	26,503.7
Net asset value (EPRA NAV) per share, SEK[6]	96.25	87.69	*9.8*	92.11
WAULT (lease portfolio), years	8.7	8.4	—	9.0
RevPAR (Operating properties) for comparable units at constant exchange rates, SEK	572	517	*10.6*	645

1 For a complete set of definitions, please refer to pages 27, 28 and 34.
2 Comparable figures are affected by the divestment of 15 Investment properties in April 2014, and reclassification of Omena Hotel Copenhagen (now Urban House Copenhagen) from Property management to Operator activities.
3 Net operating income Property management includes rental income plus other property income less operating expenses.
4 Net operating income Operator activities includes revenues less expenses plus depreciation included in expenses.
5 Full outlook statement provided on page 17.
6 Retrospectively adjusted for share split in May 2015. The total number of outstanding shares after split amount to 150,000,000.
* Comparable figures in brackets refer to the corresponding quarter last year for income statement items and the previous quarter for balance sheet items, unless otherwise stated.

CEO comment

A strong quarter for Pandox

Pandox's first quarter was strong with growing underlying rental income and increased cash earnings. The driving force behind the positive development was a combination of improved international economic activity with increased demand in the hotel market, positive developments in our lease portfolio, profitable investments across our property portfolio and lower financing costs.

Long leases with strong tenants

Pandox owns large upscale and full-service hotels with strategic locations in strong markets. The hotel portfolio is of high standard with well-diversified revenue streams.

We benefit from long leases with well-known tenants, providing income stability, lower capital expenditures and reduced risk for Pandox. Approximately 80 per cent of our net operating income is generated by leased hotels with strong operators and brands.

Together with our partners we create mutual value through product development projects and refurbishments where we share both investments and the future financial benefits derived from these investments. This is an important part of our strategy, creating conditions for healthy growth and contributing to portfolio quality and value growth over time.

Upside from higher activity levels

Increased economic activity is positive for Pandox due to our strong market position and high share of revenue-based lease agreements. Currently, close to 95 per cent of our rental income is revenue based, meaning that we share the upside with our tenants on improving hotel market conditions, and more importantly, the upside from creating a better hotel product. At the same time 72 per cent of our lease agreements include a minimum rent level.

We are an active owner. Our deep knowledge of the hotel business means that we can take advantage of opportunities throughout the hotel market value-chain. This creates growth opportunities for Pandox and its partners, and it minimises the risk for Pandox.

In the first quarter, we announced our intention to take over the hotel operations at the Radisson Blu Lillehammer in Norway, a hotel property we currently own, and invest NOK 60 million in a product and hotel operations development program. This is in line with our strategy as an active owner to use our hotel expertise to reposition hotels and improve profitability, and safeguard the value of the hotel property.

Expect more of Pandox in 2015

Based on continued improvements in the general economic environment and a positive trend in the travel market, Pandox's strong market position and portfolio, which benefits from increased operator activity, as well as continued low interest rates, we expect to be able to grow cash earnings further in 2015.

Anders Nissen
CEO

A property company specialised in hotels

An active hotel property owner

Pandox is one of Europe's leading hotel property companies, with a portfolio focused on Northern Europe. Pandox is dedicated to sizeable full-service hotels in key leisure and corporate destinations primarily in the upper-medium to high-end segments. Pandox is an active owner and combines a large attractive portfolio with solid operational skills, thereby creating value and additional opportunities across the hotel value chain.

Long leases with well-known tenants

At the end of the first quarter 2015, Pandox's hotel property portfolio comprised 104 hotels with a total of 21,969 hotel rooms across eight countries, with a market value of approximately MSEK 27,000. Of the 104 hotels, 89 were leased on a long-term basis to well-known tenants with established brands providing income stability, lower capital expenditure and risk for Pandox. For Investment properties the weighted average unexpired lease term (WAULT) was 8.7 years. The remaining 15 hotels were owned and operated by Pandox.

In addition, Pandox had asset management agreements for 9 hotels. Furthermore, one hotel is operated by Pandox under a long-term lease agreement.

Pandox's value drivers

- Large, high quality portfolio of premier hotel properties in strategic locations
- Income stability from renowned tenant base with long leases
- Focus on solid economies and ability to capture market growth
- Tangible organic growth from refurbishment and repositioning
- Attractive yield, resilient cash flow generation and lower interest rates
- Active ownership drives value and creates optionality

Pandox's financial targets

Pandox has the following financial targets:

- Dividend policy – Pandox will target a dividend pay-out ratio of between 40 and 60 per cent of cash earnings[1], with an average payout ratio over time of approximately 50 per cent. Future dividends and the size of any such dividends are dependent on Pandox's future performance, financial position, cash flows, working capital requirements, investment plans and other factors.
- Capital structure – Pandox expects to target a debt ratio (loan-to-value[2]) of between 45 and 60 per cent, depending on the market environment and prevailing opportunities.

[1] Defined as EBITDA plus financial income less financial cost less current tax.
[2] Defined as interest bearing liabilities divided by the sum of property market value of Investment properties and Operating properties.

Hotel market development

Growth outlook still mixed but positive

The outlook for economic growth differs between regions but global growth is expected to gradually accelerate over the next few years, although at relatively modest levels. Development is largely driven by solid economic progress in the US, low interest rates and the lower oil price. Prospects for the euro zone have improved but high debt continues to burden several large economies. Growth in emerging markets is mixed but has been softer in recent months. In the Nordic countries growth is stable in Sweden and Denmark, while Finland continues to be negatively impacted by the Russian crisis and Norway facing economic headwinds from lower oil prices.

Continued improvements in key hotel markets

RevPAR development – quarterly – rolling 3 months (in local currency)

	2012-FY	2013-FY	2014-FY	Q1-2014	Q2-2014	Q3-2014	Q4-2014	Q1-2015
USA	*7%*	*5%*	*8%*	*6%*	*8%*	*8%*	*9%*	*8%*
New York[1]	6%	4%	3%	–1%	5%	4%	1%	–4%
Montreal	–2%	6%	10%	5%	7%	17%	7%	8%
Europe	*5%*	*2%*	*6%*	*6%*	*4%*	*5%*	*7%*	*10%*
London[1]	2%	1%	3%	7%	1%	2%	4%	2%
Brussels	–2%	2%	3%	5%	4%	3%	1%	2%
Berlin	9%	0%	5%	2%	1%	10%	5%	5%
Stockholm	–5%	0%	2%	4%	0%	3%	1%	5%
Oslo	–3%	4%	1%	7%	–5%	3%	0%	2%
Helsinki	4%	–5%	2%	2%	0%	4%	3%	–1%
Copenhagen	5%	6%	4%	13%	2%	3%	1%	8%

Source: STR (USA, Canada, Europe, Finland), Benchmarking Alliance (Sweden, Norway, Denmark)

[1] Pandox does not have any direct business exposure to these markets but they are important for the overall assessment of the global hotel market

The US continued its positive trend

The US remains the most powerful engine for global growth and positive effects are also seen on the American hotel market. The US is expected to extend its positive trend with growth in both volume and price. In the first quarter RevPAR growth on the American hotel market amounted to approximately 8 per cent. RevPAR in New York, however, declined by approximately 4 per cent with the stronger dollar as a contributing factor. Furthermore, there has been a segment shift ongoing for some time with aggressive pricing strategies coupled with increased capacity, which has gradually lowered RevPAR growth in this market.

Stable positive development in the Nordics

RevPAR growth in Europe amounted to approximately 6 per cent in the first quarter with strong performance in several Southern and Central European markets. Northern European hotel markets also developed favourably. In Scandinavia, Copenhagen was the strongest market with RevPAR growth of approximately 8 per cent. Stockholm also demonstrated stable growth of approximately 5 per cent. Increases were mainly driven by volume with prices remaining largely unchanged, compared to the previous year, despite minor additions to capacity. In Copenhagen, a number of new hotels are due to open in 2015.

Financial development January–March 2015

Revenues

Revenue from Property management amounted to MSEK 331.9 (358.6) corresponding to a decrease of 7.4 per cent, which is explained by divestment of 15 Investment properties in April last year. Adjusted for currency effects and comparable units, revenue increased by 3.6 per cent, supported by higher economic activity in many of our markets and increased demand for hotel rooms and services, new lease contracts with improved conditions and recently renovated hotels.

Revenue from Operator activities amounted to MSEK 366.7 (304.4), representing an increase of 20.5 per cent. Adjusted for currency effects and comparable units, revenues and RevPAR increased by 8.9 per cent and 10.6 per cent respectively, supported by a stronger market, especially in Montreal, and recently renovated and repositioned hotels gaining market shares.

Total group revenues amounted to MSEK 698.6 (663.0), an increase by 5.4 per cent. Adjusted for currency effects and comparable units, revenues increased by 6.3 per cent.

Net operating income

Net operating income from Property management, which equals gross profit, amounted to MSEK 260.0 (278.0), a decrease of 6.5 per cent. Adjusted for currency effects, and comparable units, net operating income increased by 3.9 per cent. The increase is explained by improved hotel market conditions, increased rents, reduced property costs as well as renovated hotel properties coming back to market.

Net operating income from Operator activities, which equals gross profit plus depreciations included in costs Operator activities, amounted to MSEK 50.5 (33.2), an increase of 52.1 per cent. Adjusted for currency effects and comparable units, net operating income increased by 34.5 per cent. The increase is primarily explained by increased demand in general, especially in the Montreal market, and renovated and repositioned hotels gaining market shares.

Administration cost

Cost for central administration amounted to MSEK –21.3 (–15.1). The increase reflects development of group common functions and certain costs of non-recurring nature of approximately MSEK 4 related to Pandox's 20-year anniversary.

EBITDA

EBITDA (gross profit plus depreciation included in costs for Operator activities, less central administration excluding depreciation) amounted to MSEK 289.4 (296.3), a decrease of 2.3 per cent explained by the reduction in net operating income from Property management following the divestment of 15 Investment properties in April 2014, and higher administration costs. The EBITDA for the group decreased less than the reduction in net operating income resulting from the divestment would imply, supported by an increase in underlying net operating income for both Property management and Operator activities.

Financial income and expenses

Financial expenses amounted to MSEK –114.6 (–144.9), a decrease of MSEK 30.3, which is explained by repayment of debt, following the divestment of 15 Investment properties in April last year, and lower interest rates on outstanding debt. Financial income amounted to MSEK 0.7 (1.2).

Profit before changes in value

Profit before changes in value amounted to MSEK 143.4 (127.9), an increase of 12.1 per cent.

Changes in value

Changes in value on Investment properties amounted to MSEK 363.1 (479.9) following yield compression in many markets, resulting in decreased valuation yields and hence lower discount rates in the valuation of Investment properties.

Change in value on derivatives was MSEK –33.1 (–163.0), following a decline in market interest rates in relation to the fixed interest rate in the interest rate swap agreements.

Current and deferred tax

Current tax amounted to MSEK –4.7 (–3.9). Current tax is low due to large tax losses carried forward, and current tax is expected to remain low for the full year. Deferred tax expense amounted to MSEK –94.7 (–89.5).

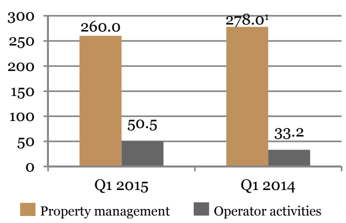
Profit for the period

Profit for the period was MSEK 374.0 (351.4), corresponding to SEK 2.49 (2.34) per share.

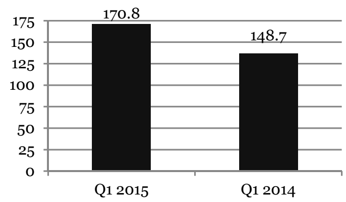
Cash earnings

Cash earnings amounted to MSEK 170.8 (148.7), an increase of 14.9 per cent.

Net operating income, MSEK



Cash earnings, MSEK



[1] Comparable figures are affected by the divestment of 15 hotel properties in April 2014 in Investment properties, and reclassification of Omena Hotel Copenhagen (now Urban House Copenhagen) from Investment properties to Operating properties.

Segment reporting

Pandox's business is organised into Property management, which comprises 89 Investment properties owned by Pandox and leased on a long-term basis to market leading regional hotel operators and leading international operators, and Operator activities, which comprises 15 Operating properties owned by Pandox, in which the Company executes hotel operations.

Each segment is further divided into the five geographic areas: Sweden, Norway, Finland, Denmark, and International. For full segment reporting please see page 30.

In addition, Pandox has asset management agreements for nine hotels, of which eight (in Oslo) are reported under Property management, and one asset management agreement (the Pelican Bay Resort in the Grand Bahama Island) is reported under Operator activities.

Furthermore, Pandox has one hotel (Grand Hotel Oslo), which is operated by Pandox under a long-term lease agreement and reported under Operator activities.

Summary of segments

MSEK	Q1 2015	Q1 2014	FY 2014
Total gross profit	278.6	286.7	1,396.9
– Whereof gross profit, Property management	*260.0*	*278.0*	*1,185.7*
– Whereof gross profit, Operator activities	*18.6*	*8.7*	*211.2*
Net operating income, Property management			
– Net operating income equals gross profit	260.0	278.0	1,185.7
Net operating income, Operator activities			
– Gross profit	18.6	8.7	211.2
– Add: Depreciation included in costs, Operator activities[1]	31.9	24.5	109.0
– Net operating income, Operator activities	50.5	33.2	320.2
Total net operating income	**310.5**	**311.2**	**1,505.9**
Central administration, excluding depreciations[1]	–21.1	–14.9	–81.4
EBITDA	**289.4**	**296.3**	**1,424.5**

As of March 31, 2015, the market value of Pandox's total property portfolio was MSEK 26,996 (31.12.2014: 26,504).

[1] Total depreciation for Operator activities and central administration amounts to: MSEK 32.1 (Q1 2015), MSEK 24.7 (Q1 2014) and MSEK 109.6 (FY 2014).

Property management

Investment properties: MSEK 21,233 representing 79 per cent of total property market value

Net operating income

MSEK	Q1 2015	Q1 2014	FY 2014
Rental income	318.9	344.4	1,417.8
Other property income	13.0	14.2	59.5
Costs, excluding property administration	–55.6	–64.2	–228.5
Net operating income, before property administration	**276.3**	**294.4**	**1,248.8**
Property administration	–16.3	–16.4	–63.1
Gross profit	**260.0**	**278.0**	**1,185.7**
Net operating income, after property administration, Property management	**260.0**	**278.0**	**1,185.7**

Rental income and other property income amounted to MSEK 331.9 (358.6) and net operating income, which equals gross profit, amounted to MSEK 260.0 (278.0). Net operating income before property administration amounted to MSEK 276.3 (294.4).

The decrease in rental and other property income is explained by the reduction in income following the divestment of 14 Investment properties in Sweden to Fastighets AB Balder and the divestment of Hilton London Docklands to H.I.G. Capital in April 2014.

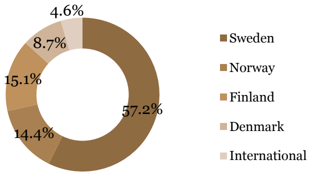
Adjusted for currency effects and comparable units, growth in total rental income was 3.6 per cent. The improvement is explained by underlying growth in the hotel market, new lease contracts with improved conditions and recently renovated hotels coming back to market mainly in our joint development program with Scandic (the Shark project).

Reported net operating income after property administration decreased by 6.5 per cent, as an effect of the divestments in April 2014. However, adjusted for currency effects and comparable units, net operating income increased by 3.9 per cent, primarily as a result of higher rental income.

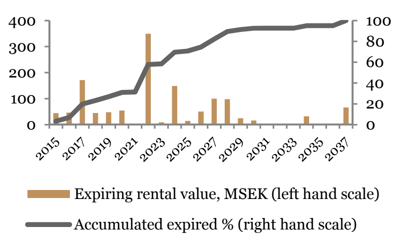
Investment properties includes 89 hotel properties recognized at market value. The unrealised value change for Investment properties amounted to MSEK 363.1 (479.9).

As of 31 March 2015, the weighted average unexpired lease term (WAULT) was 8.7 (8.4) years. The lease maturity profile is staggered. 2022 is a year with relatively many lease expirations, which is mostly related to lease agreements from Norgani.

Rental income per geography (Jan–March 2015)



Lease maturity profile[1]



[1] Pandox's leases are primarily linked to hotel revenue and generally contain a minimum guaranteed rent that provides both operational upside and downside protection.

Operator activities

Operating properties: MSEK 5,763 representing 21 per cent of total property market value

Net operating income

MSEK	Q1 2015	Q1 2014	2014
Revenues	366.7	304.4	1,598.3
Costs	–348.1	–295.7	–1,387.1
Gross profit	**18.6**	**8.7**	**211.2**
Add: Depreciation included in costs	31.9	24.5	109.0
Net operating income, Operator activities	**50.5**	**33.2**	**320.2**

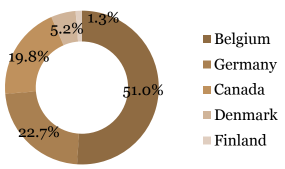
Revenues amounted to MSEK 366.7 (304.4), an increase of 20.5 per cent, and net operating income amounted to MSEK 50.5 (33.2), an increase of 52.1 per cent. Adjusted for currency effects and comparable units, revenues increased by 8.9 per cent. Adjusted for currency effects and comparable units, net operating income increased by 34.5 per cent. Net operating income also includes Grand Hotel Oslo, which Pandox operates under a long-term lease agreement since March 1, 2015.

The improvement in revenues is explained by a stronger international hotel market and renovated hotels, while net operating income benefits from the higher activity level with demand as the primary driver. Net operating income is also supported by productivity gains in the hotel operations and continued ramp-up of The Hotel Brussels, Radisson Blu Bremen and Radisson Blu Dortmund, Holiday Inn Lübeck and First Copenhagen.

Adjusted for currency effects and comparable units, RevPAR growth was 10.6 per cent, mainly driven by improvements in occupancy and a slight increase in average room rates.

Operating properties includes 15 owner-occupied properties, which are recognised at cost less depreciation and any impairment losses. The unrealised value change for Operating properties, which is shown for information purposes, amounted to MSEK 173.8.

Revenues per geography (Jan–March 2015)



Property portfolio

At the end of the period, Pandox's property portfolio comprised 104 (31.12.2014: 104) hotel properties with 21,969 (31.12.2014: 21,969) hotel rooms across eight countries. The main geographic focus, which represents approximately 78 per cent of the portfolio by market value, is the Nordic countries. Of the owned hotel properties, 89 are leased to third parties, meaning that approximately 79 per cent of the portfolio market value is covered by external leases. These are included in the Property management segment. The remaining 15 hotels are owned and operated by Pandox and included in the Operator activities segment.

Portfolio overview by segment and geography

Property management Investment properties	No. of hotels	No. of rooms	Property value (MSEK)	Property value in % of total	Value per room (MSEK)
Sweden	52	9,864	12,573	46.6%	1.3
Norway	14	2,503	2,739	10.1%	1.1
Finland	13	2,913	3,041	11.3%	1.0
Denmark	7	1,405	1,978	7.3%	1.4
International	3	510	902	3.3%	1.8
Sum Investment properties	89	17,195	21,233	78.5%	1.2
Operator activities Operating properties					
Sweden	—	—	—	—	—
Norway	—	—	—	—	—
Finland	1	151	43	0.2%	0.3
Denmark	2	440	571	2.2%	1.3
International	12	4,183	5,149	19.1%	1.2
Sum Operating properties	**15**	**4,774**	**5,763**	**21.5%**	**1.2**
Sum owned properties	**104**	**21,969**	**26,996**	**100.0%**	**1.2**

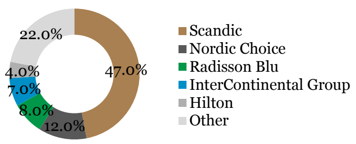
The majority of Pandox's tenant base consists of well-known hotel operators with strong hotel brands in each respective market. The tenants are both Nordic-oriented hotel operators, such as Scandic (the largest hotel operator in the Nordics with more than 200 hotels), Nordic Choice, and the Swedish hotel operator Elite Hotels, and more globally-oriented operators such as Rezidor (part of the Carlson-Rezidor group) and Hilton.

Pandox's portfolio by brand

Brand	No. of hotels	No. of rooms	Countries
Scandic	50	10,311	SE, NO, FI, DK, BE
Nordic Choice brands*	16	2,630	SE, NO
Radisson Blu	7	1,693	SE, NO, CH, DE
InterContinental brands**	5	1,442	BE, DE, CAN
Hilton	4	1,001	SE, FI, BE
First Hotels	7	985	SE, DK
Hyatt	1	605	CAN
Elite	2	452	SE
Best Western	2	252	SE, FI
Rantasipi	1	137	FI
Independent brands	9	2,461	SE, FI, DK, BE, DE
Total	**104**	**21,969**	

*Nordic Choice brands include: Comfort Hotel, Quality Hotel, Quality Hotel & Resort, Clarion Hotel and Clarion Collection.
** InterContinental brands include: Crowne Plaza, Holiday Inn and InterContinental.

Rooms by brand



Pandox's independent brands

Change in value properties

At the end of the period, the total market value of Pandox's property portfolio was MSEK 26,996 (26,504), of which MSEK 21,233 (20,843) was attributable to Investment properties and MSEK 5,763 (5,660) was attributable to Operating properties. The market value of Operating properties is reported for information purposes only. Operating properties are recognised at cost less depreciations and any impairment. At the end of the period, the carrying amount of Operating properties was MSEK 4,708 (4,858).

Change in value Investment properties

	MSEK
Investment properties, beginning of the period (January 1, 2015)	20,843.3
+ Acquisitions	—
+ Investments	40.0
– Divestments	—
+/– Unrealised changes in value	363.1
+/– Realised changes in value	—
+/– Change in currency exchange rates	–13.3
Investment properties, end of period (March 31, 2015)	21,233.1

Change in value Operating properties, reported for information purposes only

	MSEK
Operating properties, beginning of the period (January 1, 2015)	5,660.5
+ Acquisitions	—
+ Investments	46.2
– Divestments	—
+/– Unrealised changes in value	173.8
+/– Realised changes in value	—
+/– Change in currency exchange rates	–117.7
Operating properties, end of period (March 31, 2015)	5,762.8

Average valuation yield

At the end of the period, the average valuation yield on Investment properties was 6.0 per cent (31.12.2014: 6.1), and the average valuation yield on Operating properties was 7.6 per cent (31.12.2014: 7.9).

Investments

During the period, investments excluding acquisitions amounted to MSEK 86.2 (159.0), of which MSEK 40.0 (127.8) for Investment properties and MSEK 46.2 (31.2) for Operating properties. The decrease in investments reflects mainly that the Shark project together with Scandic is coming to an end, but also the completion of several other larger projects in 2014.

At the end of the period, capital expenditures with a total of MSEK 560 were committed for future investment projects. Current major investment projects include Hilton Helsinki Strand, Quality Ekoxen Linköping and Scandic Hotel Winn Karlstad.

No acquisitions or divestments were made during the period.

Property valuation

Pandox performs internal valuations of its hotel property portfolio and Investment properties are recognised at fair value in accordance with accounting standard IAS 40. Operating properties are recognised at cost less accumulated depreciation and any accumulated impairment losses. The market value of Operating properties is reported for information purposes only.

In addition, all properties are valued by external professional property appraisers who are independent of Pandox, and these assumptions and values form an important element in the assessment of the internal valuations.

The valuation model consists of an accepted and proven cash flow model where future cash flows that the hotel properties are expected to generate are discounted. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year and takes into consideration, among other things, developments in the underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and return in the long term.

External valuations of all properties are carried out annually by independent property appraisers. The external appraisers complete a more in-depth inspection at least every three years or in conjunction with major changes to the properties. The external valuations provide an important reference point for Pandox's internal valuations.

Sensitivity analysis

Investment properties and Operating properties are recognised at market value and cost respectively, and valuation changes for Investment properties are accounted for in the income statement.

Sensitivity to changes in key valuation parameters, as of December 31, 2014, is shown below:

Investment properties, effect on fair value	Change, %	Effect on value, MSEK
Yield	+/– 0.5pp	–1,565 / +1,856
Change in currency exchange rates	+/– 1%	+/– 85
Net operating income	+/– 1%	+/– 194

Investment properties, effect on revenues	Change, %	Change in revenues, MSEK
RevPAR (assuming 50/50 split between occupancy and rate)	+/– 1%	+/– 11

Operating properties, effect on revenues	Change, %	Change in revenues, MSEK
RevPAR (assuming 50/50 split between occupancy and rate)	+/– 1%	+/– 13

Financial sensitivity analysis, effect on earnings	Change, %	Profit before changes in value MSEK
Interest expenses with current fixed interest hedging of our portfolio, change in interest rates	+/– 1%	–/+ 39
Interest expenses with a change in the average interest rate level	+/– 1%	–/+ 129
Remeasurement of interest-rate derivatives following shift in yield-curves	+/– 1%	–/+ 468

Financing

Financial position and net asset value

At the end of the period, the loan to value ratio was 47.5 per cent (48.7). Shareholders' equity amounted to MSEK 10,645.1 (Dec 31, 2014: 10,401.5), and net asset value (NAV) as defined by EPRA was MSEK 14,438 (13,816). EPRA NAV per share was SEK 96.25 (92.11). Liquid funds, including long-term committed credit facilities, amounted to MSEK 1,956.1 (1,901.2).

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 12,821.9 (12,908.1). The average interest rate period was 3.6 (3.8) years and the average interest rate was 3.4 (3.6) per cent, including effects from interest-rate swaps. The average repayment period was 3.8 (4.6) years.

The loans are secured by a combination of pledged mortgages in properties and pledge in shares.

Unutilised committed credit lines amounted to MSEK 1,578.5 (1,580.5).

In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives, mainly interest swaps, are used. At the end of the period, interest rate swaps amounting to MSEK 9,704.9 had been entered into, of which approximately 66 per cent longer than one year.

Fixed rate period

	Interest maturity				Interest swaps		
(MSEK)	Loans	Interest swaps	Amount	Share	Volume	Share	Average interest, swaps[1]
< 1 year	12,821.9	–8,475.4	4,346.5	33.9%	1,229.5	12.7%	3.9%
1–2 year	—	844.1	844.1	6.6%	844.1	8.7%	4.1%
2–3 year	—	858.9	858.9	6.7%	858.9	8.9%	4.6%
3–4 year	—	808.6	808.6	6.3%	808.6	8.3%	3.6%
4–5 year	—	250.0	250.0	1.9%	250.0	2.6%	4.1%
> 5 year	—	5,713.8	5,713.8	44.6%	5,713.8	58.9%	2.4%
Total/net/avg	**12,821.9**	**0.0**	**12,821.9**	**100%**	**9,704.9**	**100%**	**3.1%**

[1] Excluding bank margins.

In order to reduce the currency exposure in foreign investment Pandox's main objective is to finance the applicable part of the investment in local currency. The equity part is normally not hedged as the strategy of Pandox is to have a long investment perspective. Currency effects are largely in form of translation effects.

Interest maturity structure by currency[1]

Year due (MSEK)	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share,%	Interest, %[2]
2015	1,128.3	557.9	1,157.5	239.5	237.2	776.2	3,920.0	32.0	2.5
2016	380.0	—	464.4	—	—	249.7	1,105.5	8.5	4.2
2017	200.0	—	250.7	—	224.2	184.0	887.9	6.7	4.4
2018	250.0	—	232.2	—	—	210.4	698.2	5.4	4.3
2019	—	—	116.0	—	—	—	368.9	0.9	2.1
2020 and later	3,600.0	631.7	1,732.0	—	—	—	5,896.1	46.5	3.6
Total	**5,558.3**	**1,189.6**	**3,952.8**	**239.5**	**461.4**	**1,420.3**	**12,821.9**	**100.0**	**3.4**
Share, %	43	9	31	2	4	11	100	—	—
Average interest rate, %	3.6	2.9	3.2	3.0	3.7	3,9	3.4	—	—
Average interest rate period, years	4.6	3.7	3.4	0.1	1.2	1.1	3.6	—	—
Property market value	12,573.2	2,549.2	7,619.4	730.0	784.5	2,739.5	26,995.9	—	—

[1] Converted to MSEK.
[2] Average interest rate in per cent including bank margin.

As of March 31, 2015, the market value for Pandox's financial instruments was MSEK –933.0 (–899.8), which is explained by a substantial decrease in the market rates in relation to the fixed interest in the interest swap agreements. The revaluation during the period has had an impact on profit before tax of MSEK –33.1 (–163.0).

Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity[2]	Interest, loans [1]	Net interest, interest swaps, negative value[1]	Total
2015	1,112.8	20.7	30.8	51.5
2016	936.7	11.7	37.8	49.5
2017	224.2	3.2	34.2	37.4
2018	3,137.8	33.2	22.5	55.7
2019	6,049.6	102.9	8.7	111.6
2020 and later	1,360.8	19.6	146.6	166.4
Total	**12,821.9**	**191.3**	**280.8**	**472.1**

[1] Calculation based on ending balance as of March 31, 2015 and actual interest rates as of the same date and implies an estimated yearly interest expense for the different maturity periods.
[2] Excluding current amortisation.

In the end of 2015 loans of MSEK 1,112.8 are due for refinancing. The refinancing process has started and present lenders have expressed willingness to stay as lenders.

Deferred tax

At the end of the period, deferred tax assets in the group's balance sheet amounted to MSEK 897.8 (923.4). These represent tax losses carried forward, which the company estimates can be utilised during the coming fiscal years, and temporary differences on interest-rate derivatives.

The deferred tax liabilities amounted to MSEK 2,073.9 (1,993.0). The increase is primarily due to changes in value of Investment properties.

Pandox has no outstanding tax cases.

Other information

Important events after the period

April 23, Pandox announced it will take over operations at Mr Chip in Kista, effective June 1, 2015. The hotel property is owned by Pandox since 2001 and is currently part of Investment properties.

May 5, at the Annual General Meeting of Pandox AB, the shareholders approved the Board of Directors' proposal to distribute a dividend of MSEK 150 to SU-ES AB and resolved to create two share classes, A shares and B shares, as well as a split of shares (6:1). Each A share has three votes, whereas each B share has one vote.

May 5, Pandox and Elite Hotels announced renewal of the leases on two hotels, the Elite Park Avenue in Gothenburg and the Elite Stora Hotellet in Jönköping. The agreements, both of which have a 15 year duration, include a development and upgrade program of the two hotels estimated at MSEK 90, where Pandox's share is slightly more than half.

May 8, Pandox announced it will take over operations at Quality Hotel & Resort Fagernes in Norway, effective January 1, 2016. The hotel property is owned by Pandox since 2010, as part of the Norgani acquisition, and is currently part of Investment properties.

Outlook

Based on continued improvements in the general economic environment and a positive trend in the travel market, Pandox's strong market position and portfolio, which benefits from increased operator activity, as well as continued low interest rates, we expect to be able to grow cash earnings further in 2015. This is supported by the development in the first quarter 2015, where Pandox's cash earnings increased by MSEK 22.2 compared to the first quarter 2014, despite the divestment of 15 hotels in April 2014.

Employees

As of 31 March 2015, Pandox had 1,621 (1,588) employees. Of the total employees, 1,595 (1,560) are employed in the segment Operator activities and 26 (28) are employed in the segment Property management, and central administration.

Parent company

Property activities in the Pandox's property owning companies are administered by staff employed by the parent company, Pandox AB (publ). The costs of these services are invoiced to Pandox's subsidiaries. Invoicing in the period amounted to MSEK 14.0 (13.9), and the loss for the period amounted to MSEK –69.8 (13.7).

At the end of the period the parent company had shareholders' equity of MSEK 2,336.4 (2,776.1) and interest bearing debt of MSEK 4,592.1 (5,064.6), of which MSEK 3,610 (5,015) in the form of long-term debt.

Transactions with related parties

The Parent Company carries out transactions with subsidiaries in the Group. Such transactions mainly entail allocation of centrally incurred administrational costs and interest expenses relating to receivables and liabilities. All related party transactions are entered into on market terms.

Pandox has entered into nine asset management agreements, regarding eight hotels located in Oslo and the Pelican Bay Lucaya resort in the Grand Bahama Island, which are owned by Eiendomsspar AS, subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. As of March 1, 2015, Pandox operates Grand Hotel Oslo under a long-term lease agreement with the property owner Eiendomsspar AS. No revenue has been recorded under these contracts during the first quarter 2015, nor in the previous period.

Accounting principles

Pandox follows the International Financial Reporting Standards (IFRS) – and interpretations (IFRIC) – as they have been adopted by the EU. This interim report has been prepared according to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act.

The Parent Company applies the Swedish Annual Accounts Act and RFR2 “Accounting principles for legal entities”. RFR2 implies that the Parent Company of the legal entity applies all EU approved IFRS principles and interpretations, within the framework defined by the Swedish Annual Accounts Act, and taking into consideration the connection between accounting and taxation. The transition to RFR2 for the Parent Company has not resulted in any material effects. The differences between the Group’s and the Parent Company’s accounting principles are described on page 32.

Accounting principles and methods for calculations have changed compared with the Annual Report of the previous year following a conversion of accounts from Swedish GAAP to IFRS. The effects of the transition to IFRS are described in the prospectus that was published in connection with the public offering to acquire B shares in the company. The prospectus also outlines the accounting principles used in the preparation of the consolidated financial statements.

Number of shares

At the end of the period, the total number of undiluted and diluted shares outstanding amounted to 25,000,000.

However, the total number of outstanding shares “at listing” will amount to 150,000,000, of which 75,000,000 A shares and 75,000,000 B shares. For a fair comparison this number of shares is used for the calculation of key ratios.

Financial risk management

Pandox seeks to achieve the lowest possible financing costs while simultaneously limiting risks related to interest rates, foreign currencies and borrowings.

Pandox seeks to manage the risk that changes in interest rate levels could negatively affect Pandox's results. Pandox's objective is that interest rate exposure is managed so that increased costs as a result of reasonable changes in interest rates are compensated through higher revenues. Pandox seeks to achieve this objective through maintaining a loan portfolio with varying maturity dates and fixed interest periods.

Further, Pandox has developed and implemented systems and procedures designed to support continuous monitoring and reporting of interest rate exposures. Pandox enters into interest-rate swaps to obtain fixed interest periods.

Pandox's balance sheet and income statement are exposed to changes in the value of the Swedish Krona, as certain of Pandox's assets are denominated in foreign currencies. Pandox seeks to hedge a part of this exposure through entering into loans in the local currency where Pandox's assets are located.

Pandox seeks to manage the risk that external financing may become more difficult to access. Pandox aims to centralise, where possible, all Group borrowing in the parent company in order to gain flexibility and administrative benefits. Pandox's objective is to enter into long-term framework agreements that would allow for borrowings with various maturities.

Risk factors

Pandox's business and market are subject to certain risks which are completely or partly outside the control of the Company and which could affect Pandox's business, financial condition and results of operations. These direct and indirect risks are the same for the Group and the Parent Company, with the exception that the Parent Company does not engage directly in hotel operations. Risks are the same both on a short and long term basis.

Risk factors include, among others, the main following sector risks and risks related to the operations: (1) The value of Pandox's assets is exposed to macroeconomic fluctuations and the liquidity in the property market could decline. (2) Pandox is subject to risks in its business of repositioning and transforming hotel properties. (3) Pandox's costs of maintaining, replacing and improving its existing properties could be higher than estimated. (4) Pandox might be unable to identify and acquire suitable hotel properties. (5) Pandox may from time to time carry out acquisitions of new hotel properties, all of which are subject to risks. (6) Pandox may be unable to retain, and recruit, key personnel in the future. (7) Pandox depends on third party operators' reputation, brand, ability to run their businesses successfully and financial condition. (8) Pandox is exposed to environmental risks. (9) Pandox is exposed to interest rate fluctuations. (10) Pandox is exposed to the risk of being unable to refinance its facility agreements when they fall due. (11) Pandox is subject to certain risks common to the hotel industry, which are beyond the Company's control. (12) The hotel industry is characterised by intense competition and Pandox may be unable to compete effectively in the future. (13) New business models may enter the hotel industry. (14) The growth of OTAs could materially and adversely affect Pandox's business and profitability.

Seasonal variations

The hotel industry is seasonal in nature and may contribute to fluctuations. The periods during which the Company's properties experience higher revenues vary from property to property, depending principally upon location and the customer base served. Generally, as the majority of the customers that stay at hotels owned or operated by the Company are business travelers, the Company's revenues have historically been greater in the second and fourth quarters than in the first and third quarters. The timing of holidays and major events can also impact the Company's quarterly results.

Company information

Pandox AB (publ) is a Swedish registered limited company (Corp ID 556030-7885) with its registered office in Stockholm, Sweden. Pandox AB is a wholly owned subsidiary of SU-ES AB. The ultimate owners are Eiendomsspar AS (49.8 per cent), Helene Sundt AS (24.9 per cent), CGS Holding AS (24.9 per cent) and Blåklockevägen 4 AS (0.5 per cent).

Financial calendar

Q2 interim report April–June	August 20, 2015
Q3 interim report July–September	November 5, 2015
Pandox Hotel Market Day	November 24, 2015
Q4 and year-end report 2015 October–December	February 18, 2016

For more information about Pandox and our financial events, please visit www.pandox.se.

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Board of Directors' assurance

The Board of Directors and the CEO confirm that this report provides a fair overview of the Company's and the Group's business, position and results and describes the significant risks and uncertainties facing the Company and its subsidiaries.

Stockholm, May 13, 2015

Anders Nissen
CEO

Review report

Translation from the Swedish original

To the Board of Directors of Pandox AB (publ)

Corp. id. 556030-7885

Introduction

We have reviewed the summary interim financial information (interim report) of Pandox AB (publ) as of 31 March 2015 and the three-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causesus to believe thatthe interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 14 May, 2015

Per Gustafsson
Authorised Public Accountant

Willard Möller
Authorised Public Accountant

Summary of financial reports

Condensed statement of profit and loss and other comprehensive income

MSEK	Note	Q1 2015	Q1 2014	FY 2014
Revenues Property management				
Rental income	1	318.9	344.4	1,417.8
Other property income		13.0	14.2	59.5
Revenue Operator activities	1	366.7	304.4	1,598.3
Total revenues		698.6	663.0	3,075.6
Costs Property management	1	–71.9	–80.6	–291.6
Costs Operator activities	1	–348.1	–295.7	–1,387.1
Gross profit		278.6	286.7	1,396.9
– whereof gross profit Property management	1	*260.0*	*278.0*	*1,185.7*
– whereof gross profit Operator activities	1	*18.6*	*8.7*	*211.2*
Central administration		–21.3	–15.1	–82.0
Financial income		0.7	1.2	4.8
Financial expenses		–114.6	–144.9	–540.9
Profit before changes in value		143.4	127.9	778.8
Changes in value				
Properties, unrealised	1	363.1	479.9	906.3
Properties, realised	1	—	—	290.7
Derivatives, unrealised		–33.1	–163.0	–622.0
Profit before tax		473.4	444.8	1,353.8
Current tax		–4.7	–3.9	–15.9
Deferred tax		–94.7	–89.5	–85.2
Profit for the period		374.0	351.4	1,252.7
Other comprehensive income				
Items that have been or may be classified to profit or loss				
Translation differences foreign operations		–130.4	123.1	–2.7
Other comprehensive income for the period		–130.4	123.1	–2.7
Total comprehensive income for the period attributable to the shareholders of the parent company		243.6	474.5	1,250.0
Earnings per share, before and after dilution, SEK		2.49	2.34	8.35
Total earnings per share, before and after dilution, SEK		1.62	3.16	8.33

Condensed statement of financial position

MSEK	31 March 2015	31 March 2014	31 December 2014
ASSETS			
Non-current assets			
Operating properties	4,001.1	3,692.2	4,135.1
Equipment and interiors	707.2	617.5	722.6
Investment properties	21,233.1	22,588.1	20,843.3
Deferred tax assets	897.8	788.1	923.4
Other non-current receivables	27.5	24.2	26.3
Total non-current assets	26,866.7	27,710.1	26,650.7
Current assets			
Inventories	10.4	8.5	10.8
Current tax assets	41.6	26.9	44.3
Trade account receivables	115.3	124.5	152.9
Prepaid expenses and accrued income	75.4	56.0	96.8
Other current receivables	11.5	34.7	10.5
Cash and cash equivalents	377.6	646.5	320.7
Total current assets	631.8	897.1	636.0
Total assets	**27,498.5**	**28,607.2**	**27,286.7**
EQUITY AND LIABILITIES			
Equity			
Share capital	375.0	375.0	375.0
Other paid-in capital	2,138.4	2,138.4	2,138.4
Reserves	–246.9	9.3	–116.5
Retained earnings, including profit for the period	8,378.6	8,380.6	8,004.6
Equity attributable to the owners of the Parent Company	10,645.1	10,903.3	10,401.5
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities[1]	11,599.6	14,496.8	11,785.7
Derivatives[2]	933.0	440.8	899.8
Provisions	42.0	5.3	53.8
Deferred tax liabilities	2,073.9	1,786.3	1,993.0
Total non-current liabilities	14,648.5	16,729.2	14,732.3
Current liabilities			
Provisions	12.0	—	12.0
Interest-bearing liabilities[1]	1,222.3	97.2	1,122.4
Tax liabilities	17.2	24.0	18.7
Trade accounts payable	143.2	114.9	189.3
Liabilities group companies[3]	158.5	32.9	207.7
Other current liabilities	148.4	120.6	166.0
Accrued expenses and prepaid income	503.2	585.1	436.7
Total current liabilities	2,204.9	974.7	2,152.9
Total liabilities	**16,853.4**	**17,703.9**	**16,885.2**
Total equity and liabilties	**27,498.5**	**28,607.2**	**27,286.7**

[1] The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values.
[2] The fair value measurement belongs to level 2 in the fair value hierarchy in IFRS, i.e., it is based on inputs that are observable, either directly or indirectly.
[3] Liabilities group companies in the amount of MSEK 158.5 will be repaid in May 2015.

Condensed statement of changes in equity

MSEK	Share capital	Other paid in capital	Translation reserves	Retained earnings	Total equity
Opening balance equity January 1, 2014	**375.0**	**2,138.4**	**–113.8**	**8,029.2**	**10,428.8**
Profit for the period	—	—	—	351.4	351.4
Other comprehensive income	—	—	123.1	—	123.1
Comprehensive income for the period	—	—	123.1	351.4	474.5
Closing balance equity March 31, 2014	375.0	2,138.4	9.3	8,380.6	10,903.3
Opening balance equity January 1, 2015	**375.0**	**2,138.4**	**–116.5**	**8,004.6**	**10,401.5**
Profit for the period	—	—	—	374.0	374.0
Other comprehensive income	—	—	–130.4	—	–130.4
Comprehensive income for the period	—	—	–130.4	374.0	243.6
Closing balance equity March 31, 2015	**375.0**	**2,138.4**	**–246.9**	**8,378.6**	**10,645.1**

Condensed statement of cash flow

MSEK	Q1 2015	Q1 2014	FY 2014
OPERATING ACTIVITIES			
Profit before tax	473.4	444.8	1,353.8
Reversal of depreciation	32.1	24.6	109.6
Changes in value, Investment properties, realised	—	—	–290.7
Changes in value, Investment properties, unrealised	–363.1	–479.9	–906.3
Changes in value, derivatives, unrealised	33.1	163.0	622.0
Taxes paid	–4.7	–3.9	–7.3
Cash flow from operating activities before changes in working capital	170.8	148.6	881.1
Increase/decrease in operating assets	11.8	44.2	–12.5
Increase/decrease in operating liabilities	–32.6	8.7	12.0
Change in working capital	–20.8	52.9	–0.5
Cash flow from operating activities	150.0	201.5	880.6
INVESTING ACTIVITIES			
Investments in properties and fixed assets	–86.2	–159.0	–527.5
Divestment of investment properties, net effect on liquidity	—	—	2,606.8
Acquisitions of financial assets	–0.3	–1.1	–2.2
Divestment of financial assets	1.5	22.3	24.1
Cash flow from investing activities	–85.0	–137.8	2,101.2
FINANCING ACTIVITIES			
Group contribution to parent company's shareholders	—	—	–174.8
New loans	—	—	421.8
Amortisation of debt	–8.0	–6.6	–2,386.9
Paid dividends	–	–	–1,102.5
Cash flow from financing activities	–8.0	–6.6	–3,242.4
Cash flow for the period	57.0	57.1	–260.6
Cash and cash equivalents at beginning of period	320.7	588.6	588.6
Exchange differences in cash and cash equivalents	–0.1	0.8	–7.3
Cash and cash equivalents at end of period	377.6	646.5	320.7
Information regarding interest payments			
Interest received	0.7	1.2	4.8
Interest paid	–113.9	–143.2	–521.9
Information regarding cash and cash equivalents end of period	377.6	646.5	320.7
Cash and cash equivalents consist of bank deposits			

Certain definitions and key data

Net operating income (MSEK)	Q1 2015	Q1 2014	FY 2014
PROPERTY MANAGEMENT **Investment properties**			
Rental income	318.9	344.4	1,417.8
Other property income	13.0	14.2	59.5
Expenses, excluding property administration	–55.6	–64.2	–228.5
Net operating income, before property administration	**276.3**	**294.4**	**1,248.8**
Property administration	–16.3	–16.4	–63.1
Net operating income, after property administration, equals gross profit	**260.0**	**278.0**	**1,185.7**
OPERATOR ACTIVITIES **Operating properties**			
Revenue	366.7	304.4	1,598.3
Costs	–348.1	–295.7	–1,387.1
Gross profit	**18.6**	**8.7**	**211.2**
Add: Depreciation included in costs	31.9	24.5	109.0
Net operating income	**50.5**	**33.2**	**320.2**

EBITDA reconciliation (MSEK)			
Gross profit	**278.6**	**286.7**	**1,396.9**
Add: Depreciations included in costs, Operator activities	31.9	24.5	109.0
Less: Central administration, excluding depreciation	–21.1	–14.9	–81.4
EBITDA	**289.4**	**296.3**	**1,424.5**

Cash earnings (MSEK)			
EBITDA	289.4	296.3	1,424.5
Add: Financial income	0.7	1.2	4.8
Less: Financial cost	–114.6	–144.9	–540.9
Less: Current tax	–4.7	–3.9	–15.9
Cash earnings	**170.8**	**148.7**	**872.5**

EPRA NAV (MSEK)			
Net asset value per financial statement, Group	10,645	10,903	10,401
Add: Revaluation of Operating properties	1,054	203	803
Add: Fair value of financial derivatives	933	441	900
Less: Deferred tax assets related to derivatives	–205	–126	–219
Add: Deferred tax liabilities related to properties	2,011	1,732	1,930
EPRA NAV	**14,438**	**13,153**	**13,816**

Key ratios

Financial data	Q1 2015	Q1 2014	FY 2014
Return on equity, %	3.6	3.3	12.0
Equity to assets ratio, %	38.7	38.1	38.1
Loan to value, %	47.5	53.9	48.7
Interest coverage ratio	2.5	2.1	2.6
Average cost of debt, %	–3.4	–3.9	–3.6
Net interest-bearing debt, MSEK	12,444.3	13,947.5	12,587.4
Investments, excluding acquisitions, MSEK	86.2	159.0	527.5
Per share data[1]			
Earnings per share, SEK	2.49	2.34	8.35
Cash earnings per share, SEK	1.14	0.99	5.82
Shareholders' equity per share, SEK	70.97	72.69	69.30
Net asset value (EPRA NAV) per share, SEK	96.25	87.69	92.11
Dividend per share, SEK	—	—	6.9[3]
Weighted average number of shares outstanding, after dilution, thousands[1]	150,000	150,000	150,000
Property data			
Number of hotels, end of period[2]	104	119	104
Number of rooms, end of period[2]	21,969	24,780	21,969
WAULT, yrs	8.7	8.4	9.0
Property market value, MSEK	26,995.9	27,100.6	26,503.7
Property market value, Investment properties, MSEK	21,233.1	22,588.1	20,843.3
Property market value, Operating properties, MSEK	5,762.8	4,512.5	5,660.4
RevPAR (Operating properties) for comparable units at constant exchange rates, SEK	572	517	645

1 Retrospectively adjusted for share split in May 2015. Total number of outstanding shares after split amount to 150,000,000, of which 75,000,000 are A shares and 75,000,000 are B shares. For a fair comparison this number of shares is used for the calculation of key ratios.
2 Hotel properties owned by Pandox.
3 For 2014 is indicated proposed dividend and resolved extra dividend paid during 2014.

Condensed income statement for the parent company

MSEK	Note	Q1 2015	Q1 2014	2014
Administration cost		–26.7	–22.7	–95.6
Other income		14.0	13.9	55.6
Operating profit		–12.7	–8.8	–40.0
Financial income		4.2	6.8	105.5
Interest rate expenses		–45.8	–57.8	–226.2
Received dividends		—	83.4	1,264.7
Write-down of value of shares in subsidiaries		—	—	–465.9[1]
Other financial income and expenses		–15.5	–9.9	–39.6
Profit after financial cost		–69.8	13.7	598.5
Non-recurring income		—	—	136.2[1]
Profit before tax		–69.8	13.7	734.7
Current tax		—	—	—
Deferred tax		—	—	—
Profit for the period		–69.8	13.7	734.7

[1] Attributable primarily to the divestment of 14 Investment properties to Fastighets AB Balder in April 2014.

Condensed balance sheet for the parent company

MSEK	Mar 31, 2015	Mar 31, 2014	Dec 31, 2014
Assets			
Tangible assets	0.7	1.3	0.9
Financial assets	10,767.7	11,500.9	10,769.8
Current assets	162.7	153.7	155.6
Total assets	10,931.1	11,655.9	10,926.3
Equity and liabilities			
Equity	2,336.4	2,776.1	2,420.3
Provisions	6.1	5.3	5.8
Non-current liabilities	3,609.6	5,014.8	3,686.4
Current liabilities	4,979.0	3,859.7	4,813.8
Total equity and liabilities	10,931.1	11,655.9	10,926.3

Notes

Note 1 Operating segments

Pandox's segments consist of the Property management and Operator activities business streams. The Property management segment owns, improves and manages hotel properties and provides external customers with premises for hotel operations, as well as other types of premises adjacent to hotel properties. The Property management segment also includes eight asset management contracts for externally owned hotel properties. The Operator activities segment owns hotel properties and operates hotels in such owned properties. The Operator activities segment also includes one hotel operated under a long-term lease agreement and one hotel property under an asset management agreement. Non-allocated items are any items that are not attributable to a specific segment or are common to all. The segments have been established based on the reporting that takes place internally to executive management on financial outcomes and position. Segment reporting applies the same accounting principles as those used in the annual report in general, and the amounts reported for the segments are the same as those for the Group. Scandic Hotels and Nordic Choice Hotels are tenants who account for more than 10 per cent of revenues. In the first quarter, 2015, rental income from Scandic Hotels amounted to MSEK 172.2 (181.4) and rental income from Nordic Choice Hotels amounted to MSEK 42.0 (45.2), corresponding to 56.3 (54.1) and 13.7 (13.5) per cent of total hotel rental income.

	Q1 2015			
Q1 2015	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	331.9	—	—	331.9
Revenue Operator activities	—	366.7	—	366.7
Total revenues	331.9	366.7	—	698.6
Costs Property management	–71.9	—	—	–71.9
Costs Operator activities	—	–348.1	—	–348.1
Gross profit	260.0	18.6	—	278.6
– whereof gross profit Property management	*260.0*	—	—	*260.0*
– whereof gross profit Operating activities	—	*18.6*	—	*18.6*
Central administration	—	—	–21.3	–21.3
Financial income	—	—	0.7	0.7
Financial expenses	—	—	–114.6	–114.6
Profit before changes in value	260.0	18.6	–135.2	143.4
Changes in value				
Properties, unrealised	363.1	—	—	363.1
Derivatives, unrealised	—	—	–33.1	–33.1
Profit before tax	623.1	18.6	–168.3	473.4
Current tax	—	—	–4.7	–4.7
Deferred tax	—	—	–94.7	–94.7
Profit for the period	623.1	18.6	–267.7	374.0

Q1 2015

Geographical area	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
– revenue Property management	193.0	29.3	45.8	49.3	14.5	331.9
– revenue Operator activities	—	19.2	—	4.9	342.6	366.7
Properties	12,573.2	2,549.1	2,739.5	3,083.7	6,050.4	26,995.9
Investments in properties	27.7	18.8	1.3	12.4	26.0	86.2

Note 1 cont'd.

	Q1 2014			
Q1 2014	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	358.6	—	—	358.6
Revenue Operator activities	—	304.4	—	304.4
Total revenues	358.6	304.4	—	663.0
Costs Property management	–80.6	—	—	–80.6
Costs Operator activities	—	–295.7	—	–295.7
Gross profit	278.0	8.7	—	286.7
– whereof gross profit Property management	*278.0*	—	—	*278.0*
– whereof gross profit Operator activities	—	*8.7*	—	*8.7*
Central administration	—	—	–15.1	–15.1
Financial income	—	—	1.2	1.2
Financial expenses	—	—	–144.9	–144.9
Profit before changes in value	278.0	8.7	–158.8	127.9
Changes in value				
Properties, unrealised	479.9	—	—	479.9
Derivatives, unrealised	—	—	–163.0	–163.0
Profit before tax	757.9	8.7	–321.8	444.8
Current tax	—	—	–3.9	–3.9
Deferred tax	—	—	–89.5	–89.5
Profit for the period	757.9	8.7	–415.2	351.4

Q1 2014

Geographical area	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
– revenue Property management	219.6	27.3	44.1	46.3	21.3	358.6
– revenue Operator activities	—	12.7	—	5.7	286.0	304.4
Properties	13,827.5	2,262.8	2,688.7	2,910.3	5,411.3	27,100.6
Investments in properties	63.4	8.6	7.3	30.2	49.6	159.0

Differences between the Group's and the Parent Company's accounting principles

The differences between the Group's and the Parent Company's accounting principles are described below. The accounting principles described below for the Parent Company have been applied consistently in all periods presented in the Parent Company's financial statements.

Classification and presentation

The Parent Company's interim report includes an income statement and balance sheet in accordance with Chapter 9 of the Annual Accounts Act (ÅRL). They are presented according to the presentation schedule in ÅRL. The differences between the Parent Company's income statement and balance sheet and the Group's financial statements mainly relate to reporting of financial income and expense, non-current assets, equity, and provisions as a separate heading in the balance sheet.

Subsidiaries

The Parent Company recognises participations in subsidiaries according to the cost method, whereby transaction expenses are included in the carrying amounts of holdings in subsidiaries. In the consolidated financial statements transaction expenses attributable to subsidiaries are recognised directly through profit or loss as they arise.

Contingent consideration is measured based on the likelihood that the consideration will be paid. Any changes in provisions/receivables are added to/subtracted from cost. In the consolidated accounts contingent consideration is recognised at fair value with changes in value recognised through profit or loss.

Financial instruments and hedge accounting

Due to the connection between reporting and taxation, the rules for financial instruments and hedge accounting in IAS 39 are not applied for the Parent Company as a legal entity.

The Parent Company's financial non-current assets are measured at cost less any impairment losses, and financial current assets are measured according to the lowest cost principle. The cost of interest-bearing instruments is adjusted for the accrued difference between the amount originally paid after deducting transaction costs and the amount paid on the maturity date (premium or discount).

Interest-rate swaps that effectively hedge cash-flow risk in interest payments on liabilities are measured net of the accrued receivable for variable interest and accrued liability for fixed interest. The difference is recognised as interest expense or interest income. Hedging is effective if the financial substance of the hedge and the liability are the same as if the liability had instead been recognised at a fixed market interest rate when the hedging relationship was entered into. Any premium paid for the swap agreement is accrued as interest over the term of the agreement.

Anticipated dividends

Anticipated dividends from subsidiaries are reported in cases where the Parent Company has the sole right to determine the size of the dividend and the Parent Company has taken a decision on the size of the dividend before publishing its financial statements.

Operating segment reporting

The Parent Company does not report segments with the same breakdown and to the same extent as the Group, but instead discloses the breakdown of net sales by the Parent Company's business streams.

Property, plant and equipment

Property, plant and equipment for the Parent Company is recognised at cost after deduction for accumulated depreciation and any impairment losses in the same way as for the Group but with the addition of any appreciation.

Leased assets

The Parent Company recognises all leases according to the rules for operating leases.

Group contributions

Group contributions made/received to/from subsidiaries are recognised as year-end appropriations. Group contributions made/received to/from SU-ES AB are charged or credited directly to equity as paid dividend or received shareholders' contribution, reflecting the true economic nature of the transaction.

Definitions

Return on equity, %
Profit or loss for the period, attributable to the shareholders of the parent company, as a percentage of average equity (shareholders' equity).

Equity to asset ratio, %
Reported shareholders' equity as a percentage of total assets at the end of the period

Loan to value ratio, %
Interest-bearing liabilities as a percentage of the total market property market value at the end of the period.

Interest coverage ratio
Profit before value changes, plus financial expenses and depreciation, divided by financial expenses.

Average cost of debt, %
Average interest rate paid as a percentage of current interest bearing debt.

Net interest bearing debt, MSEK
Total interest bearing liabilities less cash and cash equivalents.

Investments, excluding acquisitions, MSEK
Investments in properties, excluding acquisitions.

Gross profit, Property management, MSEK
Revenue less directly related costs for Property management.

Gross profit, Operator activities, MSEK
Revenue less directly related costs for Operator activities and depreciation on fixed assets excluding acquisitions.

Net operating income, Property management, MSEK
Net operating income Property management corresponds to gross profit Property management. Please see page 27 for full reconciliation.

Net operating income, Operator activities, MSEK
Gross profit for Operator activities plus depreciation included in costs, Operator activities. Please see page 27 for full reconciliation.

EBITDA, MSEK
Total net operating income less central administration excluding depreciation. Please see page 27 for full reconciliation.

Cash earnings, MSEK
EBITDA plus financial income less financial expenses less current tax. Please see page 27 for full reconciliation.

Cash earnings per share, SEK
EBITDA plus financial income less financial expenses less current tax divided by the weighted average total number of shares outstanding.

Earnings per share, SEK
Profit for the period, attributable to the shareholders of the parent company, divided by the weighted average total number of shares outstanding.

Shareholders' equity per share, SEK
Reported shareholders' equity attributable to the shareholders of the parent company, divided by the total number of shares outstanding at the end of the period.

Net asset value (EPRA NAV) per share, SEK
Recognised equity, attributable to the shareholders of the parent company, including reversal of derivatives and deferred tax and revaluation of Operating properties divided by total number of diluted shares outstanding at the end of the period. Please see page 27 for full reconciliation.

Dividend per share, SEK
Dividend for the year divided by the total weighted number of diluted shares outstanding at the end of the period.

Weighted average number shares, before dilution, thousands
The weighted average number of shares incorporates any changes in the amount of outstanding shares, before dilution, over the reporting period.

Weighted average number shares, after dilution, thousands

The weighted average number of shares incorporates any changes in the amount of outstanding shares, after dilution, over the reporting period.

Number of hotels

Number of owned hotel properties, at the end of the period.

Number of rooms

Number of rooms in owned hotel properties, at the end of the period.

WAULT (Investment properties), years

Average lease term remaining to expiry, across the Investment property portfolio, weighted by contracted rental income.

Property market value, MSEK

Market value of Investment properties plus market value of Operating properties.

RevPAR Operator activities (comparable units at constant exchange rates), SEK

Revenue per available room, i.e., total revenue from sold rooms divided by the number of available rooms. Comparable units are defined as properties that have been fully owned during the entire current period and the corresponding comparative period. Constant exchange rate is defined as the exchange rate of the current period, and the corresponding comparative period is recalculated based on that rate.

Auditors' report regarding historical interim financial information

REVIEW REPORT

To the Board of Directors of Pandox AB (publ)
Corp. id. 556030-7885

Introduction

We have reviewed the summary interim financial information (interim report) of Pandox AB (publ) as of 31 March 2015 and the three-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causesus to believe thatthe interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 14 May, 2015

Per Gustafsson
Authorised Public Accountant

Willard Möller
Authorised Public Accountant

Historical annual financial information for 2012–2014

Consolidated statement of profit and loss and other comprehensive income

MSEK	Note	2014	2013	2012
Revenue Property management				
Rental income	2, 3	1,417.8	1,522.5	1,540.4
Other property income	2	59.5	66.6	55.1
Revenue Operator activities	2	1,598.3	1,307.7	1,178.9
Total revenues		**3,075.6**	**2,896.8**	**2,774.4**
Costs Property Management	2, 5, 7, 8	–291.6	–312.5	–293.1
Costs Operator activities	2, 6, 7, 8	–1,387.1	–1,200.2	–1,078.1
Gross profit		**1,396.9**	**1,384.1**	**1,403.2**
– whereof gross profit Property Management	2	*1,185.7*	*1,276.6*	*1,302.4*
– whereof gross profit Operator activities	2	*211.2*	*107.5*	*100.8*
Central administration	4, 8	–82.0	–64.0	–57.2
Finance income	9	4.8	7.6	14.1
Finance expenses	9	–540.9	–614.7	–599.7
Profit before changes in value		**778.8**	**713.0**	**760.4**
Changes in value				
Properties, unrealised	2, 12	906.3	375.5	232.9
Properties, realised	2, 12	290.7	—	29.4
Derivatives, unrealised	9, 17	–622.0	320.8	–212.1
Profit before tax		**1,353.8**	**1,409.3**	**810.6**
Current tax	11	–15.9	–197.0	–9.0
Deferred tax	11	–85.2	–264.6	–305.1
Profit for the year attributable to owners of the Parent Company		**1,252.7**	**947.7**	**496.5**
Other comprehensive income				
Items that have been or may be reclassified to profit or loss				
Translation differences foreign operations		–2.7	–32.2	–81.6
Other comprehensive income for the year		**–2.7**	**–32.2**	**–81.6**
Total profit for the year attributable to owners of the Parent Company		**1,250.0**	**915.5**	**414.9**
Earnings per share before and after dilution, SEK [1]		8.4	6.3	3.3
Total earnings per share before and after dilution, SEK [1]		8.3	6.1	2.8

1) The average number of shares for calculating earnings per share and the Total earnings per share have been adjusted to take account of the 6:1 split in May 2015.

Consolidated statement of financial position

MSEK	Note	Dec 31 2014	Dec 31 2013	Dec 31 2012	Jan 1 2012
ASSETS					
Non-current assets					
Operating properties	14	4,135.1	3,591.4	2,979.5	3,157.6
Equipment/Interiors	13	722.6	659.2	537.2	361,5
Investment properties	12	20,843.3	21,910.7	21,841.9	21,079.3
Deferred tax assets	11	923.4	772.8	801.1	901.1
Other non-current receivables	10	26.3	45.3	10.4	28.5
Total non-current assets		**26,650.7**	**26,979.4**	**26,170.1**	**25,258.0**
Current assets					
Inventories		10.8	9.6	7.1	8.2
Current tax assets		44.3	59.7	11.0	5.2
Trade accounts receivable	15	152.9	159.5	147.0	116.7
Prepaid expenses and accrued income		96.8	65.7	74.7	105.8
Other current receivables		10.5	8.3	22.5	96.1
Cash and cash equivalents		320.7	588.6	938.6	685.0
Total current assets		**636.0**	**891.4**	**1,200.9**	**1,017.0**
Total assets		**27,286.7**	**27,870.8**	**27,371.0**	**26,545.0**
EQUITY AND LIABILITIES					
Equity	16				
Share capital		375.0	375.0	373.5	373.5
Other paid-in capital		2,138.4	2,138.4	1,822.8	1,545.7
Reserves		–116.5	–113.8	–81.6	—
Retained earnings , including profit for the year		8,004.6	8,029.2	7,280.7	7,135.5
Equity attributable to owners of the Parent Company		**10,401.5**	**10,428.8**	**9,395.4**	**9,054.7**
LIABILITIES					
Non-current liabilities					
Interest-bearing liabilities	17, 18	11,785.7	14,401.5	14,839.0	14,507.5
Derivatives		899.8	277.8	598.7	386.5
Provisions	21	53.8	5.1	5.1	3.7
Deferred tax liability	11	1,993.0	1,707.5	1,457.1	1,266.0
Total non-current liabilities		**14,732.3**	**16,391.9**	**16,899.9**	**16,163.7**
Current liabilities					
Provisions	21	12.0	—	—	—
Interest-bearing liabilities	17, 18	1,122.4	173.3	180.6	—
Tax liabilities		18.7	12.1	31.2	16.2
Trade accounts payable		189.3	148.5	187.8	182.9
Liabilities group companies	20	207.7	32.9	32.9	19.2
Other current liabilities		166.0	241.1	259.4	482.1
Accrued expenses and prepaid income	19	436.7	442.2	383.8	626.2
Total current receivables		**2,152.9**	**1,050.1**	**1,075.7**	**1,326.6**
Total liabilities		**16,885.2**	**17,442.0**	**17,975.6**	**17,490.3**
Total equity and liabilities		**27,286.7**	**27,870.8**	**27,371.0**	**26,545.0**
Pledged assets	25	11,635.4	12,559.7	15,806.6	—
Contingent liabilities	25	5.8	4.3	4.3	—

Consolidated statement of changes in equity

MSEK	Share capital	Other paid in capital	Translation reserves	Retained earnings	Total equity
	Attributable to owners of the Parent Company				
Opening balance January 1, 2012	373.5	1,545.7	—	7,135.5	9,054.7
Profit for the year	—	—	—	496.5	496.5
Other comprehensive income	—	—	–81.6	—	–81.6
Comprehensive income for the year	—	—	–81.6	496.5	414.9
Dividend	—	—	—	–336.8	–336.8
Shareholders contribution	—	277.1	—	—	277.1
Group contributions	—	—	—	–14.5	–14.5
Closing balance December 31, 2012	373.5	1,822.8	–81.6	7,280,7	9,395.4
Equity, opening balance January 1, 2013	373.5	1,822.8	–81.6	7,280,7	9,395.4
Profit for the year	—	—	—	947.7	947.7
Other comprehensive income	—	—	–32.2	—	–32.2
Comprehensive income for the year	—	—	–32.2	947.7	915.5
Dividend	—	—	—	–199.2	–199.2
Shareholders contribution	—	315.6	—	—	315.6
New share issue	1.5	—	—	—	1.5
Closing balance December 31, 2013	375.0	2,138.4	–113.8	8,029.2	10,428.8
Equity, opening balance January 1, 2014	375.0	2,138.4	–113.8	8,029.2	10,428.8
Profit for the year	—	—	—	1,252.7	1,252.7
Other comprehensive income	—	—	–2,7	—	–2,7
Comprehensive income for the year	—	—	–2,7	1,252.7	1,250,0
Dividend	—	—	—	–1,102.5	–1,102.5
Group contributions	—	—	—	–174.8	–174.8
Closing balance December 31, 2014	375.0	2,138.4	–116.5	8,004.6	10,401.5

Year 2014 *)	
Number of shares outstanding at year-end	150,000,000
Average number of shares before and after dilution	150,000,000
Year 2013*)	
Number of shares outstanding at year-end	150,000,000
Average number of shares before and after dilution	149,411,500
Year 2012*)	
Number of shares outstanding at year-end	149,400,000
Average number of shares before and after dilution	149,400,000

*) The average number of shares for calculating earnings per share have been adjusted to take account of the 6:1 split in May 2015.

Consolidated statement of cash flows

MSEK	Note	2014	2013	2012
OPERATING ACTIVITIES				
Profit before tax		1,353.8	1,409.3	810.6
Reversal of depreciation		109.6	102.3	88.1
Changes in value, investment properties, realised		–290.7	—	–29.4
Changes in value, investment properties, unrealised		–906.3	–375.5	–232.9
Changes in value, derivatives, unrealised		622.0	–320.8	212.1
Taxes paid		–7.3	–242.3	–2.6
Cash flow from operating activities before changes in working capital		**881.1**	**573.0**	**845.9**
Increase/decrease in operating assets		–12.5	–40.5	69.6
Increase/decrease in operating liabilities		12.0	7.7	–276.9
Changes in working capital		**–0.5**	**–32.8**	**–207,3**
Cash flow from operating activities		**880.6**	**540.2**	**638,6**
INVESTING ACTIVITIES				
Investments in investment properties		–352.8	–451.9	–326,2
Investments in operating properties		–87.2	–40.4	–12.6
Investments in equipment/interiors		–87,5	–168.7	–196.2
Divestment of subsidiaries, net affect on liquidity	29	2,606.8	—	232.0
Acquisitions of subsidiaries, net affect on liquidity	29	—	—	–560.2
Acquisitions of financial assets		–2.2	–35.0	–5.8
Divestment of financial assets		24.1	0.2	2.7
Cash flow from investing activities		**2,101.2**	**–695.5**	**–866.3**
FINANCING ACTIVITIES				
New share issue		—	435.0	—
Group contributions to Parent Company's shareholders		–174.8	—	–14.5
Raised loans		421.8	160.2	1,396.4
Amortisation of debt		–2,386.9	–609.2	–564.4
Paid dividends		–1,102.5	–199.2	–336.8
Cash flow from financing activities		**–3,242.4**	**–213.2**	**480.7**
Cash flow for the year		**–260.6**	**–368.5**	**253.0**
Cash and cash equivalents at the beginning of year		588.6	938.6	685.0
Exchange difference in cash and cash equivalents		–7.3	18.5	0.6
Cash and cash equivalents at year-end		320.7	588.6	938.6
Information regarding interest payments				
Interest received		4.8	7.6	14.1
Interest paid		–521.9	–606.7	–591.7
Information regarding cash and cash equivalents at year-end		**320.7**	**588.6**	**938.6**
Cash and cash equivalents consist of bank deposit				

Key ratios

	Dec 31 2014	Dec 31 2013	Dec 31 2012
Financial data			
Return on equity, %	12.0	9.6	5,4
Equity to assets ratio, %	38.1	37.4	34.3
Loan to value, %	48.7	55.5	59.4
Interest coverage ratio, %	2.6	2.3	2.4
Average cost of debt,%	–3,6	–4.0	–3.9
Net interest bearing debt, MSEK	12,587.4	13,986.2	14,081.0
Investments, ex acquisitions, MSEK	527.5	660.7	535.0
Per share data			
Earnings per share, SEK	8.4	6.3	3.3
Cash earnings per share, SEK	5.8	4.1	5.6
Shareholder´s equity per share, SEK	69.3	69.8	62.9
Net asset value (EPRA NAV) per share, SEK	92.1	82.6	74.8
Dividend per share, SEK [2]	6.9	1,4	1.3
Weighted average number of shares outstanding, thousands[1]	150,000	149,412	149,400
Property data			
Number of hotels, end of period	104	119	119
Number of rooms, end of period	21,969	24,780	24,661
WAULT (investment properties), years	9.0	—	—
Property market value, MSEK	26,503.7	26,281.8	25,291.0

1) The average number of shares for calculating earnings per share and the Total earnings per share have been adjusted to take account of the 6:1 split in May 2015.

2) Proposed dividend for 2014 and approved extra dividend paid during 2014.

Notes

Amounts in MSEK unless otherwise indicated

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NOTE 1 ACCOUNTING PRINCIPLES

Introduction

The consolidated financial statements cover Pandox, the Parent Company and its subsidiaries (the Group). The Parent Company has its registered office in Sweden at Vasagatan 11, 111 20 Stockholm. The Parent Company of the Group is Pandox AB (publ), corporate reg. no. 556030-7885. The Parent Company of Pandox AB (publ) is SU-ES AB, corporate reg. no. 556647-0786, which has its registered office in Stockholm. Pandox is ultimately owned by the Norwegian companies Eiendomsspar AS, Helene Sundt AS and CGS Holding AS.

The financial statements were approved for publication on the 5th of June 2015.

Accounting basis

Conformity with standards and laws

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Regulations for Groups has also been applied.

Basis for preparation of the financial statements

In 2010 Sech Holding AB acquired 100 per cent of the shares in Norgani Hotels AS. Pandox AB owned 50 per cent of Sech Holding AB and the remaining 50 per cent was owned by Heches Holding AB. Pandox AB therefore reported the holding in Norgani Hotels AS as an associated company. The holding was reported in the consolidated accounts according to the equity method. On December 1, 2013 Pandox AB acquired Heches Holding AB's shares in Sech Holding AB. The acquisition was executed through an issue of shares for a non-cash consideration. After this transaction Pandox AB owned 100 per cent of the shares in Sech Holding AB and therefore also 100 per cent of the shares in Norgani Hotels AS. In the 2013 balance sheet Pandox AB reported the holding in Norgani Hotels AS as a wholly-owned sub-subsidiary. To supplement its previously published Annual Reports for 2013 and 2014, Pandox AB has reported a pro-forma income statement to present the income statement as if the Company had owned 100 per cent of Norgani from the beginning of the 2013 financial year.

Pursuant to the decision for Pandox AB to apply IFRS in the preparation of its consolidated accounts, the financial statements have been restated according to IFRS. The transition was made retroactively as of January 1, 2012. The transition to IFRS is reported according to IFRS 1 First-time Adoption of International Financial Reporting Standards. Accordingly, the effects from the transition arising in the restatement to IFRS have been factored into the financial statements. The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations from the IFRS Interpretations Committee (formerly IFRIC) as adopted by the EU, as well as the recommendations and statements published by the Swedish Financial Reporting Board.

The historical financial information for the years 2012 and 2013 have been prepared as combined financial statements. One prerequisite for reporting combined financial statements is that there are so-called binding elements. Since there was common control both before and after the acquisition of the remaining 50 per cent of the shares in Norgani Hotels AS, binding elements exist as a basis for preparing the financial statements with the assumption that Pandox owned 100 per cent of Norgani Hotels AS during the periods presented in the historical financial information. Pandox AB prepared the accounts for the combined financial statements by consolidating Norgani Hotels AS as a wholly-owned subsidiary in its consolidated accounts for the period 2012–2014.

The accounting for the combined financial statements are based on the Discussion Paper "Combined and Carve-Out Financial Statements" (February 2013) published by the Federation of European Accountants (FEE) since IFRS does not address transactions under common control or combined financial statements.

Basis for valuation

Investment properties and derivative instruments are recognised at fair value on an ongoing basis. Other assets and liabilities are recognised at historic cost or where applicable at amortised cost for non-derivative financial liabilities and financial assets.

Functional currency and reporting currency

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and of the Group. The financial reports are therefore presented in Swedish kronor. All amounts are stated in millions of kronor with one decimal, unless otherwise indicated.

Classification

Non-current assets and non-current liabilities consist of amounts expected to be recovered or paid after 12 months have passed since the balance sheet date. Current assets and current liabilities consist of amounts expected to be recovered or paid within 12 months from the balance sheet date.

Judgments and estimates

When preparing financial reports it is necessary to make judgments in the application of accounting principles and estimates with respect to the value of assets, liabilities, revenue and expenses. Estimates and assumptions are based on past experiences and other factors deemed relevant and reasonable. Estimates and assumptions are reviewed regularly and compared to actual outcomes. See also Note 23.

Changed accounting principles

As of January 1, 2014 Pandox is applying IFRS in its consolidated accounting. The transition to accounting according to IFRS has been reported for the Group in accordance with IFRS 1 and is described in Note 25 Effects of the transition to IFRS. Comparative figures for 2012 and 2013 have been recalculated in accordance with IFRS. Important accounting principles are summarised in the section below. The accounting principles applied include new and changed standards issued by the International Accounting Standards Board (IASB) as well as interpretations that went into effect in previous years.

New IFRSs that have not yet begun to be applied

IFRIC 21 *Levies* contains rules on various types of fees imposed on companies by government authorities and at what point an obligating event occurs requiring a liability to be recognised. The statement is being applied from the beginning of 2015 and requires full recognition of property tax liabilities on January 1 every year. However, the principle of accrual of expenses over the year remains unchanged.

IFRS 9 *Financial Instruments* replaces IAS 39 Financial Instruments: Recognition and Measurement, from the beginning of 2018. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as hedge accounting. IFRS 9 has yet to be approved by the EU and early application is therefore not permitted. The Company believe that this will not affect the company.

IFRS 15 *Revenue from Contracts with Customers* to be applied starting from January 1, 2017 provided that the standard is adopted by the EU. A preliminary analysis indicates that IFRS 15 will not affect the consolidated accounts to any significant extent.

Other new or amended IFRSs, including statements, are not expected to have any effect on the consolidated accounts.

Operating segment reporting

An operating segment is a unit in the Group with operations from which revenue can be generated and costs incurred, and for which independent financial information is available. An operating segment's performance is monitored by a company's chief operating decision-maker (CEO) to evaluate performance and to be able to allocate resources to the operating segment. Pandox has two segments: Property management and Operator activities See Note 2 for a more detailed description of the division and presentation of operating segments.

Consolidation principles

Controlling interests and the acquisition method

Subsidiaries are companies that are under the direct or indirect control of the Parent Company. A controlling interest exists if the Parent Company directly or indirectly has a controlling interest over the investment object, is exposed to or has the right to variable returns from its holding in the investment object, and can use its influence over the investment object to affect the size of its returns.

The acquisition method of accounting is used for subsidiaries. With the acquisition method, a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. In an acquisition analysis the acquisition date fair value of the identifiable assets acquired and liabilities assumed as well as any non-controlling interests are established. Transaction costs, with the exception of transaction costs relating to any equity instruments or debt instruments issued, are recognised directly in profit or loss for the year. See section 5.3 for treatment of transaction costs in connection with asset purchases.

Changes in ownership.

Acquisitions made on several occasions which increase in ownership of a company are reported as step acquisitions. Once a controlling interest has been achieved, changes in ownership are recognised as a transfer in equity between owners of the Parent Company and non-controlling interests. In the case of a reduction of ownership to the extent that the controlling interest is lost, the subsidiary's assets and liabilities are derecognised and, where applicable, non-controlling interests, at which point the capital gain or loss is recognised through profit of loss combined with any gain or loss on remaining holdings measured at fair value with changes in value recognised through profit or loss.

Asset purchase

An acquisition of a company can either be regarded as an asset purchase or a business combination. In an asset purchase, the transaction is not covered by IFRS 3.

If the main purpose of the acquisition is to acquire the purchased company's properties and where no property management organisation exists, the transaction is recognised as an asset purchase. An acquisition of a company where there is a property management organisation is reported as a business combination.

When the acquisition of subsidiaries involves the purchase of net assets that do not constitute a business, the acquisition costs of the individual identifiable assets and liabilities are divided up based on their fair value at the date of the acquisition.

In asset purchases no deferred tax relating to the property is recognised. Instead, any discount will reduce the value of the property. Changes in value on properties are affected by the tax discount on subsequent measurements. Transaction costs are capitalised and added to the acquisition cost.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. Functional currency is the currency of the primary economic environment where the companies conduct their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the closing day. Exchange-rate differences that arise from translations are recognised in profit or loss for the year. Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rates in effect on the date of the transaction. Non-monetary assets and liabilities recognised at fair value are translated into the functional currency at the rate in effect on the date of fair value measurement.

Financial statements of foreign operations

Assets and liabilities of foreign operations and other consolidated surpluses and deficits, are translated from the foreign operation's functional currency to the Group's reporting currency (Swedish kronor) at the exchange rate prevailing on the closing day. Revenue and expenses in a foreign operation are translated to Swedish kronor at an average exchange rate which is an approximation of the exchange rates prevailing on each transaction date. Translation differences arising in currency translation of foreign operations are recognised in other comprehensive income and accumulated in a separate component of equity, called the translation reserve. When a controlling interest ceases to exist for a foreign operation, the cumulative translation differences relating to the operation are realised, at which point they are reclassified from the translation reserve in equity to profit or loss for the year. In the case of a disposal where the controlling interest still exists, a proportional per centage of the cumulative translation differences is transferred from the translation reserve to non-controlling interests.

The Company has decided to state the cumulative translation differences attributable to foreign operations at zero at the time of the transition to IFRS.

Income

Rental income

Rental income from investment properties is recognised on a straight line basis according to the terms and conditions in the leases (rental agreements). Rental income relates to the leased space in hotel operations.

Other property income

Other property income consists mainly of charges for heating, electricity and property tax and is recognised on a straight line basis based on the terms and conditions in the leases (rental agreements).

Income from operating properties

Income from operating properties relates to the hotel operations operated under management agreements and franchise agreements as well as hotels operated by Pandox.

Gains/losses from property sales

Gains/losses from property sales is normally recognised on the occupancy date unless the risks and benefits have been transferred to the purchaser on an early occasion. Control over the assets may have been transferred on an earlier occasion than the occupancy date and in such a case, gains/losses from the property sale is recognised at this earlier date. In determining the date for gains/losses recognition, consideration is given to what has been agreed by the parties with reference to risks and benefits as well as commitment in the day-to-day management operations. Also, circumstances are taken into account which are outside the seller's and/or the purchaser's control and which may affect the outcome of the transaction.

In the sale of properties where rental guarantees exist, the present value is calculated of the likely outflow of guarantee payments and this is recognised as a provision.

Leases

Leases are classified either as financial or operating leases. Financial leases exist when the economic risks and benefits associated with ownership are in all material respects transferred to the lessee. When this is not the case, the lease is an operating lease.

Expenses relating to operating leases are recognised in profit or loss for the year on a straight line basis over the term of the lease. Benefits received in connection with signing an agreement are recognised in profit or loss for the year as a reduction of lease payments on a straight line basis over the term of the lease. Benefits received in connection with signing an agreement are recognised through profit or loss as a reduction of the total cost of the lease. Variable payments are recognised as expenses in the periods when they arise. Pandox's leases are for company cars and office equipment. Although these are by definition financial leases, as they are not deemed of material significance, they are recognised as operating leases.

All rental agreements for premises are classified as operating leases. See "Rental income" section above.

The Group has no financial leases where the Group is the lessor.

Financial income and financial expenses

Financial income consists of interest income on invested funds. Interest income is recognised using the effective-interest method as the income is earned.

Financial expenses are interest, charges and other expenses arising when Pandox takes on interest-bearing liabilities. These expenses are included in the interest expense that is recognised according to the effective-interest method.

Exchange rate- gains and losses are recognised as net amounts.

Derivatives are used to hedge the risks for the interest risk the Group is exposed to. Interest payments for interest rate derivatives (interest rate swaps) are recognised as interest expense in the period to which they pertain. Other changes in the fair value of interest rate derivatives are recognised on a separate line in profit or loss for the year.

Dividend revenue is recognised when the right to receive dividends is established at the respective subsidiaries' annual general meetings.

Change in value of investment properties and unrealised changes in value of derivatives

Unrealised and realised changes in fair value on investment properties and unrealised changes in value on interest rate derivatives are recognised through profit or loss in separate items after the financial items under the heading "changes in value."

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit or loss for the year, except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the accompanying tax effect is also recognised in other comprehensive income or equity.

Current tax is tax to be paid or received for the year in question applying the tax rates that have been enacted or substantially enacted as of the closing day. Current tax also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not taken into account in goodwill arising upon consolidation nor for differences arising on initial recognition of assets and liabilities that are not business combinations and that on the transaction date affect neither recognised nor taxable profit, such as in the case of asset purchases. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Deferred tax is measured based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated applying the tax rates and tax rules that have been enacted or substantially enacted as of the closing day.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are recognised only to the extent that it is likely they will be able to be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

When shares in subsidiaries are acquired, the acquisition is classified as either a business combination or an asset purchase. In business combinations, deferred tax is recognised as a nominal, applicable undiscounted rate according to the principles above. In asset purchases, no deferred tax is recognised; instead the value of the property is reduced by the amount on the purchase date that was the deduction attributable to deferred tax on the assets. However, deferred tax is recognised on changes in value of investment properties during the year.

Properties

Investment properties

Investment properties are properties owned for the purpose of obtaining rental revenue, an appreciation in value or a combination of both. Investment properties include buildings, land, land improvements and property equipment. Properties under construction and reconstruction that are intended for use as investment properties once work is completed are also classified as investment properties.

Investment properties are recognised at fair value in accordance with accounting standard IAS 40. Investment properties are initially recognised at cost including expenses directly attributable to the acquisition.

Fair value is based on the market value and represents the estimated amount that would be received in a transaction on the appraisal date between knowledgeable parties who are independent of each other and who have an interest in ensuring the transaction is executed following customary marketing, where both parties are assumed to have acted in a way that is well-informed, wise and free of pressure.

Fair value is established through an internal valuation model which is described in Note 12. The valuation model used is a combination of the location price method and the return-based method. The valuation model consists of a cash flow model where future cash flows that the investment properties are expected to generate are discounted. In addition to the internal valuation, the investment properties go through an annual external valuation process and around 25 per cent of the stock is subject to quarterly external evaluations. A detailed inspection should be conducted at least every three years. A description of the valuation methods, significant input data in value assessments and the level of the properties in the value hierarchy can be found in Note 12.

Both unrealised and realised changes in value are recognised in profit or loss for the year. Realised changes in value are changes in value from the most recent quarterly report up to the divestment date for properties divested during the period after taking into account capitalised investment expenditures during the period. Unrealised changes in value are other changes in value not arising from acquisitions or capitalised investment expenditures.

Property sales and property purchases are recognised when the risks and benefits associated with ownership are transferred to the buyer or seller. See section 7.4 Revenue from property sales.

Additional expenses are capitalised for investment properties if it is probable that the future economic benefits associated with the expenditure will accrue to the Company and the cost can be reliably calculated. All other additional expenses are expensed in the period when they arise. Expenses for replacement of identified components and addition of new components are added at their carrying amounts when they meet the criteria described above. Repairs and maintenance expenditures are expensed as they arise.

Operating properties

The properties used in operator activities are classified as operating properties. Operating properties are recognised at cost less accumulated depreciation and any accumulated impairment losses.

The operating properties consist of a number of components with varying useful lives. The main category consists of buildings and land. There is no depreciation of the land component as its useful life is determined as indefinite. The buildings consist of a number of components whose useful lives vary.

Additional expenses are added to cost only if it is likely that the future economic benefits associated with the asset will accrue to the Company and the cost can be reliably calculated. All other subsequent expenditures are expensed in the periods when they arise.

Additional expenses is added to cost if the expense is related to replacement of identified components or parts thereof. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or parts of components, are disposed of and expensed at the time of the replacement. Repairs are expensed on a continuous basis. Depreciation periods are between three and 150 years, depending on the component.

The following main groups of components have been identified and form the basis for the depreciation of buildings:

– Frame	150 years
– Roof	50 years
– Facade	50 years
– Interior surfaces	20 years
– Installations	25 years
– Bathrooms	25 years
– Special adaptations	50 years
– Fixed interiors	15–25 years
– Land improvements	28 years
– Equipment	3–15 years

The depreciation methods (straigh line basis), residual values and useful lives used are reassessed at the end of each year.

Property, plant and equipment which are not operating properties

Property, plant and equipment are recognised within the Group at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the manner intended when it was purchased. Accounting principles for impairment losses are described below. The carrying amount of a property, plant and equipment item is removed from the statement of financial position when an item is disposed of or divested, or when no future economic benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising from divestment or disposal of an asset consist of differences between the selling price and the asset's carrying amount less direct costs to sell.

Depreciation principles

Depreciation occurs on a straight line basis over the estimated useful life of the asset:
– Machinery and equipment 3–15 years

Additional expenses

Additional expenses are added to cost only if it is likely that the future economic benefits associated with the asset will accrue to the Company and the cost can be reliably calculated. All other additional expenses are expensed in the periods when they arise.

Financial instruments

Financial instruments recognised in the statement of financial position include the assets' financial investments, cash and cash equivalents, loan receivables, rental and accounts receivable and derivatives. The liabilities include trade accounts payable, loan liabilities and derivatives.

Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the Company has performed and there is a contractual obligation for the counterparty to pay, even if an invoice has not yet been sent. Trade accounts receivable are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade accounts payable are recognised when an invoice has been received.

A financial asset is derecognised from the statement of financial position when the contractual rights are realised, expire or the Company loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability. Offsetting of financial assets and financial liabilities occurs and the net amount is recognised in the statement of financial position only when the Company has a legal right to offset items against each other and intends to settle these items in a net amount, or simultaneously realise the asset and settle the liability.

Acquisitions and divestments of financial assets are recognised on the transaction date, which is the date the Company undertakes to acquire or divest the asset.

Classification and measurement

Financial instruments are initially recognised at cost, equivalent to the instrument's fair value plus transaction costs for all financial instruments except instruments in the categories of assets or liabilities at fair value through profit or loss, which are recognised at fair value of excluding of transaction costs. A financial instrument is classified upon initial recognition based, among other things, on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition as described below.

Cash and cash equivalents comprise cash and immediately available deposits at banks and equivalent institutions, plus short-term liquid investments with a maturity from the acquisition date of less than three months, which are subject to only an insignificant risk of fluctuations in value.

Financial assets measured at fair value through profit or loss

Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised though profit or loss. This category includes derivative instruments with a positive fair value. Pandox does not use the option to measure financial instruments other than derivatives in this category.

Loan receivables and trade accounts receivable

The category of loan receivables and trade accounts receivable consists of financial assets that are not derivatives, that have established or determinable payments and that are not listed on an active market. These assets are measured at amortised cost. Loan receivables and other receivables are recognised at the amounts that are expected to be received, i.e. after deductions for doubtful receivables.

Financial liabilities measured at fair value through profit or loss

Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised through profit or loss. This category includes derivative instruments with negative fair values. Pandox does not use the option to measure financial liabilities other than derivatives in this category.

Other financial liabilities

Loans and other financial liabilities, e.g. trade accounts payable, are included in this category. The liabilities are measured at amortised cost.

Derivatives and interest-rate risk

For financial hedging of forecasted interest flows from borrowing at variable interest rates, interest-rate swaps are used, whereby the Company receives variable interest and pays fixed interest. Interest-rate swaps are measured at fair value in the statement of financial position. The coupon rate portion is recognised on an ongoing basis as a component of interest expense. Unrealised changes in fair value on interest-rate swaps are recognised through profit or loss after the financial items on the line for changes in the value of derivatives.

Inventories

Inventories are stocks of consumables in the hotel operations.

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out (FIFO) method and includes expenditures that have arisen from the acquisition of inventory assets and from bringing them to their present location and condition.

Net realisable value is the estimated selling price in the course of operations less the estimated costs for completion and the estimated costs necessary to make the sale.

Impairment losses

The assets carried in the Group are tested on each closing date for indications of impairment. IAS 36 is applied for impairment of assets other than financial assets (which are recognised according to IAS 39), inventories, deferred tax assets, assets arising in connection with employee benefits (IAS 19) and investment properties carried at fair value (IAS 40). For the assets excluded above, the carrying amounts are determined according the respective standard.

Depreciation of property, plant and equipment

If there is an indication of impairment, the recoverable amount of the asset is calculated as described below. If it is not possible to determine the largely independent cash flow for an individual asset, and its fair value less costs to sell cannot be used, the assets are grouped for the purpose of impairment testing at the lowest level at which is it possible to identify largely independent cash flows – a so-called cash-generating unit.

An impairment loss is recognised when an asset's or a cash-generating unit's carrying amount exceeds its recoverable amount. Impairment losses are expensed through profit or loss. The recoverable amount is the higher of fair value less cost to sell and value in use. In calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the specific asset.

Impairment of financial assets

At every reporting occasion the Company assesses if there is objective evidence of impairment of a financial asset or group of assets. Objective evidence consists of an observable circumstance that has arisen and that has a negative impact on the ability to recover the cost of the asset.

The Company reviews which rents are unpaid before the tenth day of the next month.

The Company classifies rental receivables and other receivables as doubtful based on individual assessments in connection with the monthly reviews. The need of impairment of the receivables is established based on past experience of bad debt losses with similar receivables. Receivables where there is indication of impairment are recognised at the present value of future expected cash flows. Receivables with short maturities are, however, not discounted.

Reversal of impairment losses

Impairment losses on assets covered by IAS 36 are reversed if there is both an indication that the impairment loss no longer exists and there has been a change in the assumptions on which the calculation of the recoverable amount was based. An impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that the asset would have had, minus depreciation/amortisation where applicable, if no impairment loss had been recognised.

Impairment losses on loan receivables and trade accounts receivable that are recognised at amortised cost are reversed if the past reason for the impairment loss no longer exists and the corresponding payment is expected to be received from the customer.

Employee benefits

Defined contribution pension plans

Defined contribution plans are plans for post-employment benefits where a company pays fixed contributions to another company (normally an insurance company) and has no legal obligation or informal obligation to pay any additional amount, even if the other company does not meet its commitments. In such plans the size of the employee's pension depends on the contributions the Company pays into the plan or to an insurance company, and on the return on capital those contributions provide. Consequently, it is the employee who bears the actuarial risk that the benefits will be lower than expected and the investment risk, i.e. that the invested assets will be insufficient to provide the anticipated benefits. The Company's obligations with respect to contributions to defined contribution plans are expensed through profit or loss as they are earned when the employees perform services for the Company over a period of time.

Endowment insurances for employees

The Company has defined contribution endowment insurances for employees who have a pension premium exceeding ten price bass amounts (SEK 444,000 for 2014), the portion which, under the Company's pension policy, exceed ten price base amounts is invested in an endowment insurance, the premium is defined as a per centage of the salary taking into account the employee's salary and age, the endowment policies are pledged to the employee.

Short-term benefits

Short-term benefits to employees are calculated without discount and expensed when the related services are performed. A provision is recognised for the anticipated cost of bonus payments when the Group has a valid legal or informal obligation to make such payments because services have been performed by employees and the obligations can be reliably calculated.

Termination benefits

Costs for employee termination benefits are expensed at the earliest of the date the Company can no longer withdraw its offer to the employees or the date the Company recognises restructuring costs. Benefits that are expected to be settled after a period of twelve months are recognised at their present value. Benefits that are not expected to be settled in full within twelve months are recognised as long-term benefits.

Provisions

A provision differs from other liabilities in that there is uncertainty about the payment date or the amount needed to settle the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are made in the amount that is the best estimate of what is required to settle the existing obligation on the closing day. A provision for a loss-making contract is recognised when the anticipated benefits the Group is expected to receive from a contract are lower than the unavoidable costs to meet the obligations under the contract.

In the sale of properties where rental guarantees exist, the present value is calculated of the likely outflow of guarantee payments and this is recognised as a provision.

Non-current assets held for sale

The implication of a non-current asset or a disposal group that has been classified as held for sale is that its carrying amount will be largely recovered through the sale of the asset and not through its use. An asset or disposal group is classified as held for sale if it is available for immediate sale in its existing condition, and it is very likely that a sale will take place. These assets or disposal groups are reported on a separate line as current assets or current liabilities in the statement of financial position. For depreciable assets, depreciation stops after it is classified as an asset held for sale.

Immediately before classification as held for sale, the carrying amount is determined for the assets and all assets and liabilities in a disposal group according to the applicable standards. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value, less costs to sell. Certain assets – individual assets or assets in a disposal group – are exempted from the measurement rules described above, namely investment properties, financial assets and deferred tax assets.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation arising from past events and the event is only confirmed by one or more uncertain future events that are outside the Group's control, or where there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required or cannot be estimated with sufficient reliability.

Distribution of capital to the owners

Dividend

Dividends are recognised as liabilities after the dividend is approved by the Annual General Meeting.

Earnings per share

The earnings per share calculation is based on the Group's profit for the year attributable to the owners of the Parent Company and on the weighted average number of shares outstanding during the year. At this time there are no potential ordinary shares that could result in dilution. With a view to making earnings per share comparable over time, the average number of shares outstanding and earnings per share have been adjusted for the split as if the split had been implemented before the start of the historical periods.

Transactions with related parties

Related companies are defined as the subsidiaries in the Pandox Group and companies over which related physical persons have a controlling, joint controlling or significant influence. Related persons include board members, senior executives and close family members of the above. Upon delivery of services between companies in the Group, market based prices and commercial terms are applied.

NOTE 2 OPERATING SEGMENTS

Pandox's segments consist of the Property management and Operator activities business streams. The Property management segment is involved in improving and managing properties and providing external customers with premises for hotels and other types of premises adjacent to hotel properties. The Operator activity segment owns hotel properties and operates hotels. Non-allocated items are any items that are not attributable to a specific segment or are common to all. The segments have been established based on the reporting that takes place internally to executive management on financial outcomes and position. Segment reporting applies the same accounting principles as those used in the annual report in general, and the amounts reported for the segments are the same as those for the Group. Significant transactions between the segments consist of internal loans that carry interest. No internal sales transactions take place between the segments. Scandic and Nordic Choice hotels are customers who account for more than 10 per cent of revenues. In 2014 the rental revenue from Scandic Hotels amounted to SEK 752 million and from Nordic Choice Hotels SEK 200 million, which is equivalent to 50.9 and 13.5 per cent respectively of total hotel rental revenue. (In 2013 the rental revenue from Scandic Hotels amounted to SEK 778 million and from Nordic Choice Hotels SEK 202 million,which is equivalent to 52.7 and 13.7 per cent respectively of total hotel rental revenue. In 2012 the rental revenue from Scandic Hotels amounted to SEK 767 million and from Nordic Choice Hotels SEK 203 million, which is equivalent to 51.7 and 13.7 per cent respectively of total hotel rental revenue).

2014

MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	1,477.3	—	—	**1,477.3**
Revenue Operator activities	—	1,598.3	—	**1,598.3**
Total revenues	**1,477.3**	**1,598.3**	**—**	**3,075.6**
Costs Property management	–291.6	—	—	**–291.6**
Costs Operator activities	—	–1,387.1	—	**–1,387.1**
Gross profit	**1,185.7**	**211.2**	**—**	**1,396.9**
– whereof gross profit Property management	*1,185.7*	—	—	***1,185.7***
– whereof gross profit Operator activities	—	*211.2*	—	***211.2***
Central administration	—	—	–82.0	**–82.0**
Financial income	—	—	4.8	**4.8**
Financial expenses	—	—	–540.9	**–540.9**
Profit before changes in value	**1,185.7**	**211.2**	**–618.1**	**778.8**
Changes in value				
Properties, unrealised	906.3	—	—	**906.3**
Properties, realised	290.7	—	—	**290.7**
Derivatives, unrealised	—	—	–622.0	**–622.0**
Profit before tax	**2,382.7**	**211.2**	**–1,240.1**	**1,353.8**
Current tax	—	—	–15.9	**–15.9**
Deferred tax	—	—	–85.2	**–85.2**
Profit for the period	**2,382.7**	**211.2**	**–1,341.2**	**1,252.7**

2014

Geographical split	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property Management	868.9	143.2	198.9	205.3	61.0	**1,477.3**
revenue Operator Activities	—	89.8	—	25.4	1,483.1	**1,598.3**
Properties	12,349.0	2,577.5	2,635.6	3,102.6	5,839.0	**26,503.7**
Investments in properties	202.3	33.8	22.1	127.9	141.4	**527.5**
Realised changes in value , properties	249.1	—	—	—	41.6	**290.7**

►► Note 2, cont.

2013 MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	1,589.1	—	—	**1,589.1**
Revenue Operator activities	—	1,307.7	—	**1,307.7**
Total revenues	**1,589.1**	**1,307.7**	—	**2,896.8**
Costs Property management	–312.5	—	—	**–312.5**
Costs Operator activities		–1,200.2	—	**–1,200.2**
Gross profit	**1,276.6**	**107.5**	—	**1,384.1**
– whereof gross profit Property management	*1,276.6*	—	—	***1,276.6***
– whereof gross profit Operator activities	—	*107.5*	—	***107.5***
Central administration	—	—	–64.0	**–64.0**
Financial income	—	—	7.6	**7.6**
Financial expenses	—	—	–614.7	**–614.7**
Profit before changes in value	**1,276.6**	**107.5**	**–671.1**	**713.0**
Changes in value				
Properties, unrealised	375.5	—	—	**375.5**
Derivatives, unrealised	—	—	320.8	**320.8**
Profit before tax	**1,652.1**	**107.5**	**–350.3**	**1,409.3**
Current tax	—	—	–197.0	**–197.0**
Deferred tax	—	—	–264.6	**–264.6**
Profit for the period	**1,652.1**	**107.5**	**–811.9**	**947.7**

2013 Geographical split	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property Management	947.5	160.0	192.8	192.9	95.9	**1,589.1**
revenue Operator Activities	—	2.0	—	23.2	1,282.5	**1,307.7**
Properties	13,325.9	2,203.2	2,620.2	2,906.2	5,226.3	**26,281.8**
Investment in properties	246.7	15.2	50.5	144.1	204.2	**660.7**

►► Note 2, cont.

2012

MSEK	Property management	Operator activities	Group and non-allocated items	Total
Revenue Property management				
Rental and other property income	1,595.5	—	—	**1,595.5**
Revenue Operator activities	—	1,178.9	—	**1,178.9**
Total revenues	**1,595.5**	**1,178.9**	—	**2,774.4**
Costs Property management	–293.1	—	—	**–293.1**
Costs Operator activities	—	–1,078.1	—	**–1,078.1**
Gross profit	**1,302.4**	**100.8**	—	**1,403.2**
– whereof gross profit Property management	*1,302.4*	—	—	***1,302.4***
– whereof gross profit Operator activities	—	*100.8*	—	***100.8***
Central administration	—	—	–57.2	**–57.2**
Financial income	—	—	14.1	**14.1**
Financial expenses	—	—	–599.7	**–599.7**
Profit before changes in value	**1,302.4**	**100.8**	**–642.8**	**760.4**
Changes in value				
Properties, unrealised	232.9	—	—	**232.9**
Properties, realised	29.4	—	—	**29.4**
Derivatives, unrealised	—	—	–212.1	**–212.1**
Profit before tax	**1,564.7**	**100.8**	**–854.9**	**810.6**
Current tax	—	—	–9.0	**–9.0**
Deferred tax	—	—	–305.1	**–305.1**
Profit for the period	**1,564.7**	**100.8**	**–1,169.0**	**496.5**

2012

Geographical split	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
revenue Property Management	957.2	97.2	201.1	207.9	132.1	**1,595.5**
revenue Operator Activities	—	6.1	—	22.9	1,149.9	**1,178.9**
Properties	12,851.2	2,100.6	2,719.0	2,737.0	4,883.2	**25,291.0**
Investments in properties	190.4	54.2	29.7	45.5	215.2	**535.0**
Realised changes in value, properties	29.4	—	—	—	—	**29.4**

NOTE 3 RENTAL REVENUE

Operating leases

The Pandox Group's leases are largely sales based. The average length of leases at the end of the financial year amounted to 9.0 years for the current portfolio. The operating leases are non-cancelable. The maturity structure for the future rental revenue as of the closing day is presented in the table below. This only shows the minimum contractual rents. Added to the minimum rent is a sales-based component if the hotel sales exceed the minimum limit on which the minimum rent is assessed. Minimum contractual rents have been translated at the exchange rate on the closing day.

RENTAL REVENUE, MATURITY STRUCTURE CONTRACTUAL RENT

MSEK	2014
Rental revenue	
Maturing within one year	1,321.9
Maturing in 2–5 years	5,507.8
Maturing after more than 5 years	5,028.6
Total	11,858.3

Around three per cent of rental revenue comes from other rents from offices and retail outlets, and other minor rental revenues. These lease terms are significantly shorter and the rental revenues are not included in the table above.

NOTE 4 CENTRAL ADMINISTRATION COSTS

Central administration includes costs for central functions such as executive management, business development, finance, the Board of Directors, HR, legal affairs, IT, audit, administration, IR and depreciation of the machinery and equipment belonging to central administration.

REMUNERATION TO AUDITORS

MSEK	2014	2013	2012
KPMG			
Audit assignments	–5.2	–4.3	–3.7
Other assignments	–1.4	–1.1	–1.5
PwC			
Audit assignments	–2.7	–2.3	–2.6
Tax advisory services	–0.3	—	—
Other assignments	–0.1	–0.1	–0.1
Other			
Other assignments	–0.1	–0.1	–0.4
Total	–9.8	–7.9	–8.3

NOTE 5 PROPERTY MANAGEMENT COSTS

MSEK	2014	2013	2012
Operating costs	–36.9	–43.1	–43.9
Maintenance costs	–76.6	–79.1	–66.8
Property tax	–83.8	–94.7	–85.9
Site leasehold rent	–31.2	–30.0	–31.6
Property administration	–55.6	–56.7	–55.0
Other administration costs	–7.5	–8.9	–9.9
Total	–291.6	–312.5	–293.1

Operating costs include costs for electricity, heating, water and janitorial services. Maintenance costs consist of ongoing maintenance to maintain the standard of the properties and their technical systems. Site leasehold rent must be paid annually to the municipality by owners of buildings on municipal. Property tax is Swedish government tax based on the property's rateable value. The tax rate for 2014 was 1.0 per cent of the rateable value for multi-unit properties, which is the category to which hotel properties belong.

A portion of the operating costs and the property tax is passed on to the tenants. This revenue is recognised under the heading "Other property revenue" in the statement of comprehensive income, and amounts to SEK 59.5 million (2013: SEK 66.6 million and 2012: SEK 55.1 million). Site leasehold rent must be paid annually to the municipality by owners of buildings on municipal. Property administration SEK 55.6 million (2013: SEK 56.7 million and 2012: SEK 55.0 million) consists of administration costs paid for the property management.

NOTE 6 OPERATOR ACTIVITIES COSTS

MSEK	2014	2013	2012
Employee costs	–640.9	–593.2	–560.1
Marketing and sales	–150.8	–132.0	–112.6
Repairs and maintenance	–28.1	–25.5	–22.5
Other operating costs	–458.3	–347.8	–295.4
Depreciation	–109.0	–101.7	–87.5
Total	–1,387.1	–1,200.2	–1,078.1

Hotel operations costs include costs for employees, administration, marketing, maintenance and operating costs. The maintenance costs are for maintenance to maintain the standard of the properties and their technical systems. Also included is depreciation of operating properties recognised at book value and charged with annual depreciation.

NOTE 7 SITE LEASEHOLD AGREEMENTS AND OTHER LEASES

MSEK	2014
Site leasehold agreements, maturity structure	
Maturing within one year	32.3
Maturing in 2–5 years	113.2
Maturing after more than 5 years	252.3
Total	397.8

Operating leases are leases where a company within the Group is the lessee. The operating leases are mainly site leaseholds. The cost in 2014 for site leasehold rents was SEK 31.2 million. The average remaining leasehold period is 19 years. The payments are expensed on a straight line basis over the term of the lease.

The company leases two offices. The main lease has a term until September 30, 2016, with a nine-month notice of cancellation. If the lease is not cancelled it is extended by three years. The second lease has a term until March 14, 2020. The rent is SEK 4.0 million a year for both offices with the customary index adjustment.

The amount of future rent payments for small offices in Finland is considered insignificant in this context. A few leases have been signed for vehicles and office equipment which mature within three years. These amounts are also insignificant.

NOTE 8 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

The average number of employees in 2014 amounted to 1,457 (2013: 1,342, 2012: 1,098) broken down by country and gender as shown below.

Average number of employees	2014	2013	2012
Women	709	670	568
Men	748	672	530
Total	1,457	1,342	1,098
Board of Directors			
Women	1	1	1
Men	6	6	6
Total	7	7	7
Senior executives			
Women	1	1	1
Men	4	4	4
Total	5	5	5
Average number of employees by country			
Sweden	22	23	23
Belgium	558	521	457
Germany	385	392	217
Canada	422	376	371
Denmark	41	—	—
Finland	26	26	26
Norway	3	4	4
Total	1,457	1,342	1,098

Salaries, fees and benefits, MSEK	2014	2013	2012
Chairman of the board			
Christian Ringnes	—	—	—
Other board members			
Leif Askvig	—	—	—
Olaf Gauslå	—	—	—
Christian Sundt	—	—	—
Helene Sundt	—	—	—
Bengt Kjell	0.4	0.4	0.4
Mats Wäppling	0.4	0.4	0.4
Chief executive officer, CEO			
Basic salary	4.5	4.5	4.5
Variable remuneration	1.5	1.5	1.1
Benefits	0.1	0.1	0.1
Other senior executives			
Basic salary	6.2	5.8	5.6
Variable remuneration	2.1	2.0	1.4
Benefits	0.3	0.2	0.2
Other employees	446.5	426.8	377.8
Total	462.0	441.7	391.5
Contractual pension costs			
Chief executive officer	1.5	1.5	1.6
Other senior executives	1.7	1.7	1.6
Other employees	13.7	13.3	12.7
Total	16.9	16.5	15.9
Payroll overheads including payroll tax			
Chairman of the board	—	—	—
Other board members	0.3	0.2	0.2
Chief executive officer	2.3	2.3	2.1
Other senior executives	3.1	2.9	2.6
Other employees	103.9	85.4	80.1
Total	109.6	90.8	85.0
Total	588.5	549.0	492.4

Remuneration to senior executives

Principles

Fees are paid to the Board of Directors as decided at the Annual General Meeting. No fees are paid to board members employed by the company. Remuneration to the Chief executive officer and other senior executives consists of basic salary, variable remuneration, other benefits and pension benefits. Other senior executives are individuals who, in addition to the CEO, make up the executive management team. In 2014 this was an average of four individuals. The variable component is to consist of a significant per centage of the possible remuneration and is maximised at around 34 per cent of the fixed annual salary. The variable component is based on performance in relation to individually set targets.

Variable remuneration

Variable remuneration for the CEO for 2014 was based on property management outcomes. The amount for the CEO in 2014 was SEK 1.5 million, (33.3) per cent of basic salary. Other senior executives variable remunerations for 2014 has the same basis as for the CEO and is also based on individual performance targets in the executives' respective areas of responsibility. The amount for these senior executives in 2014 totaled SEK 2.1 million, (33.9) per cent of basic salary.

The corresponding figures for variable remuneration for 2013 were SEK 2.0 million (34 per cent) and for 2012 SEK 1.4 million (25 per cent).

Pensions
The CEO has a defined contribution pension plan amounting to 35 per cent of fixed salary paid out during the year. The retirement age for the CEO is 65.

Notice of termination
The period of notice of termination, if notice is given by the company, is not to exceed six months for the CEO and 12 months for the other senior executives. If notice is given by the CEO or other senior executives, the period of notice is six months. During the period of termination the full salary and other employment benefits will be paid. If the company serves the CEO with notice of termination, severance pay of 18 fixed monthly salaries is payable. This may be reduced if other income is received by the CEO.

Pensions for other employees
Other Pandox employees receive an occupational pension plan whereby Pandox pays a contribution to an insurance company selected by the employee for a defined contribution pension policy. The contributions are defined as a per centage of salary taking into consideration salary levels and age. The pension costs may not exceed 35 per cent of salary based on the main principle in the municipal tax code up to 30 price base amounts with a contribution limit of no more than 10 price base amounts (SEK 444,000 for 2014). For individuals who have a contribution of more than 10 price bass amounts, a direct pension plan has been set up to guarantee the pension promised to the employee. Employees are entitled to determine the structure of their individual occupational pension plans within the framework of the pension policy currently in place.

Preparation and decision-making processes
Remuneration to senior executives is determined by the Board of Directors based on proposals from the Remuneration Committee. This process is based on guidelines decided on by the Annual General Meeting.

Board of Directors 2014:

Christian Ringnes, chairman of the board	Bengt Kjell
Leiv Askvig	Christian Sundt
Olaf Gauslå	Helene Sundt
	Mats Wäppling

Senior executives 2014:

Anders Nissen, CEO	Jonas Törner
Liia Nou, CFO	Aldert Schaaphok
Lars Häggström	

Number in Parent Company: 12, of which 2 women
Number in the Group: 12, of which 2 women

NOTE 9 FINANCIAL INCOME AND OTHER EXPENSES

MSEK	2014	2013	2012
Financial income			
Interest income	4.8	7.6	14.1
Other financial income	—	—	—
Total financial income	4.8	7.6	14.1
Financial expenses			
Interest expense, loans measured at amortised cost	–384.9	–397.0	–375.2
Interest expense, interest-rate derivatives measured at fair value	–137.0	–209.7	–216.5
Other financial expenses	–19.0	–8.0	–8.0
Total financial expenses	–540.9	–614.7	–599.7

NOTE 10 OTHER NON-CURRENT RECEIVABLES

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Pension insurance	5.8	5.1	5.1
Prepaid compensation for land use	5.9	5.6	—
Other non-current receivables	14.6	34.6	5.3
Total	26.3	45.3	10.4

NOTE 11 TAX

Tax in the income statement, MSEK	2014	2013	2012
Current tax [2)]	–15.9	–197.0	–9.0
Deferred tax	–85.2	–264.6	–305.1
Total	–101.1	–461.6	–314.1

Reconciliation of effect tax rate, MSEK	2014	2013	2012
Tax			
Profit/loss reported before taxes	1,353.8	1,409.3	810.6
Income tax assessed based on the tax rate in effect	–297.8	–310.0	–213.2
Current tax pertaining to previous years	—	–138.0	—
Change in assesment of deferred tax [1)]	—	—	–129.5
Non-taxable revenue	209.3	—	10.9
Non-deductive costs	–2.3	–3.9	–3.0
Changed tax rate for 2013	—	—	32.1
Previously unrecognised tax loss	2.9	6.7	5.5
Effective tax rate for foreign companies	–13.2	–16.4	–16.9
Tax for the year according to the statement of income	–101.1	–461.6	–314.1

1) On the transition to IFRS the Company's utilisation of loss carryforwards and its reporting of deferred tax on investment properties were reviewed.
2) Current tax for 2013 includes tax paid in respect of the review of previous property sales.

On January 1, 2013 the corporate tax rate was changed from 26.3 per cent to 22 per cent. Current tax pertaining to previous years relates to an increased assessment of income for 2007.

DEFERRED TAX ASSETS

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Opening balance	772.8	801.1	799.4
Additional loss carry-forwards	73.3	81.9	13.6
Utilised loss carry-forwards	–49.5	–23.9	–76.7
Changed tax rate	—	—	–114.0
Changes in tax assets on interest-rate derivatives	126.8	–86.3	178.8
Closing balance tax assets	923.4	772.8	801.1

The Group's accumulated tax losses are estimated at SEK 3,224 million (2013: SEK 3,146 million, 2012: SEK 2,891 million) as of December 31, 2014. The deferred tax assets have been estimated at SEK 3,140 million (2013: SEK 3,050 million, 2012: SEK 2,791 million) of the tax loss.

Limitations on the use of loss carry-forwards
The Group's loss carry-forwards are limited to some extent due to acquisitions. According to this limitations, loss carry-forwards in one Group company cannot always be offset against profits in another Group company in a certain year due to a so-called "group contribution block" that arises in connection with acquisitions. There is no time limit on the right to use a loss carry-forward.

DEFERRED TAX LIABILITIES

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Investment properties	1,589.3	1,366.5	1,141.0
Operating properties	340.7	286.9	285.4
Untaxed reserves	63.0	54.1	30.7
Closing balance	**1,993.0**	**1,707.5**	**1,457.1**

Deferred tax liabilities relating to investment properties are temporary differences between fair value and the taxable value of the properties.

Deferred tax liabilities relating to operating properties are temporary differences between the carrying amount and the taxable value of the properties.

Deferred tax liabilities on untaxed reserves are tax liabilities relating to booked excess depreciation.

NOTE 12 INVESTMENT PROPERTIES

Investment properties are recognised using the fair value method. Investment properties are properties owned for the purpose of obtaining rental revenue, an appreciation in value or a combination of both. Regarding operating properties, i.e. properties where Pandox also acts as hotel operator, see Note 14. The table below shows the change in the fair value of investment properties:

GROUP, MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Opening balance	**21,910.7**	**21,841.9**	**21,079.3**
Acquisitions (at cost)	—	—	568.3
Investments in existing portfolio	352.8	451.9	326.2
Amount received, properties divested	–2,729.0	—	–232.0
Reclassified to/from operating properties	–226.5	–700.0	—
Translation differences	338.3	–58.5	–162.2
Change in value, realised	290.7	—	29.4
Change in value, unrealised	906.3	375.5	232.9
Closing balance	**20,843.3**	**21,910.7**	**21,841.9**

Realised and unrealised changes in value are recognised in the income statement in the line respectively.

The tables below show the change for each geographical market:

By geographical market Dec 31 2014, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Opening balance	**13,325.9**	**1,953.1**	**2,620.2**	**2,869.2**	**1,142.3**	**21,910.7**
Investments in existing portfolio	202.3	7.3	22.1	124.5	–3.4	352.8
Amount received, properties divested	–2,236.0	—	—	—	–493.0	–2,729.0
Reclassified to/from operating properties	—	–226.5	—	—	—	–226.5
Translation differences	—	114.5	–15.8	183.7	55.9	338.3
Change in value, realised	249.1	—	—	—	41.6	290.7
Change in value, unrealised	807.7	142.2	9.1	–119.0	66.3	906.3
Closing balance	**12,349.0**	**1,990.6**	**2,635.6**	**3,058.4**	**809.7**	**20,843.3**

By geographical market Dec 31 2013, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Opening balance	**12,851.2**	**2,100.6**	**2,719.0**	**2,698.4**	**1,472.7**	**21,841.9**
Investments in existing portfolio	246.7	11.7	50.5	143.0	—	451.9
Reclassified to/from operating properties	—	–330.6	—	—	–369.4	–700.0
Translation differences	—	66.6	–254.4	102.1	27.1	–58.5
Change in value, unrealised	228.0	104.8	105.1	–74.3	11.9	375.5
Closing balance	**13,325.9**	**1,953.1**	**2,620.2**	**2,869.2**	**1,142.3**	**21,910.7**

By geographical market Dec 31 2012, MSEK	Sweden	Denmark	Norway	Finland	International	Total
Opening balance	**12,763.1**	**1,399.9**	**2,636.4**	**2,750.4**	**1,529.5**	**21,079.3**
Acquisitions (at cost)	—	568.3	—	—	—	568.3
Investments in existing portfolio	190.4	54.3	29.7	45.0	6.8	326.2
Amount received, properties divested	–232.0	—	—	—	—	–232.0
Translation differences	—	–56.0	38.3	–100.9	–43.6	–162.2
Change in value, realised	29.4	—	—	—	—	29.4
Change in value, unrealised	100.3	134.1	14.6	3.9	–20.0	232.9
Closing balance	**12,851.2**	**2,100.6**	**2,719.0**	**2,698.4**	**1,472.7**	**21,841.9**

►► Note 12, cont.

Valuation model

Pandox performs internal valuations of investment properties and recognises property holdings at fair value. In addition, all investment properties are valued by external professional property appraisers who are independent of Pandox, and these assumptions and values form an important element in the assessment of the internal valuations.

The valuation model used is a combination of the location price method and the return-based method. The valuation model consists of an accepted and proven cash flow model where future cash flows that the hotel properties are expected to generate are discounted. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year and takes into consideration, among other things, developments in the underlying operating properties, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and return in the long term.

The valuation model calculates the present value of the investment properties' operating surplus, rental revenue minus payments made in respect of operation, maintenance, property tax, other property expenses and site leasehold rent, where relevant, over 10 years less outstanding approved investments over the same period. The residual value at the end of year 10 is obtained by dividing the operating surplus by a valuation yield discounted to present value. The valuation models assume 2.0 per cent inflation and 2.0 per cent growth when calculating residual value.

In the assessment of rental revenue and the hotel properties' future earnings capacity, the underlying revenues in the operator's (tenant's) business are calculated taking into consideration and analysing supply and demand, market shares, segments and average prices, among other things. Based on this analysis, the operator's revenue per department is taxed and the contractually agreed turnover-based rent is applied in order to calculate the total hotel rent. Where the estimated turnover-based rent is less than the agreed guaranteed level, the guaranteed rent level is used as revenue. In certain cases a hotel property may contain other tenants (such as offices, parking garage, retail outlets, cellphone antennas) which are calculated based on existing rental agreements. The majority of tenants pay supplements for elements such as property tax and energy, which are calculated according to existing rental agreements. Property payments refer to operation, maintenance, property tax, other property costs and, where relevant, site leasehold rents.

The valuation yields applied in the calculations are based on the market's direct yield requirement; if this is not available, it is derived from sales of comparable hotel properties. In the absence of such information, a combination of Pandox's experience of hotel property transactions and the location price method is used. Other key factors include the condition of the property, its location and development opportunities. Undeveloped land and development rights have been reported at a insignificant value. Valuation is based on level 3 in the fair value hierarchy for all investment properties.

External valuations of all investment properties are carried out annually by independent property appraisers. The external appraisers complete a more in-depth inspection at least every three years or in conjunction with major changes to the investment property. The external valuations provide an important reference point for Pandox's internal valuations.

		Valuation yield		Discount rate	
Calculation assumptions by geographical area 2014	Fair value, MSEK	Range, %	Average, %	Range, %	Average, %
Sweden	12,349.0	5.1–8.3	6.1	7.1–10.3	8.1
Denmark	1,990.6	5.3–7.3	5.8	7.3–9.3	7.8
Norway	2,635.6	5.1–8.3	6.4	7.6–10.8	8.9
Finland	3,058.4	5.3–8.0	6.1	7.3–10.0	8.1
International	809.7	5.5–8.8	6.0	7.5–10.8	8.0
Total	**20,843.3**	**5.1–8.8**	**6.1**	**7.1–10.8**	**8.2**

		Valuation yield		Discount rate	
Calculation assumptions by geographical area 2013	Fair value, MSEK	Range, %	Average, %	Range, %	Average, %
Sweden	13,325.9	5.3–8.5	6.4	7.3–10.5	8.4
Denmark	1,953.1	5.5–9.5	6.5	7.5–11.5	8.5
Norway	2,620.2	5.3–8.5	6.7	7.8–11.0	9.2
Finland	2,869.2	5.5–8.2	6.3	7.5–10.2	8.3
International	1,142.3	5.7–9.0	6.4	7.7–11.0	8.4
Total	**21,910.7**	**5.3–9.0**	**6.4**	**7.3–11.5**	**8.5**

		Valuation yield		Discount rate	
Calculation assumptions by geographical area 2012	Fair value, MSEK	Range, %	Average, %	Range, %	Average, %
Sweden	12,851.2	5.5–8.7	6.6	7.5–10.7	8.6
Denmark	2,100.6	5.7–9.7	6.7	7.7–11.7	8.7
Norway	2,719.0	5.5–8.7	7.0	8.0–11.2	9.5
Finland	2,698.4	5.7–8.4	6.5	7.7–10.4	8.5
International	1,472.7	5.9–9.2	7.1	7.9–11.2	9.1
Total	**21,841.9**	**5.5–9.2**	**6.7**	**7.5–11.7**	**8.7**

The sensitivity analysis below shows how changes in a parameter unilaterally affect the value. In reality, however, the parameters change and influence each other to varying degrees and extents.

Sensitivity analysis – fair value	Change	Effect on value 2014, MSEK	Effect on value 2013, MSEK	Effect on value 2012, MSEK
Valuation yield	+/– 0.5%	–1,575.2/+1,855.6	–1,585.5/+1,853.8	–1,524.9/+1,772.3
Exchange rate change	+/–1.0%	+/– 84.9	+/–85.8	+/–89.9
Operating surplus	**+/–1.0%**	**+/– 193.9**	**+/–199.2**	**+/–195.5**

Significant commitments

Pandox has commitments relating to the completion of investment projects in a number of investment properties to a value of around SEK 650 million in addition to the amounts capitalised and reported in the balance sheet. Major current investment projects include the Hilton Helsinki Strand, Quality Ekoxen Linköping, Scandic Crown Gothenburg and Scandic Winn Karlstad. Pandox has no significant commitments relating to the acquisition or divestment of any investment property.

Other factors influencing the result for the period

Other factors influencing the result for the period	2014	2013	2012
Rental revenue/other property revenue	1,477.3	1,589.1	1,595.1
Direct costs for investment properties that generated rental revenue during the period (operating and maintenance costs, property tax and site leasehold rent)*	–228.5	–239.9	–228.2
Direct costs for investment properties that did not generate rental revenue during the period (operating and maintenance costs, property tax and site leasehold rent)*	—	—	—

* Excluding property administration.

NOTE 13 EQUIPMENT/INTERIORS

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Cost, opening balance	1,089.5	869.8	659.1
Investments	57.8	37.1	56.1
Reclassification from work in progress	29.7	131.6	190.1
Sales/disposals	—	–6.9	–14.6
Translation differences	108.4	57.9	–20.9
Accumulated cost, closing balance	**1,285.4**	**1,089.5**	**869.8**
Depreciation, opening balance	–430.3	–332.6	–297.6
Depreciation for the year	–68.5	–65.7	–52.8
Sales/disposals	—	0.7	6.4
Translation differences	–64.0	–32.7	11.4
Accumulated depreciation, closing balance	**–562.8**	**–430.3**	**–332.6**
Residual value according to plan	**722.6**	**659.2**	**537.2**

NOTE 14 OPERATING PROPERTIES

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Buildings			
Cost, opening balance	3,243.1	2,674.0	2,651.7
Reclassification	205.4	495.5	—
Investments	22.6	10.1	18.5
Sales	—	–0.2	–0.8
Reclassification from ongoing construction/reconstruction	1.6	9.0	54.2
Translation difference	256.7	54.7	–49.6
Accumulated cost, closing balance	3,729.4	3,243.1	2,674.0
Depreciation, opening balance	–459.4	–318.5	–287.6
Reclassification	–2.0	–70.3	—
Sales	—	—	1.0
Depreciation for the year	–40.5	–36.0	–34.7
Translation difference	–68.9	–34.6	2.8
Accumulated depreciation, closing balance	–570.8	–459.4	–318.5
Residual value according to plan, buildings	3,158.6	2,783.7	2,355.5
Land			
Cost, opening balance	777.5	621.3	639.2
Reclassification	46.2	139.5	—
Translation difference	57.1	16.7	–17.9
Accumulated cost, closing balance land	880.8	777.5	621.3
Total residual value according to plan	4,039.4	3,561.2	2,976.8
Work in progress, operating properties			
Cost, opening balance	30.2	2.7	116.9
Investments	94.3	161.9	134.2
Reclassification from ongoing construction/reconstruction	–31.3	–140.6	–244.3
Translation difference	2.5	6.2	–4.1
Work in progress	95.7	30.2	2.7
Total, operating properties	4,135.1	3,591.4	2,979.5

The fair value of operating properties exceeds the carrying amount and is indicated below:

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Fair value, operating properties including equipment/ interiors	5,660.5	4,371.1	3,449.1

NOTE 15 TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable consists exclusively of rent receivables from hotel operations. The amounts of rental losses are insignificant. No provisions are made for doubtful trade accounts receivable because they are small amounts and the risk of an effect on the Group's financial results and position is deemed small.

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Rent receivables and trade accounts receivable	152.9	159.5	147.0
Bad debts	—	—	—
Closing balance	152.9	159.5	147.0

NOTE 16 EQUITY

Equity items

Share capital

The share capital consists of 25,000,000 shares with a quota value of SEK 15 per share, for a total value of SEK 375 million.

Other capital contributed

Other capital contributed consists of capital contributions from Pandox AB's owners in the form of new share issues and shareholder contributions.

Translation reserve

The translation reserve includes all exchange-rate differences arising in the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than the presentation currency of the Group's financial statements. The Group presents its financial statements in Swedish kronor (SEK).

Profits brought forward

Profits brought forward consist of profits earned in previous years, including net profit for the year.

Dividend

The proposed dividend to shareholders for the year amounts to SEK 150 million, corresponding to a dividend of SEK 1.0 per share. During 2014 the dividend proposed for the 2013 financial year of SEK 212.5 million was adjusted, and an extra dividend of SEK 890 million was paid (a dividend of SEK 5.9 per share).

NOTE 17 FINANCIAL RISKS AND RISK MANAGEMENT

Through its business, Pandox is subject to various types of risk related to financial instruments. The main risks are interest-rate risk, liquidity risk, refinancing risk and currency risk. There are also certain credit risks.

Financial policy

The financial policy is established annually by the Board of Directors and provides guidance for day-to-day financial work. Pandox has the following overall aims for its financial activities:

- To conduct financial activities that are not speculative in nature and that support the business's operating activities
- To secure the Company's short-term and long-term capital requirements
- To achieve the best possible level of net financing within given risk frameworks
- To create the conditions for a stable long-term capital structure
- To make sure that Pandox is seen as a professional business partner
- To support management in achieving the goals set by the Board of Directors The Company's CFO is responsible for ensuring that financial agreements and transactions are executed according to the financial policy, and for reporting the financial risk status to the Board of Directors and executive management on a regular basis.

►► Note 17, cont.

PANDOX'S FINANCIAL POLICY AND COMMITMENTS IN CREDIT AGREEMENTS

	Policy
Loan-to-value ratio	Normally 45–60%
Interest-rate risk	
Average fixed interest period	1–4 years
Maturing within 12 months	Maximum 50%
Currency risk	
Investment	Usually financed in local currencies
Other currency risks	Not permitted
Borrowing risk	Max. 40% maturing within 12 months
Counterparty risk	Credit institutions with high rating, minimum investment grade
Liquidity risk	Liquidity reserve in order to meet payment obligations

Market risk – interest-rate risk

Interest-rate risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market interest rates. The Group's interest-rate risk arises mainly through long-term borrowing. The aim of interest-rate risk management is to achieve the desired stability in the Company's combined cash flows. The interest-rate risk strategy comprises a balanced combination of variable interest and fixed interest – with interest-rate swaps being used to achieve the desired fixed-interest periods. When choosing an interest-rate risk strategy, consideration is given to how sensitive the Company's combined cash flows are to developments in interest rates over a time horizon of several years. At the same time, it is ensured that there is no risk that possible changes in the market value of the derivatives required to achieve the proposed strategy will have unacceptable effects on equity.

The interest-rate strategy is expressed as a standard portfolio. The standard portfolio is described as a maturity structure for the fixed interest period in the loan agreements combined with derivative instruments. The standard portfolio has risk limits that are expressed as maximum deviation from the standard portfolio.

Pandox's fixed interest period and capital tied up remain at a total level as shown below.

FIXED INTEREST/CAPITAL TIED UP

	Average fixed interest period, years	Average interest rate	Capital tied up, years
2014	3.8	3.6%	4.6
2013	4.0	4.0%	4.7
2012	3.7	3.9%	5.5

INTEREST MATURITY PROFILE DEC 31 2014

	Fixed interest			Derivatives	
Interest maturity profile	Loans, MSEK	Derivatives, MSEK	Amount, MSEK	Volume, MSEK	Interest rate, %[1]
<1	12,908.1	–8,956.5	3,951.6	1,378.0	3.6
1–2	—	1,105.5	1,105.5	1,105.5	3.8
2–3	—	887.9	887.9	887.9	4.5
3–4	—	698.2	698.2	698.2	3.7
4–5	—	368.9	368.9	368.9	3.9
>5	—	5,896.0	5,896.0	5,896.0	2.5
Total	**12,908.1**	**0.0**	**12,908.1**	**10,334.5**	**3.1**

INTEREST MATURITY PROFILE DEC 31 2013

	Fixed interest			Derivatives	
Interest maturity profile	Loans, MSEK	Derivatives, MSEK	Amount, MSEK	Volume, MSEK	Interest rate, %[1]
<1	14,574.8	–10,053.1	4,521.7	1,586.8	2.9
1–2	—	1,322.2	1,322.2	1,322.1	3.7
2–3	—	1,078.4	1,078.4	1,078.4	3.8
3–4	—	849.7	849.7	849.7	4.6
4–5	—	685.2	685.2	685.2	3.7
>5	—	6,117.6	6,117.6	6,117.7	2.6
Total	**14,574.8**	**0.0**	**14,574.8**	**11,639.9**	**3.1**

INTEREST MATURITY PROFILE DEC 31 2012

	Fixed interest			Derivatives	
Interest maturity profile	Loans, MSEK	Derivatives, MSEK	Amount, MSEK	Volume, MSEK	Interest rate, %[1]
<1	14,552.7	–9,730.3	4,822.4	1,385.7	2.6
1–2	—	1,317.3	1,317.3	1,317.3	3.4
2–3	466.9	1,319.1	1,786.0	1,319.1	3.7
3–4	—	1,088.0	1,088.0	1,088.0	3.8
4–5	—	877.6	877.6	877.6	4.6
>5	—	5,128.3	5,128.3	5,128.3	2.8
Total	**15,019.6**	**0.0**	**15,019.6**	**11,116.0**	**3.2**

[1] Fixed interest under swap contract, excluding margin in loan contract.

Note 17, cont.

SENSITIVITY ANALYSIS AS OF DECEMBER 31 2014

	Change	Effect on earnings, MSEK
Interest expense with current fixed interest, change in interest rates	+/–1%	+/–39
Interest expense with a change in the average interest rate level	+/–1%	+/–129
Remeasurement of interest-rate derivatives following shift in yield curves	+/–1%	+/–468

The effect on equity is the same as on earnings.

If the variable market interest rate deviates from the fixed interest rate applicable to the derivative, a theoretical surplus or deficit arises for the financial instrument. Derivatives are recognised on an ongoing basis at fair value in the Statement of financial position, and the change in value – which does not affect cash flow – is recognised in profit for the year. Pandox does not apply hedge accounting to financial instruments.

Market risk – currency risk

Currency risk is the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in foreign exchange rates. Pandox perfers to reduce currency exposure in foreign investments by taking out loans in local currency. Equity is currency-hedged ahead of acquisitions/investments and divestments in order to avoid changes in the value of equity during the period between signing of the deal and the entry or exit. The same applies in the case of foreign investments where there is a clear exit strategy. In general, the foreign operations have both income and costs in the local currency, which means that currency exposure resulting from current operations is limited. In view of the limited risk, Pandox does not currency-hedge these flows unless there is particular reason to do so.

Loans and property investments at market value can be broken down into different currencies as shown below. Average interest rate including marginal loans.

Loans in foreign currencies

FIXED INTEREST PROFILE, DEC 31 2014

Matures [1]	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share	Interest,% [2]
2015	1,003.3	576.5	1,186.0	220.7	210.5	754.6	—	3,951.6	31%	3.1%
2016	380.0	—	475.8	—	—	249.7	—	1,105.5	9%	4.2%
2017	200.0	—	257.0	—	246.9	184.0	—	887.9	7%	4.5%
2018	250.0	—	237.9	—	—	210.3	—	698.2	5%	4.4%
2019	250.0	—	118.9	—	—	—	—	368.9	3%	4.4%
2020 or later	3,475.0	646.4	1,774.6	—	—	—	—	5,896.0	46%	3.6%
Total	**5,558.3**	**1,222.9**	**4,050.2**	**220.7**	**457.4**	**1,398.6**	**0.0**	**12,908.1**	**100%**	**3.6%**
Share	43%	9%	31%	2%	4%	11%	0%	100%		
Average interest rate	3.7%	2.8%	3.6%	3.0%	3.9%	4.1%	—	3.6%		
Average fixed interest period, years	4.9	4.0	3.6	0.1	1.6	1.3	—	3.8		
Fair value, properties	12,349.0	2,577.5	7,524.4	639.3	777.8	2,635.7	0.0	26,503.8		

FIXED INTEREST PROFILE, DEC 31 2013

Matures [1]	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share	Interest,% [2]
2014	1,570.8	584.8	1,189.5	85.3	201.4	507.8	382.1	4,521.7	31%	3.5%
2015	225.0	119.9	594.7	131.3	—	251.3	—	1,322.2	9%	4.6%
2016	380.0	—	447.1	—	—	251.3	—	1,078.4	7%	4.6%
2017	200.0	—	241.5	—	223.1	185.1	—	849.7	6%	4.9%
2018	250.0	—	223.6	—	—	211.6	—	685.2	5%	5.0%
2019 or later	3,725.0	613.0	1,779.6	—	—	—	—	6,117.6	42%	3.8%
Total	**6,350.8**	**1,317.7**	**4,476.0**	**216.6**	**424.5**	**1,407.1**	**382.1**	**14,574.8**	**100%**	**4.0%**
Share	44%	9%	31%	1%	3%	10%	3%	100%		
Average interest rate	4.1%	2.9%	4.0%	3.2%	4.0%	5.1%	1.8%	4.0%		
Average fixed interest period, years	5.1	3.9	3.9	0.7	1.9	1.9	0.1	4.0		
Fair value, properties	13,325.9	2,211.1	6,532.7	556.8	583.6	2,620.2	451.4	26,281.8		

[1] Converted to MSEK.
[2] Average interest rate including bank margins.

▶▶ Note 17, cont.

FIXED INTEREST PROFILE, DEC 31 2012

Matures [1]	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share	Interest,% [2]
2013	2,045.6	561.8	1,114.3	83.4	358.8	283.0	375.5	**4,822.4**	32%	3.3%
2014	480.0	—	560.1	—	—	277.2	—	**1,317.3**	9%	4.1%
2015	225.0	115.5	573.0	128.4	—	744.1	—	**1,786.0**	12%	4.5%
2016	380.0	—	430.8	—	—	277.2	—	**1,088.0**	7%	4.5%
2017	200.0	—	232.6	—	240.7	204.3	—	**877.6**	6%	4.8%
2018 or later	2,775.0	594.7	1,525.2	—	—	233.4	—	**5,128.3**	34%	4.0%
Total	**6,105.6**	**1,272.0**	**4,436.0**	**211.8**	**599.5**	**2,019.2**	**375.5**	**15,019.6**	**100%**	**3.9%**
Share	41%	8%	30%	1%	4%	13%	3%	**100%**		
Average interest rate	3.9%	2.9%	3.9%	3.3%	3.7%	5.4%	1.8%	**3.9%**		
Average fixed interest period, years	4.2	4.5	3.8	1.3	2.0	2.8	0.2	**3.7**		
Fair value, properties	12,851.2	2,100.6	6,042.8	524.2	598.4	2,719.0	454.7	**25,291.0**		

1) Converted to MSEK.
2) Average interest rate including bank margins.

Liquidity risk

Liquidity risk is the risk that a company will have difficulty fulfilling its obligations relating to financial liabilities. A liquidity forecast, including all incoming and outgoing payments, is prepared on an ongoing basis. The consolidated liquidity forecast forms the basis of the Company's borrowing or investment requirements and control of the overall liquidity situation and need for liquidity reserves. A long-term aim for the level of liquidity in the form of liquidity reserves (bank balances, liquid interest-bearing investments and forecast positive cash flows over 12 months) and credit facilities is an amount corresponding to at least 12 months' known outgoing payments including interest payments and current repayments or repayments that have been decided on. At year-end, bank balances and liquid interest-bearing investments amounted to SEK 320.7 million (SEK 588.6 million, SEK 938.6 million) and unutilised credit facilities to SEK 1,580.5 million (SEK 664.9 million, SEK 708.5 million).

Maturity profile, interest and capital

Interest calculated as per terms effective at the time in question.

DEC 31 2014

MSEK	Capital tied up	Interest, loans	Net interest, interest-rate swaps, negative value	*Subtotal*	Net interest, interest-rate swaps, positive value	Total
2015	1,122.4	23.3	41.2	*64.5*	—	**64.5**
2016	940.2	14.5	36.9	*51.4*	—	**51.4**
2017	222.2	3.8	33.5	*37.3*	—	**37.3**
2018	3,171.3	39.1	21.6	*60.7*	—	**60.7**
2019	6,090.2	116.8	13.5	*130.3*	—	**130.3**
2020	1,361.8	23.7	134.4	*158.1*	—	**158.1**
Total	**12,908.1**	**221.2**	**281.1**	***502.3***	**0.0**	**502.3**

DEC 31 2013

MSEK	Capital tied up	Interest, loans	Net interest, interest-rate swaps, negative value	*Subtotal*	Net interest, interest-rate swaps, positive value	Total
2014	173.3	4.6	32.3	*36.9*	—	**36.9**
2015	1,232.7	34.5	39.5	*74.0*	—	**74.0**
2016	1,135.5	26.0	31.6	*57.6*	—	**57.6**
2017	6,316.8	183.8	29.8	*213.6*	—	**213.6**
2018	3,731.7	68.1	18.5	*86.6*	—	**86.6**
2019	1,984.8	45.2	108.5	*153.7*	—	**153.7**
Total	**14,574.8**	**362.2**	**260.2**	***622.4***	**0.0**	**622.4**

►► Note 17, cont.

DEC 31 2012

MSEK	Capital tied up	Interest, loans	Net interest, interest-rate swaps, negative value	*Subtotal*	Net interest, interest-rate swaps, positive value	Total
2013	180.6	3.5	21.4	*24.9*	—	**24.9**
2014	—	—	29.6	*29.6*	—	**29.6**
2015	1,686.7	57.1	35.5	*92.6*	—	**92.6**
2016	1,210.0	31.3	30.4	*61.7*	—	**61.7**
2017	6,419.7	191.8	29.8	*221.6*	—	**221.6**
2018	5,522.6	114.0	99.6	*213.6*	—	**213.6**
Total	15,019.6	397.7	246.3	*644.0*	0.0	644.0

Trade accounts payable and other financial liabilities are normally due for payment within 30 days.

Refinancing risk

Financing risk is defined as the risk that at some point in time the Company will not have access to funds for refinancing, investments and other payments, or will only have access to such funds at increased cost. To limit financing risk the following overall guidelines are to be followed:

- 3 to 4 main suppliers of financing
- No individual lender to account long-term for more than 50 per cent of the total loan volume
- Max. 40 per cent of loan portfolio agreements to be due for renegotiation over a rolling future 12-month period
- Pandox must always implement good forward planning for refinancing negotiations, so that the refinancing risk is reduced and liquidity problems do not arise
- Loan agreements should always contain the possibility of early redemption using a means of calculation known in advance
- To simplify administration, if possible all Swedish borrowing is to take place within Pandox AB and foreign borrowing in the respective foreign company

Pandox currently has four main financing providers, none of which accounts for more than 40 per cent of the volume. Renegotiation of the approximately 9 per cent of the portfolio that matures within 12 months has begun.

Credit risk

Credit risk is the risk that Pandox's counterparty in a financial instrument is unable to fulfill an obligation, thereby causing Pandox a financial loss. In Pandox's financial activities, counterparty risk arises mainly when investing surplus liquidity, in derivative contracts and in agreements on credit facilities.

The risk is to be spread by using multiple counterparties, and only approved counterparties may be used. Permitted counterparties for credit facilities, revolving facilities and derivative instruments are Nordic counterparties with a minimum rating of either A- (S&P) or A3 (Moody's), or another counterparty with a minimum rating of either A (S&P) or A2 (Moody's).

Pandox has a well-diversified property portfolio characterised by well-established, stable and sound tenants. The largest tenants in terms of revenue are Scandic, Nordic Choice Hotels, Hilton, Rezidor, Elite Hotels, InterContinental Hotels Group and First Hotel, which together accounted for more than 85 per cent of total rental revenue in 2014. The largest three tenants alone – Scandic, Nordic Choice Hotels and Hilton – accounted for around two thirds of total rental revenue.

Although this means there is a certain concentration of credit risk, the companies' financial strength compensates for this. A further factor that reduces the potential credit risk is Pandox's operational readiness, which means it is able to take over the operation of a property quickly if necessary and thereby secure the cash flow.

Alongside the hotel contracts, commercial tenants amounted to around 4 per cent of Pandox's total rental revenue. The occupancy rate of Pandox's wholly owned property portfolio was 99.8 per cent and vacant space consisted of stores and office premises.

At present there are overduee rent receivables relating to two tenants and to a small independent operator, the total amount being less than SEK 2 million. It has been determined that no impairment losses will need to be recognised.

Capital adequacy

Pandox's financial position is followed up primarily on the basis of loan-to-value ratio, with a target of 45–60 per cent . Internal follow-up of financial position does not focus on equity. The loan-to-value ratio at the end of 2014 was 49 per cent and at the end of 2013, 55 per cent and at the end of 2012, 59 per cent. The decrease is mainly due to repayments made in conjunction with divestments from the property portfolio. Pandox has not infringed upon any covenants in the loan agreements, neither at year-end nor during the year 2013 and 2012.

NOTE 18 FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION, FAIR VALUE AND OFFSETTING

Fair value of financial assets and liabilities

	Financial assets/liabilities measured at fair value through profit or loss for the year			Loan receivables and trade accounts receivable			Other liabilities		
MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2014	Dec 31 2013	Dec 31 2012	Dec 31 2014	Dec 31 2013	Dec 31 2012
Other non-current receivables	—	—	—	26.3	45.3	10.4	—	—	—
Rent receivables and trade accounts receivable	—	—	—	152.9	159.5	147.0	—	—	—
Cash and cash equivalents	—	—	—	320.7	588.6	938.6	—	—	—
Total financial assets	0.0	0.0	0.0	**499.9**	**793.4**	**1,096.0**	0.0	0.0	0.0
Non-current interest-bearing liabilities	—	—	—	—	—	—	11,785.7	14,401.5	14,839.0
Derivatives	899.8	277.8	597.7	—	—	—	—	—	—
Current interest-bearing liabilities	—	—	—	—	—	—	1,122.4	173.3	180.6
Liabilities to Group companies	—	—	—	—	—	—	207.7	32.9	32.9
Trade accounts payable	—	—	—	—	—	—	189.3	148.5	187.8
Total financial assets	**899.8**	**277.8**	**597.7**	0.0	0.0	0.0	**13,305.1**	**14,756.2**	**15,240.3**

Fairvalue of financial assets and liabilities

The financial instruments for which it is important to carefully measure fair value consist of interest-bearing liabilities and dervatives. Other financial instruments either have short maturities or consist of insignificant amounts. The loans have short-term interest rates corresponding to the market interest rates on the closing day. The company's margins on the loans are deemed to represent the margins that would be received as of the closing day. This assessment assumes that the carrying amounts of the loans are a reasonable approximation of the fair value.

Derivatives, which consist of interest swaps, are placed at level 2 in the fair value hierarchy, i.e. based on directly or indirectly observable input data for the asset or liability, with no significant input data that is not observable market data. The fair value is based on discounted estimated future cash flows according to the terms of the contracts and maturities based on current market rates of interest. To establish fair value, market interest rates are used for each maturity noted on the closing day.

Offsetting

The Group's interest-rate derivative agreements are in the category of the International Swaps and Derivatives Association's (ISDA) master netting agreements. Under these agreements, when a counterparty cannot settle its obligations in all transactions, the agreement is cancelled and all outstanding transactions are settled in a net amount in a process called close-out netting. The ISDA agreement meets the criteria for offsetting in the statement of comprehensive income. As Pandox's interest-rate derivatives in all reported years have only had negative figures (see table above), no net amounts under master netting agreements have been recognised. Other than this, no master netting agreements exist for any of Pandox's other financial instruments.

NOTE 19 ACCRUED EXPENSES AND PREPAID INCOME

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Prepaid rent	65.3	89.2	70.7
Accrued interest expense	60.8	83.9	80.1
Accrued property tax	16.9	12.8	3.0
Other	293.7	256.3	230.0
Total	**436.7**	**442.2**	**383.8**

NOTE 20 LIABILITIES TO GROUP COMPANIES

The liabilities of SEK 207.7 million consist in their entirety of liabilities to SU-ES AB, the Parent Company of Pandox AB (publ), and is equal to fair value.

NOTE 21 PROVISIONS

MSEK	Dec 31 2014	Dec 31 2013	Dec 31 2012
Carrying amount at beginning of period	5.1	5.1	5.1
Provisions made during the period	60.7	—	—
Amounts used during the period	—	—	—
Carrying amount at end of period	**65.8**	**5.1**	**5.1**
– of which the long-term portion of the provisions	53.8	5.1	5.1
– of which the short-term portion of the provisions	12.0	—	—

The provisions for the year are for rent guarantees in connection with the sale of 14 hotels in 2014 by the Pandox Group. Rent guarantees have been provided until December 31, 2019. The provision amounts to SEK 60 million. The annual adjustment takes place in the first quarter after the end of the financial year. The remaining SEK 0.7 million refers to a pension provision. Provision for pensions subsequently amounts to SEK 5.8 million.

NOTE 22 RISKS

Pandox's operations and profitability are affected by a number of factors. The most important ones are described below.

The hotel market

Pandox's earnings growth and growth in the value of the hotel properties are dependent on trends within the hotel market, which in turn closely follow general developments in the economic climate. Business travel and conference activities normally increase during periods of high economic activity, while there is normally a decrease during periods of low economic activity. There is therefore a strong link between economic trends (GDP) and trends within the hotel market. While GDP growth can be well monitored, the factors that affect local hotel markets are significantly more complex. The most important factors for change are local economic conditions, the proportion of new hotel capacity in the market, how mature a market is with respect to brands and segments, currency fluctuations, and the occurrence of extraordinary events.

New capacity

New capacity introduced into the market increases risk for the local players. Depending on the demand situation, the addition of hotel room capacity through the construction of new hotels can rapidly result in a negative impact on occupancy rates and average prices. To manage this risk, Pandox has developed an information system that constantly monitors planned construction of new hotels in the Company's markets. This information enables Pandox to be prepared and proactive.

Contract Structure

Pandox's contract structure has a large proportion of rental agreements. Of the total rental revenue of SEK 1,417.8 million, 95 per cent or SEK 1,353.3 million comes from revenue-based rent. Of this amount 77 per cent or the corresponding SEK 1,038.4 million in turn comes from agreements based on a guaranteed rent. The guaranteed portion of these agreements is 77 per cent of the equivalent SEK 796.1 million of total sales-based rent with a guarantee. A total of 41 per cent or the equivalent SEK 557.2 million of the total sales-based rent is flexible. Consequently, a change in the occupancy rate or the average room rate affects Pandox in varying degrees depending on the size of the hotel. The type of rental agreement is chosen based on an optimal distribution of the cash flow between Pandox and the operator and so that the parties are incentivised to constantly improve the hotel property's overall profitability and yield. Factors that may affect the risk associated with flexible leases include the hotel property's location, market segment and brand/operator. Pandox's strategy is to operate in a selected market segment. This, in combination with the Company's knowledge of hotel markets and the systems it has developed, limits the contract risk.

Partners

Pandox's contract structure consisting of a large proportion of flexible leases means that the Company is more dependent than other property companies on the individual tenant's/operator's business. The Company's strategy is to actively cooperate with the market's most competitive and powerful operators whose well-established brand names reduce both the operating and the financial risks. Pandox's largest tenants in terms of revenue are Scandic, Nordic Choice Hotels, Hilton, Rezidor, Elite Hotels and First Hotels. Together they accounted for 95 per cent of all rental revenue in 2014. 2013 94.1 per cent, 2012 94.0 per cent.

Letting rate

The letting rate in Pandox's wholly owned portfolio as of December 31 was 99.8 per cent. Vacant space amounting to 2,210 sq m consisted entirely of retail outlet and office premises. If for any reason a hotel operator should decide to terminate its lease, Pandox may either select a new suitable operator as tenant or operate the hotel itself. With Pandox's specialist expertise in the hotel sector, the risk of vacant hotel space is deemed to be extremely low. For other commercial space, which represents 4 per cent of total space in the portfolio, Pandox is exposed to the same fluctuations in supply and demand for premises as other property owners.

Changed risk profile

Historically, the hotel and hotel property sectors have been associated with high risk. However, in recent years the market has changed significantly. Owners have become more professional and have streamlined companies and focused strategies, with a greater holistic view and specialised expertise. Reporting by public companies has significantly improved transparency and market information. The per centage of established strong brands with efficient operations has increased. The risk profile of streamlined companies, with their active owners and expertise in hotel operation, hotel properties and business development, is considerably more favorable than in the past.

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, the increase has less of an impact on Pandox's 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 1 per cent of the book value. About 47 per cent of property tax was passed on to the tenants in 2014 and as a result, the net effect on Pandox's earnings amounted to SEK 44.7 million.

Site leasehold rents

Pandox had 30 properties held through site leaseholds in the wholly owned portfolio as of December 31, 2014. Rents on these properties are currently calculated such that the municipality that owns the land receives what is deemed to be a reasonable real rate of interest on the estimated market value of the land. Site leaseholds generally have a term of 10–20 years.

Interest rates

Interest expense is Pandox's largest single cost item. A change in the interest rate therefore has an impact on Pandox's earnings. In order to limit the financial risk, Pandox's average fixed interest period is 3.8 years

Currency risk

Pandox's policy is to hedge most of the balance sheet exposure by financing properties in local currencies. Transaction exposure is limited as revenue and costs are usually in the same currency.

For financial risks and risk management, see Notes 17 and 18.

NOTE 23 KEY ESTIMATES AND JUDGMENTS

The executive management team and the Board of Directors have discussed the development, choice of disclosures on the Group's most important accounting principles and estimates, as well as the application of these.

Valuation of investment properties

For details on important assumptions and judgments in connection with the valuation of Pandox's investment properties, see Note 12 Investment properties. Pandox recognises its investment properties according to the fair value method. Any decline in market value has a negative impact on the company's balance sheet and statement of income. This can happen as a result of factors such as a weakened economy, rising interest rates, increased operating costs, higher vacancies, and other property-specific events. Pandox conducts an internal valuation of all investment properties and recognises all of the properties at fair value. In addition, the value of all of the investment properties is assessed by professional, external property appraisers who are independent of Pandox. Their assumptions and the values arrived at constitute an important part in the internal value assessments. To ensure that the internal valuations are correct, all investment properties are evaluated annually by the external appraisers. The external appraisers also conduct a thorough inspection at least every three years in connection with any major changes in the investment properties.

Valuation of operating properties

Pandox has chosen not to recognise the company's operating properties at fair value. The operating properties are reported at carrying amount which is reduced on an ongoing basis for depreciation. For more information on fair value, see Note 12 and 14.

Tax

Pandox has tax loss carry-forwards which are mainly derived from the past operations of Norgani Hotels and a few individual companies. The subsidiaries that own properties also have loss carry-forwards. Pandox has determined that all loss carry-forwards, according to the tax rules in effect, will be able to be utilised against future profits. Pandox cannot, however, provide any guarantee that current or new tax rules will not limit the possibility of utilising the loss carry-forwards.

Classification of acquisitions

The IFRS 3 financial reporting standard states that acquisitions are to be classified as business combinations or asset purchases. An individual assessment of the nature of the acquisition is required for each individual transaction.

Accounting for interest-rate derivatives

In accounting for interest-rate derivatives, interest expense and changes in value are reported on separate lines, see also Note 1 Accounting principles.

Presentation of the consolidated statement of comprehensive income.

Costs for operating activities are regarded as a production cost which includes administration costs that are directly attributable to operating properties.

NOTE 24 INFORMATION ON EFFECTS OF TRANSITION TO IFRS AS OF JANUARY 1, 2012

The consolidated financial statements are the first to be prepared applying IFRS. The date of the transition to IFRS was January 1, 2012. Below is information on the effects of IFRS on the consolidated statement of financial position for 2014 and the balance sheets as af January 1, 2012, December 31, 2013 and December 31, 2014.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2012			
	Past principles	Adjustment	IFRS	Note below
Revenue Property management				
Rental income	1,746.3	–205.9	1,540.4	1
Other property income	55.1	—	55.1	
Revenue Operator activities	1,178.9	—	1,178.9	
Total revenues	**2,980.3**	**–205.9**	**2,774.4**	
Costs investement properties	–243.3	–49.8	–293.1	2
Costs operating properties	–1,184.6	106.5	–1,078.1	1, 2
Depreciation according to plan	–264.6	264.6	—	3
Gross profit	**1,287.8**	**115.4**	**1,403.2**	
Central administration	–118.8	61.6	–57.2	2
Financial income	14.1	—	14.1	
Financial expenses	–599.7	—	–599.7	
Profit before changes in value	**583.4**	**177.0**	**760.4**	
Changes in value				
Properties, unrealised	—	232.9	232.9	3
Properties, realised	46.2	–16.8	29.4	3
Derivatives, unrealised	—	–212.1	–212.1	4
Profit before tax	**629.6**	**181.0**	**810.6**	
Current tax	–9.0	—	–9.0	
Deferred tax	–150.8	–154.3	–305.1	5, 7
Net profit for the year attributable to owners of the Parent Company	**469.8**	**26.7**	**496.5**	
Other comprehensive income				
Items that have been or may be reclassified to profit and loss				
Translation differences foreign operations	79.0	–160.6	–81.6	
Other comprehensive income for the year	79.0	**–160.6**	**–81.6**	8
Total profit for the year attributable to owners of the Parent Company	**548.8**	**–133.9**	**414.9**	

Note 24, cont.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Dec 31 2012				Jan 1 2012			
	Past principles	Adjust-ment	IFRS	Note below	Past principles	Adjust-ment	IFRS	Note below
ASSETS								
Non-current assets								
Investment properties	19,040.5	2,801.4	21,841.9	3	18,785.0	2,294.3	21,079.3	3
Operating properties	—	2,979.5	2,979.5	6	—	3,157.6	3,157.6	6
Equipment/interiors	739.4	–202.2	537.2	6	578.2	–216.7	361.5	6
Deferred tax assets	552.3	248.8	801.1	5, 7	602.7	298.4	901.1	7
Other non-current receivables	10.4	—	10.4		28.5	—	28.5	
Total non-current assets	20,342.6	5,827.5	26,170.1		19,994.4	5,533.6	25,528.0	
Current assets								
Inventories	7.1	—	7.1		8.2	—	8.2	
Trade accounts receivable	147.0	—	147.0		116.7	—	116.7	
Current tax assets	11.0	—	11.0		5.2	—	5.2	
Other receivables	22.5	—	22.5		96.1	—	96.1	
Prepaid expenses and accrued income	74.7	—	74.7		105.8	—	105.8	
Cash and cash equivalents	938.6	—	938.6		685.0	—	685.0	
Total non-current assets	1,200.9	—	1,200.9		1,017.0	—	1,017.0	
TOTAL NON-CURRENT ASSETS	21,543.5	5,827.5	27,371.0		21,011.4	5,533.6	26,545.0	
EQUITY AND LIABILITIES								
Share capital	373.5	—	373.5		373.5	—	373.5	
Other paid-in capital	—	—	—		—	—	—	
Reserves	121.7	—	121.7		154.6	—	154.6	
Retained earnings	4,190.4	4,709.8	8,900.2	9	3,752.7	4,773.9	8,526.6	9
Total equity	4,685.6	4,709.8	9,395.4		4,280.8	4,773.9	9,054.7	
Non-current liabilities								
Deferred tax liability	939.4	517.7	1,457.1	5, 7	905.8	360.2	1,266.0	7
Interest-bearing liabilities	15,018.3	–179.3	14,839.0		14,494.5	13.0	14,507.5	
Derivatives	—	598.7	598.7	4	—	386.5	386.5	4
Provisions	5.1	—	5.1		3.7	—	3.7	
Total non-current liabilities	15,962.8	937.1	16,899.9		15,404.0	759.7	16,163.7	
Current liabilities								
Provisions	—	—	—		—	—	—	
Interest-bearing liabilities	—	180.6	180.6		—	—	—	
Tax liabilities	31.2	—	31.2		16.2	—	16.2	
Trade accounts payable	187.8	—	187.8		182.9	—	182.9	
Liabilities group companies	32.9	—	32.9		19.2	—	19.2	
Other current liabilities	259.4	—	259.4		482.1	—	482.1	
Accrued expenses and prepaid income	383.8	—	383.8		626.2	—	626.2	
Total current liabilities	895.1	180.6	1,075.7		1,326.6	—	1,326.6	
TOTAL LIABILITIES	16,857.9	1,117.7	17,975.6		16,730.6	759.7	17,490.3	
TOTAL EQUITY AND LIABILITIES	21,543.5	5,827.5	27,371.0		21,011.4	5,533.6	26,545.0	

On the transition to IFRS the Company's utilisation of loss carryforwards was reviewed, affecting the Company's deferred tax assets. The remeasurement of loans includes a loan in Danish kroner that was previously measured at the historic exchange rate, but with the transition to IFRS this was remeasured at the exchange rate prevailing on the closing day.

Notes

1

Reclassification of segment-internal revenues/costs in Operator activities.

2

Redistribution of administrative costs to Property management and Operator activities

3

Remeasurement of investment properties to fair value (IAS 40). Accordingly, depreciation and impairment losses based on previous accounting principles will be reversed.

4

All derivative instruments are recognised in the balance sheet measured at fair value (IAS 39).

5

Additional deferred tax liabilities resulting from remeasurement of assets and liabilities in connection with restatement for IFRS which have affected the difference between carrying amounts and the taxable value of assets and liabilities. Changes in deferred taxes are recognised through profit or loss, other comprehensive income or in equity, depending on how changes in the underlying assets and liabilities are recognised.

6

Operating properties are reported on a separate line and are not measured at fair value, reclassified from investment properties in previous accounting principles.

7

Effect the introduction of IFRS on profit/loss for the year	2012
Profit/loss for the year according to previously applied principles	469.8
– Remeasurement of investment properties to fair value.	216.1
– Adjustment of deferred tax attributable to investment and operating properties	–210.1
– Reversal of depreciation of investment properties	177.0
– Derivatives	–212.1
– Tax effect on derivatives	55.8
Tax effect on untaxed reserves	496.5

8

Effect of the introduction of IFRS on profit/loss for the year	2012
Exchange rate differences	–81.6
Other comprehensive income for the year according to IFRS	—
Other comprehensive income for the year according to IFRS	496.5
Comprehensive income for the year according to IFRS	414.9

9

Effect on equity of the introduction of IFRS	Dec 31 2012	Jan 1 2012
Equity according to previously applied principles	4,685.6	4,280.8
– Remeasurement of investment properties to fair value	5,578.7	5,235.2
– Adjustment of deferred taxes attributable to investment and operating properties as well as untaxed reserves	–517.7	–360.2
– Remeasurement of derivatives at fair value	–598.7	–386.5
– Adjustment of deferred tax pertaining to derivatives	131.7	85.0
– Remeasurement of deferred tax assets loss carry-forwards	117.1	213.4
– Remeasurement of loans	–1.3	–13.0
Total changes	4,709.8	4,773.9
Equity according to IFRS	9,395.4	9,054.7

Comments on Consolidated statement of comprehensive income and statement of financial position.

On the transition to IFRS, previous translation differences were reset to zero. All acquisitions are classified as asset purchases and are thus included in the initial IRE calculation. The temporary difference relating to operating properties is thereafter calculated against book value. In connection with restatement for IFRS the deferred tax liabilities increased, which made an increase in capitalisation of deferred tax assets in loss carry-forwards possible according to IAS 12 Income Taxes.

Comments on cash flow analysis

The sub-items in the cash flow analysis have been affected by restatement for IFRS. Profit/loss before tax has been changed mainly by unrealised changes in the value of property and derivatives which are reversed in the cash flow statement.

Note 24, cont.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013			
	Past principles	Adjustment	IFRS	Note below
Revenue Property management				
Rental income	1,745.9	–223.4	1,522.5	1
Other property income	66.6	—	66.6	
Revenue Operator activities	1,307.7	—	1,307.7	
Total revenues	**3,120.2**	**–223.4**	**2,896.8**	
Costs investment properties	–262.7	–49.8	–312.5	2
Costs operating properties	–1,308.1	107.9	–1,200.2	1, 2
Depreciation according to plan	–335.7	335.7	—	
Gross profit	**1,213.7**	**170.4**	**1,384.1**	
Central administration	–127.6	63.6	–64.0	2
Financial income	7.6	—	7.6	
Financial expenses	–614.7	—	–614.7	
Profit before changes in value	**479.0**	**234.0**	**713.0**	
Changes in value				
Properties, unrealised	—	375.5	375.5	3
Properties, realised	—	—	—	3
Derivatives, unrealised	—	320.8	320.8	4
Profit before tax	**479.0**	**930.3**	**1,409.3**	
Current tax	–197.0	—	–197.0	
Deferred tax	–71.7	–192.9	–264.6	5, 7
Net profit for the year attributable to owners of the Parent Company	**210.3**	**737.4**	**947.7**	
Other comprehensive income				
Items that have been or may be reclassified to profit or loss				
Translation differences foreign operations	36.0	–68.2	–32.2	
Other comprehensive income for the year	**36.0**	**–68.2**	**–32.2**	8
Total profit for the year attributable to owners of the Parent Company	**246.3**	**669.2**	**915.5**	

►► Note 24, cont.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Dec 31 2013			
	Past principles	Adjustment	IFRS	Note below
ASSETS				
Non-current assets				
Investment properties	18,999.7	2,911.0	21,910.7	3
Operating properties	—	3,591.4	3,591.4	6
Equipment/interiors	1,110.4	–451.2	659.2	
Deferred tax assets	629.0	143.8	772.8	5, 7
Other non-current receivables	45.3	—	45.3	
Total non-current assets	**20,784.4**	**6,195.0**	**26,979.4**	
Current assets				
Inventories	9.6	—	9.6	
Trade accounts receivable	159.5	—	159.5	
Current tax assets	59.7	—	59.7	
Other receivables	8.3	—	8.3	
Prepaid expenses and accrued income	65.7	—	65.7	
Cash and cash equivalents	588.6	—	588.6	
Total Non-current assets	**891.4**	—	**891.4**	
TOTAL NON-CURRENT ASSETS	21,675.8	6,195.0	27,870.8	
EQUITY AND LIABILITIES				
Share capital	375.0	—	375.0	
Other paid-in capital	—	—	—	
Reserves	238.1	—	238.1	
Retained earnings	4,588.3	5,227.4	9,815.7	9
Total equity	**5,201.4**	**5,227.4**	**10,428.8**	
Non-current liabilities				
Deferred tax liability	1,029.7	677.8	1,707.5	5, 7
Interest-bearing liabilities	14,562.9	–161.4	14,401.5	
Derivatives	—	277.8	277.8	4
Provisions	5.1	—	5.1	
Total non-current liabilities	**15,597.7**	**794.2**	**16,391.9**	
Current liabilities				
Provisions				
Interest-bearing liabilities	—	173.3	173.3	
Tax liabilities	12.1	—	12.1	
Trade accounts payable	148.5	—	148.5	
Liabilities group companies	32.9	—	32.9	
Other current liabilities	241.1	—	241.1	
Accrued expenses and prepaid income	442.2	—	442.2	
Total current liabilities	**876.7**	**173.3**	**1,050.1**	
TOTAL LIABILITIES	16,474.4	967.5	17,442.0	
TOTAL EQUITY AND LIABILITIES	21,675.8	6,195.0	27,870.8	

Notes

1

Reclassification of segment-internal revenues/costs in Operator activities.

2

Redistribution of administrative costs to administration in Property management and Operator activities.

3

Remeasurement of investment properties to fair value (IAS 40). Accordingly, depreciation and impairment losses based on previous accounting principles will be reversed.

4

All derivative instruments are recognised in the balance sheet measured at fair value (IAS 39).

5

Additional deferred tax liabilities resulting from remeasurement of assets and liabilities in connection with restatement for IFRS which have affected the difference between carrying amounts and the taxable value of assets and liabilities. Changes in deferred taxes are recognised through profit or loss, other comprehensive income or in equity, depending on how changes in the underlying assets and liabilities are recognised.

6

Operating properties are reported on a separate line and are not measured at fair value, reclassified from investment properties in previous accounting principles.

7

Effect of the introduction of IFRS on profit/loss for the year	2013
Profit/loss for the year according to previously applied principles	210.3
– Remeasurement of investment properties to fair value	375.5
– Adjustment of deferred tax attributable to investment and operating properties	–171.2
– Reversal of depreciation of investment properties	234.0
– Derivatives	320.8
– Tax effect on derivatives	–70.6
– Tax effect on loss carry-forwards	48.9
Profit for the year according to IFRS	947.7

8

Effect of the introduction of IFRS on profit/loss for the year	2013
Exchange rate differences	–32.2
Other comprehensive income for the year according to IFRS	0.0
Profit for the year according to IFRS	947.7
Comprehensive income for the year according to IFRS	915.5

9

Effect on equity of the introduction of IFRS	Dec 31 2013
Equity according to previously applied principles	5,201.4
– Remeasurement of investment properties to fair value	6,051.2
– Adjustment of deferred taxes attributable to investment and operating properties as well as untaxed reserves	–677.8
– Remeasurement of derivatives at fair value	–277.8
– Adjustment of deferred tax pertaining to derivatives	85.8
– Remeasurement of deferred tax assets loss carry-forwards	58.0
– Remeasurement of loans	–12.0
Total changes	5,227.4
Equity according to IFRS	10,428.8

Comments on Consolidated statement of comprehensive income and statement of financial position.

On the transition to IFRS, previous translation differences were reset to zero. All acquisitions are classified as asset purchases and are thus included in the initial IRE calculation. The temporary difference relating to operating properties is thereafter calculated against book value.

Comments on cash flow analysis

The sub-items in the cash flow analysis have been affected by restatement for IFRS. Profit/loss before tax has therefore been changed mainly by unrealised changes in the value of properties and derivatives which are reversed in the cash flow statement.

Note 24, cont.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014			
	Past principles	Adjustment	IFRS	Note below
Revenue Property management				
Rental income	1,729.3	–311.5	1,417.8	1
Other property income	59.5	—	59.5	
Revenue Operator activities	1,598.3	—	1,598.3	
Total revenues	**3,387.1**	**–311.5**	**3,075.6**	
Costs investement properties	–258.5	–33.1	–291.6	2
Costs operating properties	–1,563.4	176.3	–1,387.1	1, 2
Depreciation according to plan	–314.4	314.4	—	
Gross profit	**1,250.8**	**146.1**	**1,396.9**	
Central administration	–141.3	59.3	–82.0	2
Financial income	4.8	—	4.8	
Financial expenses	–540.9	—	–540.9	
Profit before changes in value	**573.4**	**205.4**	**778.8**	
Changes in value				
Properties, unrealised	—	906.3	906.3	3
Properties, realised	935.2	–644.5	290.7	3
Derivatives, unrealised	—	–622.0	–622.0	4
Profit before tax	**1,508.6**	**–154.8**	**1,353.8**	
Year-end appropriations	–174.8	174.8	—	
Current tax	–15.9	—	–15.9	
Deferred tax	–102.3	17.1	–85.2	5, 7
Net profit for the year attributable to owners of the Parent Company	**1,215.6**	**37.1**	**1,252.7**	
Other comprehensive income				
Items that have been or may be reclassified to profit or loss				
Translation differences foreign operations	321.8	–324,5	–2,7	
Other comprehensive income for the year	**321.8**	**–324,5**	**–2,7**	8
Total profit for the year attributable to owners of the Parent Company	**1,537.4**	**–287,4**	**1,250.0**	

Note 24, cont.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Dec 31 2014			
	Past principles	Adjustment	IFRS	Note below
ASSETS				
Non-current assets				
Investment properties	18,013.2	2,830.1	20,843.3	3
Operating properties	—	4,135.1	4,135.1	6
Equipment/interiors	1,168.8	–446.2	722.6	
Deferred tax assets	688.7	234.7	923.4	5, 7
Other non-current receivables	26.3	—	26.3	
Total non-current assets	**19,897.0**	**6,753.7**	**26,650.7**	
Current assets				
Inventories	10.8	—	10.8	
Trade accounts receivable	152.9	—	152.9	
Current tax assets	44.3	—	44.3	
Other receivables	9.8	—	9.8	
Receivables Group companies	0.7	—	0.7	
Prepaid expenses and accrued income	96.8	—	96.8	
Cash and cash equivalents	320.7	—	320.7	
Total Non-current assets	**636.0**	—	**636.0**	
TOTAL NON-CURRENT ASSETS	**20,533.0**	**6,753.7**	**27,286.7**	
EQUITY AND LIABILITIES				
Share capital	375.0	—	375.0	
Other capital contributed	—	—	—	
Reserves	404.5	—	404.5	
Retained earnings	4,768.8	4,853.2	9,622.0	9
Total equity	**5,548.3**	**4,853.2**	**10,401.5**	
Non-current liabilities				
Deferred tax liability	1,023.9	969.1	1,993.0	5, 7
Interest-bearing liabilities	12,876.6	–1,090.9	11,785.7	
Derivatives	—	899.8	899.8	4
Provisions	5.8	48.0	53.8	
Total non-current liabilities	**13,906.3**	**826.0**	**14,732.3**	
Current liabilities				
Provisions	—	12.0	12.0	
Interest-bearing liabilities	—	1,122.4	1,122.4	
Tax liabilities	18.7	—	18.7	
Trade accounts payable	189.3	—	189.3	
Liabilities to Group companies	207.7	—	207.7	
Other current liabilities	166.0	—	166.0	
Accrued expenses and prepaid income	496.7	–60.0	436.7	
Total current liabilities	**1,078.4**	**1,074.5**	**2,152.9**	
TOTAL LIABILITIES	**14,984.7**	**1,900.5**	**16,885.2**	
TOTAL EQUITY AND LIABILITIES	**20,533.0**	**6,753.7**	**27,286.7**	

►► Note 24, cont.

Notes

1

Reclassification of segment-internal revenues/costs in Operator activities.

2

Redistribution of administrative costs to administration in Property management and Operator activities.

3

Remeasurement of investment properties to fair value (IAS 40). Accordingly, depreciation and impairment losses based on previous accounting principles will be reversed.

4

All derivative instruments are recognised in the balance sheet measured at fair value (IAS 39).

5

Additional deferred tax liabilities resulting from remeasurement of assets and liabilities in connection with restatement for IFRS which have affected the difference between carrying amounts and the taxable value of assets and liabilities. Changes in deferred taxes are recognised through profit or loss, other comprehensive income or in equity, depending on how changes in the underlying assets and liabilities are recognised.

6

Operating properties are reported on a separate line and are not measured at fair value, reclassified from investment properties in previous accounting principles.

7

Effect the introduction of IFRS on profit/loss for the year	2014
Profit/loss for the year according to previously applied principles	1,215.6
– Remeasurement of investment properties to fair value	261.8
– Adjustment of deferred tax attributable to investment and operating properties	–143.5
– Reversal of depreciation of investment properties	205.4
– Derivatives	–622.0
– Tax effect on derivatives	136.8
– Tax effect of loss carry-forwards	23.8
– Adjustment of year-end appropriations according to past rules	174.8
Profit for the year according to IFRS	1,252.7

8

Effect of the introduction of IFRS on profit/loss for the year	2014
Exchange rate differences	–2,7
Other comprehensive income for the year according to IFRS	—
Profit for the year according to IFRS	1,252.7
Comprehensive income for the year according to IFRS	1,250.0

9

Effect on equity of the introduction of IFRS	Dec 31 2014
Equity according to previously applied principles	5,548.3
– Remeasurement of investment properties to fair value	6,518.9
– Adjustment of deferred taxes attributable to investment and operating properties as well as untaxed reserves	–969.1
– Remeasurement of derivatives at fair value	–899.8
– Adjustment of deferred tax pertaining to derivatives	136.8
– Remeasurement of deferred tax assets loss carry-forwards	97.9
– Remeasurement of loans	–31.5
Total changes	4,853.2
Equity according to IFRS	10,401.5

Comments on statement of cash flows

The sub-items in the statement of cash flows have been affected by restatement for IFRS. Profit/loss before tax has therefore been changed mainly by unrealised changes in the value of properties and derivatives which are reversed in the cash flow statement.

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

MSEK	2014	2013	2012
Assets pledged to credit institutions			
For own liabilities pledged assets, properties	11,628.4	12,552.7	15,799.6
Bank deposits	7.0	7.0	7.0
Total pledged assets	**11,635.4**	**12 559.7**	**15,806.6**
Contingent liabilities			
Guarantees for employees	5.8	4.3	4.3
Total contingent liabilities	**5.8**	**4.3**	**4.3**

Property mortgages are used as security for bank loans.

NOTE 26 EVENTS AFTER THE CLOSING DAY

After December 31, 2014 no events or transactions of significance have taken place that in any way affect the financial statements provided for the Pandox Group for the 2014 financial year.

However, the following business transactions with related parties did take place after the closing day but did not affect the financial statements for the previous year.

As announced in November 2014, Pandox Operations will take over the operation of the Grand Hotel in Oslo on March 1, 2015. The hotel is owned by Eiendomsspar AS.

As per January 1, 2015 Pandox is taking over the property management for Pelican Bay at Lucaya, Bahamas, the hotel is owned by Sundt GB Management Ltd.

On March 2, 2015 Pandox announced that it intendes to establish a new property management business area. On March 12 the first property management contract was signed with Eiendomsspar AS. Pandox is taking over the management of eight of Eiendomsspar AS hotel properties, consisting of 1,500 rooms, all located in Oslo.

On March 16 it was announced that Pandox Operations will take over operation of Radisson Blu Lillehammar Hotel in August 2015.

NOTE 27 PARTICIPATIONS IN SUBSIDIARIES

Directly owned subsidiaries	Registration No	Domiciled	Number of shares	Share of capital / votes
HOTAB Förvaltning AB	556475-5592	Stockholm, Sweden	1,000	100
Pandox Förvaltning AB	556097-0815	Stockholm, Sweden	5,500	100
Hotab 6 AB	556473-6352	Stockholm, Sweden	1,000	100
Fastighets AB Grand Hotell i Helsingborg	556473-6329	Stockholm, Sweden	1,000	100
Pandox Fastighets AB	556473-6261	Stockholm, Sweden	1,000	100
Fastighets AB Mora Hotell	556475-9370	Stockholm, Sweden	1,000	75 1)
Fastighets AB Stora Hotellet i Jönköping	556469-4064	Stockholm, Sweden	1,000	100
Pandox Belgien AB	556495-0078	Stockholm, Sweden	1,000	100
Pandox Hotel Management AB	556469-9782	Stockholm, Sweden	1,000	100
Hotellus Holding AB	556475-9446	Stockholm, Sweden	1,000	100
Pandox Luxemburg AB	556515-9216	Stockholm, Sweden	10,000	100
Pandox i Halmstad AB	556549-8978	Stockholm, Sweden	1,000	100
Pandox i Borås AB	556528-0160	Stockholm, Sweden	1,000	100
Grand i Borås Fastighets AB	556030-7083	Stockholm, Sweden	6,506	100
Hotell Värmdövägen 84 AB	556286-4826	Stockholm, Sweden	2,000	100
Hotellus International AB	556030-2506	Stockholm, Sweden	7,480,000	100
Hotellus Östersund AB	556367-3697	Stockholm, Sweden	1,000	100
Ademrac Holding 1 AB	556683-3371	Stockholm, Sweden	10,093	100
Ademrac Holding 2 AB	556683-3363	Stockholm, Sweden	10,010	100
Ademrac AB	556426-2748	Stockholm, Sweden	1,790,042	6.6 2)
Ypsilon Hotell AB	556481-4134	Stockholm, Sweden	1,000	100
Pandox Kolmården AB	556706-8316	Stockholm, Sweden	100,000	100
Hotellus Sverige Ett AB	556778-8699	Stockholm, Sweden	1,000	100
Hotellus Sverige Två AB	556778-8707	Stockholm, Sweden	1,000	100
Sech Holding AB	556819-2214	Stockholm, Sweden	357,000	100
Pandox Portfölj 2 AB	556982-7040	Stockholm, Sweden	500,	100
Pandox Sollentuna Centrum 12 AB	556660-3949	Stockholm, Sweden	1,000	100
Pandox Sweden AB	556942-1687	Stockholm, Sweden	500	100
KB Lorensberg 49:2	916833-3269	Gothenburg, Sweden	—	100 3)
Pandox i Malmö AB	556704-3723	Malmö, Sweden	1,000	100
Hotellus Denmark A/S	28970927	Denmark	5,000	100
Le Nouveau Palace NV	0423.048.375	Belgium	3,000	99.97 4)
Hotel Bloom ! NV	0476.704.322	Belgium	68,808	99.99 5)
Pandox Belgium NV	0890.427.732	Belgium	100,000	99.99 6)
Pandox RMC BVBA	0552.929.692	Belgium	1,000	99.00 7)
Convention Hotel International AG	CHE-101.458.856	Switzerland	14,000	100

1) Fastighets AB Mora Hotell is owned to 25 per cent by Hotellus Holding AN, which is fully owned by Pandox Aktiebolag (publ).
2) Ademrac AB is owned to 93.4 per cent by Ademrac Holding 1 AB and Ademrac Holding 2 AB, both of which are fully owned by Pandox Aktiebolag (publ).
3) Partner, limited partner is Pandox Förvaltning AB.
4) Le Nouveau Palace NV is owned to 0.03 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).
5) Hotel Bloom! NV is owned to 0.01 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).
6) Pandox Belgium NV is owned to 0.01 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).
7) Pandox RMC BVBA is owned to 1 per cent by Hotellus International AB, which is fully owned by Pandox Aktiebolag (publ).

Note 27, cont.

Indirectly owned subsidiaries	Registration No	Domiciled
Arlanda Flyghotell KB	916500-8021	Stockholm, Sweden
Fastighetsbolaget Utkiken KB	916611-7755	Stockholm, Sweden
Fastighets AB Hotell Kramer	556473-6402	Stockholm, Sweden
Hotellus Nordic AB	556554-6594	Stockholm, Sweden
Hotellus Järva Krog AB	556351-7365	Stockholm, Sweden
Hotellus Mölndal AB	556554-6636	Stockholm, Sweden
Bioeffect AB	556244-5030	Stockholm, Sweden
Vestervold KB	916631-9534	Stockholm, Sweden
Hotellus Mellansverige AB	556745-4656	Stockholm, Sweden
Skogshöjd Handels & Fastighets AB	556066-0432	Stockholm, Sweden
Norgani Sweden Holding AB	556660-3238	Stockholm, Sweden
Norgani Alvik Hasselbacken AB	556735-4872	Stockholm, Sweden
Norgani Hasselbacken AB	556698-4612	Stockholm, Sweden
Fastighets AB Prince Philip	556488-0028	Stockholm, Sweden
Norgani Holding AB	556942-1703	Stockholm, Sweden
Norgani Stockholm Pundet 1 AB	556660-3394	Stockholm, Sweden
Norgani Kiruna Hovmästaren 1 AB	556660-3451	Stockholm, Sweden
Norgani Mora Stranden 37:3 AB	556660-3493	Stockholm, Sweden
Norgani Luleå Tjädern 19 AB	556660-4426	Stockholm, Sweden
Norgani Kalmar Hammaren 4 AB	556660-6538	Stockholm, Sweden
Norgani Karlstad Sandbäcken 1:3 AB	556658-7340	Stockholm, Sweden
Norgani Sandviken Grillen 8 AB	556658-7381	Stockholm, Sweden
Norgani Linköping Ekoxen 9 och 11 AB	556658-7407	Stockholm, Sweden
Norgani Skövde Liljekonvaljen 14 AB	556658-7449	Stockholm, Sweden
Norgani Halmstad Gillestugan 1 AB	556658-7456	Stockholm, Sweden
Norgani Göteborg Backa 149:1 och 866:397 AB	556658-7480	Stockholm, Sweden
Norgani Malmö Gunghästen 1 AB	556688-7278	Stockholm, Sweden
Norgani Stockholm Gråberget 29 AB	556688-7450	Stockholm, Sweden
Norgani Bollnäs Sundsbro 10 AB	556688-7344	Stockholm, Sweden
Norgani Portfölj 2 AB	556982-7032	Stockholm, Sweden
Norgani Hotelleiendom i Göteborg AB	556674-0709	Stockholm, Sweden
Norgani Hotelleiendom i Helsingborg AB	556674-0063	Stockholm, Sweden
Norgani Hotelleiendom i Jönköping AB	556674-0212	Stockholm, Sweden
Norgani Hotelleiendom i Luleå AB	556674-0485	Stockholm, Sweden
Norgani Hotelleiendom i Malmö AB	556674-0436	Stockholm, Sweden
Norgani Hotelleiendom i Sundsvall AB	556674-0071	Stockholm, Sweden
Norgani Hotelleiendom i Södertälje AB	556673-9768	Stockholm, Sweden
Norgani Hotelleiendom i Umeå AB	556673-9677	Stockholm, Sweden
Norgani Hotelleiendom i Uppsala AB	556673-9776	Stockholm, Sweden
Norgani Hotelleiendom i Östersund AB	556673-9750	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Blyet	556673-9685	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Osten	556674-0469	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Radien	556674-0196	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Sågen	556674-0493	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Valbo-Backa	556674-0204	Stockholm, Sweden
Norgani Hotellfastighetsaktiebolaget Vindmotorn	556673-9818	Stockholm, Sweden
Norgani Suomi Holding AB	556705-2781	Stockholm, Sweden
Norgani Suomi 2 AB	556705-0694	Stockholm, Sweden
Norgani Suomi 3 AB	556704-9688	Stockholm, Sweden
Norgani Suomi 4 AB	556705-0983	Stockholm, Sweden
Norgani Suomi 5 AB	556704-8151	Stockholm, Sweden
Norgani Suomi 6 AB	556704-8144	Stockholm, Sweden

Indirectly owned subsidiaries	Registration No	Domiciled
Norgani Suomi 7 AB	556704-8136	Stockholm, Sweden
Norgani Suomi 9 AB	556705-0520	Stockholm, Sweden
Norgani Suomi 10 AB	556704-4218	Stockholm, Sweden
Norgani Suomi 11 AB	556704-8227	Stockholm, Sweden
Norgani Suomi 12 AB	556704-8219	Stockholm, Sweden
Norgani Suomi 13 AB	556704-8201	Stockholm, Sweden
Norgani Suomi 14 AB	556704-8193	Stockholm, Sweden
Norgani Suomi 15 AB	556704-8185	Stockholm, Sweden
Norgani Suomi 17 AB	556704-8169	Stockholm, Sweden
Norgani Stockholm Herrgården 2 AB	556660-4285	Gothenburg, Sweden
Norgani Hotelleiendom i Sverige AB	556674-0170	Gothenburg, Sweden
Hotellinvest Holding DK 1 ApS	29828644	Denmark
Hotellinvest Holding DK 2 ApS	29830053	Denmark
Hotellinvest DK 1 ApS	10998476	Denmark
Hotellinvest DK 2 ApS	28886217	Denmark
Hotellinvest DK 3 ApS	25241266	Denmark
Norgani Hotel Cosmopole ApS	25060407	Denmark
K/S Norgani Hotel	24250830	Denmark
Komplementarselskabet Norgani Hotel ApS	14446478	Denmark
Norgani Hotel København A/S	20029633	Denmark
Urban House Hotel ApS	35632654	Denmark
Oy Norgani 1 Ab	2050600-9	Finland
Oy Norgani 2 Ab	2050598-9	Finland
Oy Norgani 3 Ab	2050596-2	Finland
Oy Norgani 4 Ab	2050594-6	Finland
Oy Norgani 5 Ab	2050593-8	Finland
Oy Norgani 8 Ab	2050586-6	Finland
Oy Norgani 9 Ab	2050625-2	Finland
Oy Norgani 10 Ab	2050619-9	Finland
Oy Norgani 11 Ab	2050616-4	Finland
Oy Norgani 12 Ab	2050612-1	Finland
Oy Norgani 13 Ab	2050610-5	Finland
Oy Norgani 14 Ab	2050609-2	Finland
Oy Norgani 16 Ab	2050603-3	Finland
NorGani Finland Holding Oy	1530970-5	Finland
Kiinteistö Oy Hotelli Pilotti	0426438-8	Finland
Kiinteistö Oy Pakkalan Kartanonkoski 5	0747929-6	Finland
Oy Korpilampi Ab	1495021-8	Finland
Hotellus Suomi Oy	1495017-0	Finland
Norgani Hotels AS	988 016 683	Norway
Norgani Hotelleiendom AS	988 201 227	Norway
Hotellinvest Holding AS	990 122 806	Norway
Norgani Eiendom Bodø AS	991 393 048	Norway
Norgani Hotell Bastionen AS	940 157 633	Norway
Norgani Norge Holding AS	989 197 355	Norway
Alexandra Hotell AS	910 114 174	Norway
Norgani Hotell Kristiansand AS	938 214 964	Norway
Norgani Hotell Oslo AS	951 361 542	Norway
Norgani Hotell Bergen AS	967 989 371	Norway
Norgani Hotell Hafjell AS	938 214 875	Norway
Norgani Hotell KNA AS	890 618 812	Norway
Norgani Hotell Bergen Airport AS	919 626 852	Norway
Norgani Fagernes Turisthotell AS	919 844 604	Norway
Norgani Olrud Hotell KS	940 459 311	Norway
Norgani Olrud Hotell AS	940 459 133	Norway
Norgani Hamnneset Hotell ANS	961 324 807	Norway

►► Note 27, cont.

Indirectly owned subsidiaries	Registration No	Domiciled
Norgani Hotell Hamnneset AS	981 118 995	Norway
Norgani Hotell Lillehammer AS	952 479 806	Norway
Lillehammer Turisthotell AS	913 915 739	Norway
Norgani Hotell Bodø AS	987 141 433	Norway
Grand Hotel of Brussels NV	0443.822.213	Belgium
Hotellus Belgium NV	0413.537.526	Belgium
Town Hotel NV	0437.378.839	Belgium
Elba Belgium Holding BVBA	0889.537.114	Belgium
Elba Leasehold BVBA	0889.633.520	Belgium
Elba Freehold BVBA	0889.630.649	Belgium
Holcro NV	0421.732.937	Belgium
Euro Lifim Holding BV	33227692	Netherlands
Pandox Holland BV	34277494	Netherlands
Pandox Holland 2 BV	34304039	Netherlands
Hotellus Luxembourg SARL	B 131027	Luxembourg
Hotellus Canada Holdings Inc.	0793511 [1)] 844035584 [2)] 1164498975 [3)]	British Columbia
Hotellus Montreal Holdings Inc.	0823951 [1)] 807214218 [2)] 1165155541 [3)]	British Columbia
Hotellus Montreal Inc.	0827355 [1)] 801087016 [2)] 1168133123 [3)]	British Columbia
Pandox Berlin GmbH	HRB 96069 B [4)]	Germany
Hotellus Deutschland GmbH	HRB 41151 [5)]	Germany
Grundstücksgesellschaft ATLANTIS mbH	HRB 41381 [5)]	Germany
Pandox Germany GmbH	HRB 68809 [5)]	Germany
Pandox Lübeck GmbH	HRB 68868 [5)]	Germany
Pandox Dortmund GmbH	HRB 68856 [5)]	Germany
Pandox Bremen GmbH	HRB 68847 [5)]	Germany
Pandox Deutschland GmbH & Co. KG [6)]	HRA 21826 [5)]	Germany

Affiliated companies	Registration No	Domiciled
Pandox Verwaltungs GmbH [7)]	HRB 66726 [5)]	Germany

1) BC reg. no.
2) Federal reg. no.
3) Quebec reg. nr. (NEQ).
4) Commercial register that is kept by the local court in Charlottenburg, Germany.
5) Commercial register that is kept by the local court in Düsseldorf, Germany
6) Pandox owns 94 per cent of the shares and a third party owns the remaining 6 per cent of the shares.
7) Pandox owns 49 per cent of the shares and a third party owns the remaining 51 per cent of the shares.

NOTE 28 RELATED PARTIES

The Parent Company has related-party relationships with its subsidiaries. Certain dividend restrictions apply in a few of the subsidiaries' credit agreements. Information on remuneration to key individuals in senior positions can be found in Note 7. Group-internal transactions take place on market terms. The transactions consist of the allocation of central administration costs, and interest on financial receivables and liabilities. All transactions take place on market terms.

Pandox is owned by Norwegian companies Eiendomsspar AS, Helene Sundt AS and CGS Holding AS. No transactions take place with related parties who are senior executives or with the owner companies in the financial statements presented. See Note 26 Events after the closing day for future transactions.

NOTE 29 SPECIFICATION OF CASH FLOWS FOR THE GROUP

MSEK	2014	2013	2012
Acquisition of subsidiaries and other business units			
Acquired assets and liabilities			
Investment properties	—	—	568.3
Current receivables	—	—	0.2
Cash and cash equivalents	—	—	8.1
Total assets	**—**	**—**	**576.6**
Non-current liabilities	—	—	389.3
Deferred tax	—	—	2.4
Current liabilities	—	—	184.9
Total liabilities	**—**	**—**	**576.6**
Purchase consideration			
Purchase consideration paid	—	—	568.3
Less: Cash and cash equivalents in the acquired operations	—	—	–8.1
Effect on cash and cash equivalents	—	—	560.2
Divestment of subsidiaries and other business entities			
Acquired assets and liabilities			
Investment properties	2,438.3	—	202.6
Current receivables	14.4	—	2.1
Total assets	**2,452.7**	**—**	**204.7**
Non-current liabilities	939.4	—	58.0
Deferred tax	7.9	—	1.8
Current liabilities	27.6	—	14.8
Total liabilities	**974.9**	**—**	**74.6**
Selling price:			
Purchase price	2,606.8	—	232.0
Less: Cash and cash equivalents in the divested operations	—	—	—
Effect on cash and cash equivalents	2,606.8	—	232.0

Definitions

FINANCIAL INFORMATION

Return on equity, %
Profit or loss for the period attributable to the shareholders of the parent company, as a per centage of average equity (shareholders' equity).

Equity to asset ratio, %
Reported shareholders' equity as a per centage of total assets at the end of the period.

Loan to value ratio, %
Interest-bearing liabilities as a per centage of the total market value of properties at the end of the period.

Interest cover ratio, %
Profit before value changes plus financial expenses and depreciations, divided by financial expenses.

Average cost of debt, %
Average interest rate paid as a per centage of current interest bearing debt.

Net interest bearing debt, MSEK
Total interest bearing liabilities less cash and cash equivalents.

Investments, excluding acquisitions, MSEK
Investments in properties excluding acquisitions.

Gross profit, Property management, MSEK
Revenue less directly related costs for Property management.

Gross profit, Operator activities, MSEK
Revenue less directly related costs for Operator activities and depreciation on fixed assets excluding acquisitions.

Net operating income, Property management, MSEK
Net operating income corresponds to gross profit Property management.

Net operating income, Operator activities, MSEK
Gross profit for Operator activities plus depreciation included in costs, Operator activities.

EBITDA, MSEK
Total net operating income, less central administration, excluding depreciation.

Cash earnings, MSEK
EBITDA plus financial income less financial expenses, less current tax.

SHARE INFORMATION

Earnings per share, SEK
Profit for the period, attributable to the shareholders of the parent company, divided by the weighted average total number of shares outstanding.

Cash earnings per share, SEK
EBITDA plus financial income less financial expenses less current tax, divided by the weighted average total number of shares outstanding.

Shareholders' equity per share, SEK
Reported shareholder's equity attributable to the shareholders of the parent company divided by the total number of shares outstanding at the end of the period.

Net asset value (EPRA NAV) per share, SEK
Recognised equity, attributable to the shareholders of the parent company , including reversal of derivatives and deferred tax and revaluation of Operating properties divided by total number of diluted shares outstanding at the end of the period.

Dividend per share, SEK
Dividend for the year divided by the total weighted number of diluted shares outstanding at the end of the period.

Weighted average number of shares, before dilution, thousands
The weighted average number of shares incorporates any changes in the amount of outstanding shares, before dilution, over the reporting period.

Weighted average number of shares, after dilution, thousands
The weighted average number of shares incorporates any changes in the amount of outstanding shares, after dilution, over the reporting period.

PROPERTY INFORMATION

Number of hotels
Number of owned hotel properties, at the end of the period.

Number of rooms
Number of rooms in owned hotel properties, at the end of the period.

WAULT (investment properties), years
Average lease term remaining to expiry, across the Investment property portfolio, weighted by contracted rental income.

Property market value, MSEK
Market value of Investment properties plus market value of Operating properties.

Independent Auditors' Report on historical financial information

TO THE BOARD OF DIRECTORS OF PANDOX AB (PUBL), CORPORATE ID NO 556030-7885

Introduction

We have audited the financial statements of Pandox AB (publ) and its subsidiaries on pages F-36 – F-75, comprising the consolidated balance sheets at December 31, 2014, 2013 and 2012, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for these years, and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the Chief Executive Officer's responsibility for the financial statements

The Board of Directors and the Chief Executive Officer are responsible for the preparation and fair presentation of the financial statements to provide a fair view of the financial position, financial performance, changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We have conducted our audit in accordance with the Swedish Institute of Authorized Public Accountants, FAR, recommendation Rev R 5, Examination of financial information in prospectuses. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit in accordance with FAR´s recommendation RevR 5 Examination of financial information in prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Chief Executive Officer and evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and the Annual Accounts Act and additional applicable framework of the consolidated financial position of the Pandox AB (publ) as at December 31, 2014, 2013 and 2012, and its consolidated result, changes in equity and cash flows for these years.

Stockholm 14 May 2015

Per Gustafsson Authorized Public Accountant	Willard Möller Authorized Public Accountant

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