

Crowne Plaza Antwerp – total refurbishment completed autumn 2011.

Year-End Report 2011

Year-End Report 2011

- Pandox' cash flow from current operations, including 50 percent of the profits in Norgani, increased to SEK 691.2 million (518.9), representing an increase of 33 percent.
- Property management revenues amounted to SEK 961.4 million (923.3), representing an increase of 3.3 percent for comparable units, including an adjustment for currency effects.
- Revenues from Pandox' own operations were SEK 1,244.0 (1,208.6), representing an increase of 3.7 percent for comparable units and adjusted for currency effects.
- Profit before tax, excluding non-recurring items, rose to SEK 457.5 million (313.5), and to SEK 513.6 million (744.7) including non-recurring items.
- The driving force behind the improvement in profits and cash flow is a stable hotel market, high quality in the hotel property portfolio, as well as profitable acquisitions.
- Pandox manages a hotel property portfolio composed of 118 hotels, 1 congress and fair centre with 24,500 rooms, with operations in 10 countries and 58 locations. Ownership of the portfolio is spread, where Pandox wholly owns 47 hotels. The remaining hotel properties are owned in various proportions together with the Company's shareholders. The figures in this year-end report include the hotels that are wholly owned by Pandox as well as the proportion of results regarding each of the other hotels, in accordance with the equity method.

Global economic statistics in the last quarter were in line with the forecasts of most macro-experts. The crisis in the euro zone is however still placing stress on the market, and there is a risk that the Swedish economy could slow slightly. On the other hand, the United States is showing positive economic signs and growth gradually increased during the year with rising company investments and a certain improvement in household consumption, despite weak developments in their disposable income. The beginning of 2012 is also showing positive signs, with surprisingly strong labour market statistics, relatively strong retail trade, and stable order intakes in industry. The United States is not however unaffected by the public debt crisis in Europe, and the initial positive trends could be threatened in the first half-year 2012 further to the situation within the euro zone.

For growth markets, the economic situation is generally strong, although analysts believe that the anticipated decline in demand in Europe will affect the export figures of growth countries in the future.

Within this global situation, Pandox' hotel property portfolio has performed well. Property management revenues grew by 7.4 percent in the reporting period, representing 3.3 percent for comparable units and adjusted for currency effects. The rate of improvement was better than the market on average, which implies that the hotels in Pandox' portfolio in general took market shares. Profits and cash flows continued to rise, driven basically by an improved hotel market, the Company's strategy, high quality in the portfolio, lower financing costs, and the Company's active ownership.

Stable and good developments in the United States

The hotel market in the United States was stable with good developments as a whole in 2011. For the full-year, RevPAR increased by 6 percent compared with last year, due essentially to a rise in average rates. However, growth declined slightly towards the end of the year, prices stabilised, and the short-term trend is that RevPAR is being driven by occupancy.

Like last year, the luxury segment has seen the greatest growth, driven by both higher prices and stronger demand.

Demand has returned to Europe

RevPAR increased by close to 6 percent for Europe as a whole, driven by both higher prices and improved occupancy, although for most large international cities, RevPAR is primarily driven by average rates. However, the short-term trend shows a decline in growth in the major international markets.

The markets that are currently developing the strongest are Istanbul, Venice, Paris and Amsterdam. London showed surprisingly strong demand in the summer, and RevPAR improved by 8 percent on an annual basis despite 2010 being a record year.

For markets where Pandox is established, London, Gothenburg and Antwerp developed best.

In the Nordic region, all large cities showed positive RevPAR trends. Oslo, Helsinki and Copenhagen closed the year with RevPAR up by 5.5 percent while Stockholm, despite considerable additional capacity, saw a rise in RevPAR of 4 percent. On the other hand, the Malmö market declined during the year, and Gothenburg and Copenhagen have seen a downturn in the short-term.

Pandox' portfolio

Pandox' hotel property portfolio continued to perform well. Most Stockholm hotels developed better than the market, although the Hilton Slussen has declined slightly due to the ongoing refurbishment program. In Gothenburg, the Elite Park continued to perform better than the market, and both the Scandic Crown and Scandic Mölndal improved and are now in line with or above the market on average. In Malmö, the refurbishment of the Radisson Blu has given desired results. The hotel is now performing well and has taken market shares, particularly within the meeting segment. For the Scandic S:t Jörgen, competition has hardened, leading to the hotel losing market shares. The Scandic Kramer has also declined slightly against the market. Regional towns and cities were relatively stable.

Of the international hotels, both the InterContinental and the Hyatt in Montreal showed stable trends with increased market shares in both rates and occupancy. The InterContinental is now performing steadily at the top of its competition group. For the Hyatt, 2011 was a refurbishment year with total upgrading of public and F&B areas. The hotel has nonetheless showed relatively good trends for the full-year, and is expected to continue to take market shares in 2012.

The Hotel Berlin, Berlin showed stable developments during the year, although it lost slightly against its market group due primarily to the meeting segment not being as large as anticipated. The refurbishment of 200 rooms in the hotel's classic wing is currently in progress in order to create a more even product standard and improve average rates. The refurbishment is expected to give the hotel a positive price effect as of the second quarter. Bremen, Dortmund and Lübeck saw weak trends in general during the year, although Pandox' hotels in these cities have stable trends and are in line with the market.

Of the Belgian hotels, Holiday Inn Brussels Airport showed best growth with a successful segmenting strategy in the competitive and growing market around Brussels airport. The Crowne Plaza Brussels also had a strong year, driven by an increase in meeting volumes. Similarly, the Hilton Brussel City and Hotel BLOOM!

saw positive developments with strengthened market shares. The Hotel Brussels is essentially following the strategic plan prepared in conjunction with the acquisition.

The Hilton London Docklands continues to develop slightly more slowly than the market due to a lower proportion of conferences and meetings. The decline against the market is however slowing and the outlook for 2012 is good. Copenhagen's hotels are performing below market, due primarily to the total refurbishment of the Scandic Hotel Copenhagen.

Norgani's portfolio

Norgani's hotel property portfolio has performed well, and rental revenues increased by 4.5 percent in 2011 compared with comparable units and currency rates.

The Stockholm market showed an increase in RevPAR of close to 4 percent in 2011, and Norgani's Stockholm portfolio is in general performing well. The best trends were seen at the Scandic Star Sollentuna and Malmen. The Scandic Södertälje also had a strong year, while the hotels in southern Stockholm experienced uneven developments. Other hotels south of Stockholm, the Ibis Stockholm Syd and Scandic Kungens Kurva, are in line with or marginally below the market. The Scandic Alvik and Scandic Hasselbacken are performing below the market on average further to refurbishment in Alvik and at Hasselbacken's Cirkus scene.

The Gothenburg market developed strongly during the whole year with a total RevPAR increase of close to 6 percent, although the short-term trend shows a downturn. Both Norgani hotels in Gothenburg, the Scandic Backadal and Quality Winn, are performing well and above market levels.

Norgani's hotels in Helsinki continue to perform in line with or better than the market. The Hilton Helsinki and Marina Congress Centre developed strongly and showed good trends well above the market. The Scandic Continental and Hilton Helsinki Kalastajatorppa performed in line with the market, while the Grand Marina and Scandic Espoo are currently below the market average.

The Oslo market had a stable year, driven primarily by an increase in volumes. Of Norgani's hotels in Oslo, the Scandic KNA and Clarion Collection Hotel Bastion showed the strongest trends, and both hotels performed stably and well above the market. The outlook for 2012 also looks promising. Developments at the Comfort Hotel Børsparken have been partly disrupted by the total upgrading of the ground floor (with new reception, public areas and restaurant) as well as the building of 50 additional rooms that will be completed in September. Despite this situation, the hotel is performing well and only marginally below the market.

Accounting principles

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

Revenues and operating net – property operations

Property management revenues for the year amounted to SEK 961.4 million (923.3). For comparable units and currencies, the portfolio improved by 3.3 percent. This increase is mainly attributable to a continued strong underlying hotel economic climate and that last year's refurbishment projects have been completed and are now being operated with full capacity. However, at the hotel property level in each respective submarket, there are relatively large differences in results depending on the location, market segment, type of agreement and operator. Property costs excluding depreciation amounted to SEK 141.8 million (140.6). The rise is mainly due to higher property taxes further to the new acquisition of the Park Inn Solna. The operating net increased overall by SEK 36.9 million to SEK 819.6 million (782.7).

Revenues and profit – hotel operations

Total revenues from hotel operations amounted to SEK 1,244.0 million (1,208.6). For comparable units and adjusted for currency effects, revenues rose by 3.7 percent, and where the Crowne Plaza Brussels and Holiday Inn Brussels Airport contributed most. The overall profit from hotel operations amounted to SEK 2.3 million (5.8), which includes a market-level rent that is reported under property management revenues. The renovation of The Hotel, Brussels which begun in 2011, have had a negative effect on the overall profit from the hotel operations.

Portion of profits from Norgani

Pandox' portion of the profits in Norgani amounted to SEK 156.2 million before tax, and is reported under net financial items.

Profit

The Group's profit before tax and excluding non-recurring items amounted to SEK 457.5 million (313.5), and to SEK 513.5 million (744.7) including non-recurring items. The Group's profit after tax amounted to SEK 412.3 million (567.8).

Financing and cash flow

Net financial items relating to current operations for the period January-December 2011 amounted to SEK -254.5 million (-214.0). The Group's interest-bearing liabilities amounted as of 31 December 2011 to SEK 7,406.6 million (7,025.8). The loan portfolio has a spread due-date structure with an average fixed-interest period of 4.7 years. The average interest rate on loans at 31 December 2011 was 3.7 percent. Financing of Swedish properties has been made in Swedish kronor (SEK), while properties outside Sweden have essentially been financed in each respective local currency. Available liquid funds, including unutilised bank overdraft and credit facilities totalling SEK 711 million amounted to SEK 1,049 million (1,349). Cash flow before changes in working capital, investments, and excluding non-recurring items and tax, amounted to SEK 691.2 million (518.9) including Pandox' portion of the cash flow from the Norgani Group amounting to SEK 188.1 million.

Investments

The Pandox Group's investments, excluding acquisitions, amounted for the period to SEK 349.2 million (197.7). Investments included the refurbishment programs at the Scandic Hotel Copenhagen, The Hotel Brussels and the Hyatt Regency Montreal, as well as product improvements at a large number of properties. The

net book value of hotel properties amounted to SEK 9,549.6 million (9,200.5). The market value of the hotel properties significantly exceeds their book value.

Fourth quarter 2011

Property management revenues for the fourth quarter amounted to SEK 251.6 million (246.5), representing an increase of SEK 5.1 million. The profit before tax, excluding capital gains, was SEK 104.8 million (98.9) and cash flow excluding capital gains and profits from associated companies amounted to SEK 131.7 million (140.6).

Outlook for 2012

The outlook for Pandox for 2012 is considered to be stable. A further active year lies ahead with the start of major investment programs in existing hotels. This will partly disturb the hotels' operations and profitability, but at the same time create good future potential. For comparability, the year's profit is expected to be in line with 2011, excluded non-recurring items.

Stockholm, 16 February 2012
Pandox AB

Anders Nissen
CEO

Condensed Income Statement

SEK million	October-December 2011	October-December 2010	Full-Year 2011	Full-Year 2010
Property operations				
Rental revenue	241.4	235.1	923.1	884.2
Other property revenue	10.2	11.4	38.3	39.1
Total property revenue¹⁾	251.6	246.5	961.4	923.3
Property costs	-37.0	-41.7	-141.8	-140.6
Operating net	214.6	204.8	819.6	782.7
Depreciation	-47.0	-47.4	-191.3	-194.3
Income from property operations	167.6	157.4	628.3	588.4
Hotel operations				
Operating revenue ¹⁾	326.3	363.8	1,244.0	1,208.6
Operating costs ²⁾	-321.9	-352.3	-1,241.7	-1,202.8
Operating income, hotel operations	4.4	11.5	2.3	5.8
Gross income	172.0	168.9	630.6	594.2
Administrative costs ⁴⁾	-36.0	-19.7	-82.3	-72.4
Operating income	136.0	149.2	548.3	521.8
Net financial items, current operations	-69.3	-56.0	-254.5	-214.0
Portion of profit from Norgani ⁵⁾	38.1	5.7	156.2	5.7
Other financial income and costs ³⁾	-	-5.7	63.6	431.2
Income before tax	104.8	93.2	513.6	744.7
Tax	-36.3	-14.8	-46.1	-111.2
Deferred tax	37.2	7.8	-55.2	-65.7
NET INCOME	105.7	86.2	412.3	567.8

¹⁾ Breakdown of external revenue				
Revenue from property operations	251.6	246.5	961.4	923.3
Of which internal rents	-55.0	-57.4	-211.5	-214.0
Revenue from hotel operations	326.3	363.8	1,244.0	1,208.6
Total external revenue	522.9	552.9	1,993.9	1,917.9

²⁾ Internal rents from own-managed operating companies are included in revenue under rental revenues and as a cost under operating costs of hotel operating companies

³⁾ In 2011, capital gain related to disposal of premature closing of swap. In 2010, capital gain from sale of shares in Host Hotels & Resorts Inc

⁴⁾ In 2011, one-off payment of endowment insurance regarding CEO in the amount of SEK 18 million including related special payroll tax

⁵⁾ 2011 includes a one-off item of SEK 10.5 million regarding gain on property sales

Interest Rate Structure¹⁾

SEK million	SEK	DKK	EUR	GBP	CHF	CAD	Total Share, %	Int, % ²⁾
Due								
2012	531.9	366.3	734.5	273.3	99.3	134.2	2,139.5	28.9
2013	75.0	-	178.9	-	-	129.6	383.5	5.2
2014	350.0	-	357.8	-	-	-	707.8	9.6
2015	100.0	120.3	348.9	-	132.4	-	701.6	9.5
2016	250.0	-	178.9	-	-	-	428.9	5.7
2017 and later	1,650.0	144.4	1,001.8	-	-	249.1	3,045.3	41.1
Total	2,956.9	631.0	2,800.8	273.3	231.7	512.9	7,406.6	100.0
Share, %	40	9	37	4	3	7	100	
Average interest rate, %	4.1	2.6	3.7	2.3	3.2	3.1	3.7	
Average fixed period, years	6.1	2.8	4.5	0.2	1.8	3.2	4.7	

¹⁾ Converted to SEK ²⁾ Average interest rate in percent

Condensed Balance Sheet

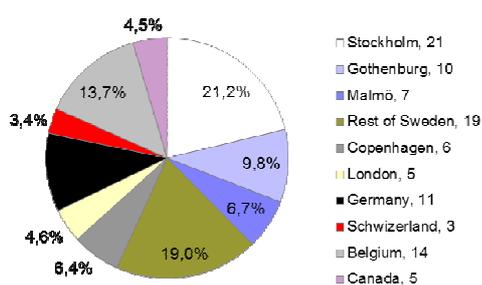
SEK million	31 December 2011	31 December 2010
Assets		
Hotel properties, including equipment	9,549.6	9,200.5
Other property, plant and equipment	1,277.4	984.6
Deferred tax recoverable	180.7	185.7
Current assets	262.7	276.0
Cash and bank balances	337.9	385.1
Total assets	11,608.3	11,031.9
Equity and liabilities		
Shareholders' equity	3,108.3	2,977.5
Deferred tax liability	424.8	389.1
Interest-bearing liabilities	7,406.6	7,025.8
Non-interest-bearing liabilities	668.6	639.5
Total equity and liabilities	11,608.3	11,031.9

The Company applies the same accounting principles as in the latest Annual Report & Accounts.

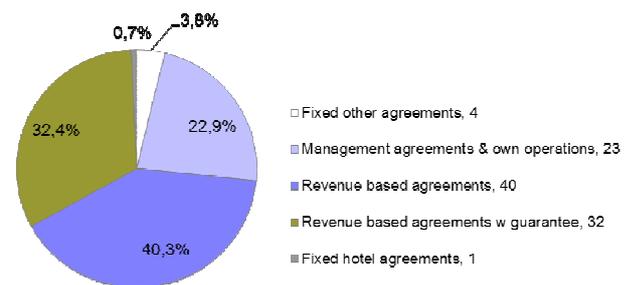
Key Figures & Ratios

SEK million	Full-Year 2011	Full-Year 2010
Property-related key data		
Book value of properties including hotel equipment	9,549.6	9,200.5
Total property revenue	961.4	923.3
Operating net	819.6	782.7
Financial key data		
Interest coverage ratio, multiple (excl. non-recurring items)	3.9	3.5
Return on equity, %	13.4	19.5
Equity/assets ratio, %	27.0	27.0
Cash flow, excluding non-recurring items and tax	691.2	518.9
Investments, excluding acquisitions	349.2	197.7
Property acquisitions	206.4	332.0

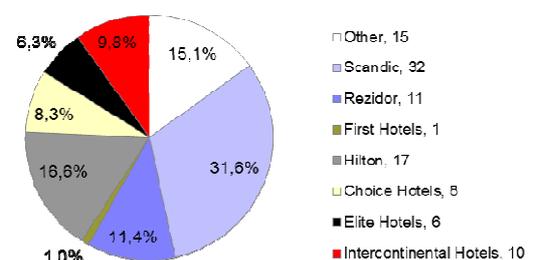
Rental revenue per geographic area Jan-Dec 2011



Rental revenue per type of lease Jan-Dec 2011



Rental revenue per cooperation partner Jan-Dec 2011



Pandox Hotel Properties

As at 31 December 2011

Name and location	No. of rooms	Situation
Radisson Blu Arlandia Hotel, Arlanda	335	International airport
Hilton Stockholm Slussen	289	City centre
Scandic Järva Krog, Stockholm	215	Stockholm north
Scandic Park, Stockholm	201	City centre
Scandic Upplands-Väsby	150	Stockholm north
Mr Chip Hotel, Kista	150	Stockholm north
Quality Hotel Nacka, Stockholm	162	Sickla, Nacka
Scandic Skogshöjd, Södertälje	225	City centre
Quality Hotel Park, Södertälje	157	City centre
Park Inn, Solna	247	Solna
Total Stockholm	2,131	
Scandic Crown, Gothenburg	338	City centre
Elite Park Avenue Hotel, Gothenburg	317	City centre
Scandic Mölndal	208	City centre
Total Gothenburg	863	
Scandic Copenhagen	484	City centre
First Hotel Twentyseven Copenhagen	200	City centre
Scandic S:t Jörgen, Malmö	288	City centre
Radisson Blu Hotel, Malmö	229	City centre
Scandic Star, Lund	196	City centre
Clarion Hotel Grand, Helsingborg	164	City centre
Scandic Kramer, Malmö	113	City centre
Total Öresund region	1,668	
Scandic Grand Hotel, Örebro	221	City centre
Scandic Winn, Karlstad	199	City centre
Scandic Swania, Trollhättan	198	City centre
Clarion Hotel Grand, Östersund	176	City centre
First Hotel Grand, Borås	158	City centre
Scandic Plaza, Borås	169	City centre
Elite Stora Hotellet, Jönköping	135	City centre
Scandic Hallandia, Halmstad	154	City centre
Clarion Hotel Plaza, Karlstad	131	City centre
Scandic Billingen, Skövde	107	City centre
Vildmarkshotellet Kolmården	213	Resort
Total regional locations in Sweden	1,861	
Hilton London Docklands	365	Docklands
Crowne Plaza Brussels	354	City centre
Hilton Brussels City	283	City centre
Brussels Hilton	433	City centre
Hotel Bloom! Brussels	305	City centre
Scandic Hotel Grand Place, Brussels	100	City centre
Holiday Inn Brussels Airport	310	International airport
Crowne Plaza Antwerp	262	Ring road
Scandic Antwerp	204	Ring road
Hotel Berlin, Berlin	701	City centre
Hilton Bremen	235	City centre
Hilton Dortmund	190	Exhibition centre
Scandic Lübeck	158	Ring road
Radisson Blu Hotel, Basle	205	City centre
InterContinental Montréal	357	City centre
Hyatt Regency Montréal	605	City centre
Asset management:		
Pelican Bay at Lucaya, Bahamas	184	Resort
Total international	5,253	
TOTAL PANDOX	11,750	

Norgani Hotel Properties

As at 31 December 2011

Name and location	No. of rooms	Situation
Scandic Alvik, Stockholm	325	Ring road
Scandic Hasselbacken, Stockholm	112	City centre
Scandic Kungens Kurva, Stockholm	257	Ring road
Scandic Malmen, Stockholm	327	City centre
Scandic Star Sollentuna	269	Ring road
Quality Hotel Prince Phillip, Stockholm	201	Ring road
First Hotel Royal Star, Stockholm	103	Exhibition centre
Ibis Stockholm Hägersten	190	Ring road
Total Stockholm	1,784	
Scandic Backadal, Gothenburg	232	Ring road
Quality Hotel Winn, Gothenburg	121	Ring road
Total Gothenburg	353	
Scandic Bollnäs	111	City centre
Scandic Gävle Väst	201	Ring road
First Hotel Mårtenson, Halmstad	103	City centre
Scandic Helsingborg Nord	237	Ring road
Scandic Elmia, Jönköping	220	Exhibition centre
Scandic Kalmar Väst	148	Airport
Scandic Klarälven, Karlstad	143	Ring road
Scandic Ferrum, Kiruna	170	City centre
Quality Hotel Grand Kristianstad	137	City centre
Elite Stora Hotellet, Linköping	91	City centre
Scandic Linköping Väst	150	Ring road
Quality Hotel Ekoxen, Linköping	190	City centre
Quality Hotel Luleå	209	City centre
Scandic Luleå	159	Ring road
Scandic Segeväng, Malmö	161	Ring road
Best Western Mora Hotell & Spa	140	City centre
Scandic Norrköping Nord	150	Ring road
Stadshotellet Princess, Sandviken	84	City centre
Quality Hotel Prisma, Skövde	107	City centre
Scandic Sundsvall Nord	159	Ring road
Scandic Södertälje	131	Ring road
Scandic Umeå Syd	162	Ring road
Scandic Uplandia, Uppsala	133	City centre
Scandic Uppsala Nord	184	Ring road
Scandic Västerås	174	Ring road
Scandic Växjö	123	Ring road
Best Western Royal Corner, Växjö	158	City centre
Scandic Örebro Väst	204	Ring road
Scandic Östersund Syd	129	Ring road
Total regional locations in Sweden	4,468	
Clarion Collection Hotel Mayfair, Copenhagen	106	City centre
Comfort Hotel Excelsior, Copenhagen	99	City centre
Omena Hotel Copenhagen	230	City centre
Total Denmark	435	
Scandic Espoo	96	Ring road
Hotel Korpilampi, Espoo	150	Ring road
Scandic Grand Marina, Helsinki	462	City centre
Scandic Marina Congress Center, Helsinki	0	City centre
Hilton Helsinki Kalastajatorppa	238	Ring road
Hilton Helsinki Strand	190	City centre
Scandic Continental, Helsinki	512	City centre
Rantasipi Imatran Valtionhotelli	135	City centre
Scandic Jyväskylä	150	City centre
Scandic Kajanus, Kajaani	191	Exhibition centre
Scandic Kuopio	137	City centre
Scandic Rosendahl	213	City centre
Scandic Tampere City	263	City centre
Best Western Hotel Pilotti, Vantaa	112	Airport
Airport Hotel Bonus Inn, Vantaa	211	Airport
Total Finland	3,062	

Scandic Bergen Airport	197	Airport
Comfort Hotel Holberg, Bergen	149	City centre
Radisson Blu Hotel Bodø	191	City centre
Rica Hotel Bodø	113	City centre
Quality Hotel & Resort Fagernes	138	Ring road
Rica Hotel Hamar	176	City centre
Clarion Collection Hotel Arcticus, Harstad	75	Ring road
Quality Hotel & Resort Kristiansand	210	Ring road
Radisson Blu Lillehammer Hotel	303	City centre
Quality Hotel Alexandra, Molde	163	City centre
Scandic KNA, Oslo	189	City centre
Clarion Collection Hotel Bastion, Oslo	99	City centre
Comfort Hotel Børsparken, Oslo	198	City centre
Quality Hotel & Resort Hafjell, Øyer	210	City centre
Total Norway	2,411	
TOTAL NORGANI	12,510	

PANDOX – ONE OF THE LEADING HOTEL PROPERTY COMPANIES

PANDOX AB | Org.nr 556030-7885 | Box 15 | 101 20 Stockholm, Sverige | Vasagatan 11, vån. 9 | Tel. +46 (0)8 506 250 50 | info@pandox.se | www.pandox.se