



## Year-End Report 2012

## YEAR-END REPORT 2012

- Pandox' cash flow from current operations, including 50 percent of the profits in Norgani, decreased to SEK 664.5 million (691.2), representing a decrease by 3.9 percent. The reduction is mainly due to lower revenues as a consequence of extensive capacity withdrawal in accordance with the investment plans, as well as higher financial expenses.
- Property management revenues amounted to SEK 960.6 million (961.4). For comparable entities, including an adjustment for currency effects, the property management revenues were almost unchanged from the previous year.
- Revenues from Pandox' own operations were SEK 1,156.0 million (1,244.0), representing a decrease of 7 percent for comparable units and adjusted for currency effects. Most of the deviation is attributable to capacity withdrawal in conjunction with planned investments.
- Profit before tax, excluding non-recurring items, including Pandox share in Norgani, amounted to SEK 435.2 million (457.5).
- Pandox manages a hotel property portfolio consisting of 120 hotels and one congress and fair centre with 24,800 rooms. There are operations in ten countries, at 59 locations, under 19 different brands. Ownership of the portfolio is spread, whereby Pandox fully owns 47 hotels. The remaining hotel properties are owned in equal proportions, together with the company's shareholders, except for one hotel that is managed by Pandox, but owned by one of the shareholders. The figures in this year-end report include the hotels that are fully -owned by Pandox, as well as Pandox' share of the results in the other hotels, in accordance with the equity method.

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

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

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

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

### **The hotel market in the USA**

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

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

## **The hotel market in Europe**

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

Currently, the major cities to the east show the best development. They include Warsaw, Tallinn and Moscow, with RevPAR growth of around 10 percent. Paris and Berlin also achieved strong growth last year, when RevPAR increased by 8-9 percent, driven by higher average prices, and in Berlin's case by some strong conference months. Based on the London market's high levels in the record summer of 2011, and how before the Olympics the city had a considerable capacity expansion by almost 7,000 new rooms, RevPAR growth of approximately 2 percent must be considered to be favourable.

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

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

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

## **Pandox' portfolio**

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

The Gothenburg market had a generally acceptable year, but with capacity expansion, since Clarion Post, for example, achieved RevPAR of -1 percent compared to the previous year. Pandox city hotels continued to perform well in this area. The Malmö market performed at the 2011 level after a few years with declining demand combined with strong capacity expansion. Pandox completed the renovation of parts of the Malmö stock, which reduced the opportunities to perform in line with the market. The Swedish regional cities continued to present stable development, with growth of approximately 2 percent.

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

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

Hilton London Docklands made strong progress during the summer, primarily with good occupancy during the weeks of the Olympic Games. Berlin had a strong year for large conferences and congresses, so that Hotel Berlin, Berlin's strategy to increase its room rates was successful.

Pandox hotels in Dortmund and Bremen also presented sound growth figures, as a result of both improved average prices and increased occupancy.

## **Norgani's portfolio**

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

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

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

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

## **ACCOUNTING PRINCIPLES**

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

## **Income and operating net – property operations**

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

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

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

## **Share of profit in Norgani**

Pandox' share of the profit in Norgani was SEK 171.2 million (156.2) before tax and is recognised under net financial items.

## **Profit**

The Group's profit before tax, including Pandox share in Norgani, excluding non-recurring revenue and expenses was SEK 435.2 million (457.5). The decrease was mainly due to higher financial expenses and capacity withdrawal in connection with planned investments.

### **Financing and cash flow**

Net financial items relating to current operations for the period January to December 2012 amounted to SEK -283.4 million (-254.5). The Group's interest-bearing liabilities as of 31 December 2012 amounted to SEK 7,991.3 million (7,406.6). The loan portfolio has a spread due-date structure, with an average fixed-interest period of 4.0 years. The average interest rate on loans as of 31 December 2012 was 3.5 percent. The Swedish portfolio is financed in Swedish kronor, while in all significant respects properties outside Sweden are financed in each respective local currency. Available liquid funds, including unutilized bank overdraft and credit facilities totalling SEK 710 million, amounted to SEK 997 million (1,049). Cash flow before changes in working capital and investments, and excluding non-recurring items and tax, was SEK 664.5 million (691.2).

### **Investments**

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

### **Fourth quarter 2012**

Property management revenues for the fourth quarter amounted to SEK 248.9 million (251.6), representing a decrease by SEK 2.7 million. The profit before tax excluding non-recurring revenue and expenses was SEK 128.9 million (102.7) and the cash flow excluding non-recurring items was SEK 186.9 million (179.6).

### **Outlook for 2013**

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

Stockholm, 18 February 2012  
Pandox AB (publ)

*Anders Nissen*  
CEO

## Condensed Income Statement

SEK million	October-December 2012	October-December 2011	Full-Year 2012	Full-Year 2011
<b>Property operations</b>				
Rental revenue	237.5	241.4	920.4	923.1
Other property revenue	11.4	10.2	40.2	38.3
<b>Total property revenue<sup>1)</sup></b>	<b>248.9</b>	<b>251.6</b>	<b>960.6</b>	<b>961.4</b>
Property costs	-23.6	-37.0	-122.5	-141.8
<b>Operating net</b>	<b>225.3</b>	<b>214.6</b>	<b>838.1</b>	<b>819.6</b>
Depreciation	-50.1	-47.0	-194.0	-191.3
Income from property operations	175.2	167.6	644.1	628.3
<b>Hotel operations</b>				
Operating revenue <sup>1)</sup>	308.6	326.3	1,156.0	1,244.0
Operating costs <sup>2)</sup>	-295.7	-321.9	-1,157.2	-1,241.7
Operating income, hotel operations	12.9	4.4	-1.2	2.3
Gross income	188.1	172.0	642.9	630.6
Administrative costs <sup>4)</sup>	-20.1	-36	-72.4	-82.3
Operating income	168.0	136.0	570.5	548.3
Net financial items, current operations	-75.2	-69.3	-283.4	-254.5
Portion of profit from Norgani <sup>5)</sup>	27.9	38.1	171.2	156.2
Other financial income and costs <sup>3)</sup>	-	-	-	63.6
Income before tax	120.7	104.8	458.3	513.6
Tax	-3.3	-45.4	-6.1	-55.2
Deferred tax	-20.9	46.3	-88.0	-46.1
<b>NET INCOME</b>	<b>96.5</b>	<b>105.7</b>	<b>364.2</b>	<b>412.3</b>

<sup>1)</sup> Breakdown of external revenue				
Revenue from property operations	248.9	251.6	960.6	961.4
Of which internal rents	-53.1	-55.0	-205.9	-211.5
Revenue from hotel operations	308.6	326.3	1,156.0	1,244.0
Total external revenue	504.4	522.9	1,910.7	1,993.9

<sup>2)</sup> 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

<sup>3)</sup> In 2011, capital gain related to disposal of premature closing of swap.

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

<sup>5)</sup> 2012 includes a one-off item of SEK 31.3 million regarding gain on property sales and SEK -8.2 million in write-down property. 2011 includes a one-off item of SEK 10.5 million regarding gain on property sales.

## Interest Rate Structure<sup>1)</sup>

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

<sup>1)</sup> Converted to SEK <sup>2)</sup> Average interest rate in percent

## Condensed Balance Sheet

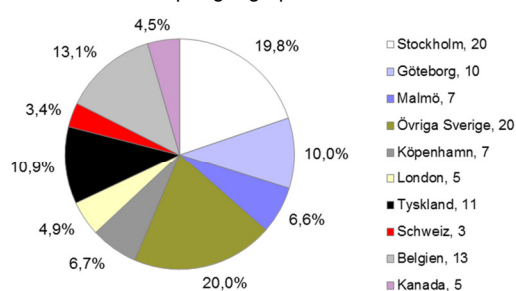
SEK million	31 December 2012	31 December 2011
<b>Assets</b>		
Hotel properties, including equipment	9,522.5	9,549.6
Other property, plant and equipment	1,803.6	1,277.4
Deferred tax recoverable	124.8	180.7
Current assets	204.6	262.7
Cash and bank balances	287.2	337.9
<b>Total assets</b>	<b>11,942.7</b>	<b>11,608.3</b>
<b>Equity and liabilities</b>		
Shareholders' equity	3,118.7	3,108.3
Deferred tax liability	393.0	424.8
Interest-bearing liabilities	7,991.3	7,406.6
Non-interest-bearing liabilities	439.7	668.6
<b>Total equity and liabilities</b>	<b>11,942.7</b>	<b>11,608.3</b>

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

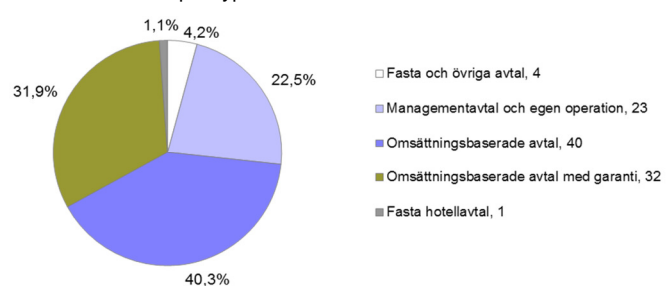
## Key Figures & Ratios

SEK million	Full-Year 2012	Full-Year 2011
<b>Property-related key data</b>		
Book value of properties including hotel equipment	9,522.5	9,549.6
Total property revenue	960.6	961.4
Operating net	838.1	819.6
<b>Financial key data</b>		
Interest coverage ratio, multiple (excl. non-recurring items)	3.4	3.9
Return on equity, %	11.5	13.4
Equity/assets ratio, %	26.1	26.8
Cash flow, excluding non-recurring items and tax	644.5	691.2
Investments, excluding acquisitions	335.6	349.2
Property acquisitions	-	206.4

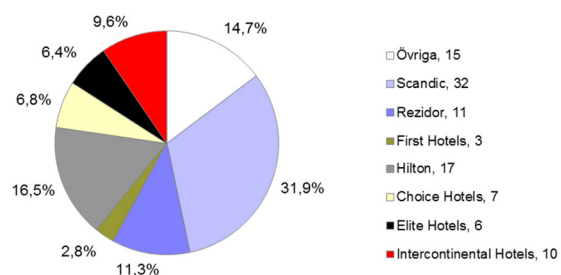
Rental revenue per geographic area Jan-Dec 2012



Rental revenue per type of lease Jan-Dec 2012



Rental revenue per cooperation partner Jan-Dec 2012



## PANDOX HOTEL PROPERTIES

As at 31 December 2012

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
<b>Total Stockholm</b>	<b>2,131</b>	
Scandic Crown, Gothenburg	338	City centre
Elite Park Avenue Hotel, Gothenburg	317	City centre
Scandic Mölndal	208	City centre
<b>Total Gothenburg</b>	<b>863</b>	
Scandic Copenhagen	486	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	158	City centre
Scandic Kramer, Malmö	113	City centre
<b>Total Öresund region</b>	<b>1,670</b>	
Scandic Grand Hotel, Örebro	221	City centre
Scandic Winn, Karlstad	199	City centre
Scandic Swania, Trollhättan	201	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	124	City centre
Vildmarkshotellet Kolmården	213	Resort
<b>Total regional locations in Sweden</b>	<b>1,881</b>	
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	206	City centre
InterContinental Montréal	357	City centre
Hyatt Regency Montréal	605	City centre
<b>Asset management:</b>		
Pelican Bay at Lucaya, Bahamas	186	Resort
<b>Total international</b>	<b>5,254</b>	
<b>TOTAL PANDOX</b>	<b>11,799</b>	



## NORGANI HOTEL PROPERTIES

As at 31 December 2012

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	332	City centre
Scandic Star Sollentuna	269	Ring road
Quality Hotel Prince Phillip, Stockholm	208	Ring road
First Hotel Royal Star, Stockholm	103	Exhibition centre
<b>Total Stockholm</b>	<b>1,606</b>	
Scandic Backadal, Gothenburg	236	Ring road
Quality Hotel Winn, Gothenburg	121	Ring road
<b>Total Gothenburg</b>	<b>357</b>	
Scandic Bollnäs	111	City centre
Scandic Gävle Väst	200	Ring road
First Hotel Mårtenson, Halmstad	103	City centre
Scandic Helsingborg Nord	237	Ring road
Scandic Elmia, Jönköping	223	Exhibition centre
Scandic Kalmar Väst	148	Airport
Scandic Klarälven, Karlstad	148	Ring road
Scandic Ferrum, Kiruna	171	City centre
Quality Hotel Grand Kristianstad	137	City centre
Scandic Linköping Väst	150	Ring road
Quality Hotel Ekoxen, Linköping	190	City centre
Quality Hotel Luleå	218	City centre
Scandic Luleå	160	Ring road
Scandic Segeväng, Malmö	166	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	161	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	159	City centre
Scandic Örebro Väst	204	Ring road
Scandic Östersund Syd	129	Ring road
<b>Total regional locations in Sweden</b>	<b>4,403</b>	
Clarion Collection Hotel Mayfair, Copenhagen	106	City centre
Comfort Hotel Excelsior, Copenhagen	99	City centre
Omena Hotel Copenhagen	230	City centre
First Hotel Copenhagen	215	Airport
Scandic Glostrup	120	Kringled
Scandic Hvidovre	207	Kringled
Scandic Kolding	186	Kringled
<b>Total Denmark</b>	<b>1,163</b>	
Scandic Espoo	96	Ring road
Hotel Korpilampi, Espoo	151	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	514	City centre
Rantasipi Imatran Valtionhotelli	135	City centre
Scandic Jyväskylä	150	City centre
Scandic Kajanus, Kajaani	181	Exhibition centre
Scandic Kuopio	138	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
<b>Total Finland</b>	<b>3,054</b>	

Scandic Bergen Airport	199	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	165	City centre
Scandic KNA, Oslo	189	City centre
Clarion Collection Hotel Bastion, Oslo	99	City centre
Comfort Hotel Børsparken, Oslo	248	City centre
Quality Hotel & Resort Hafjell, Øyer	210	City centre
<b>Total Norway</b>	<b>2,465</b>	
<b>TOTAL NORGANI</b>	<b>13,048</b>	