



The Hotel, Brussels
Radisson Blu Hotel Bremen
Scandic Grand Marina, Helsinki

Year-end Report 2013

YEAR-END REPORT 2013

- On December the 1st 2013, Pandox AB (publ) acquired the outstanding 50 per cent share of the Norgani group. As a result, the Norgani group will be consolidated as a fully owned subsidiary of Pandox AB (publ) from that date.
- Pandox' operating cash flow, excluding non-recurring items but including the 50 per cent share in the Norgani group for the first 11 months, amounted to SEK 639.7 M (664.5), down 3.7 per cent compared to 2012. The decrease is largely explained by the significant decrease in capacity due to planned investments and a higher cost of financing.
- Property management revenues amounted to SEK 997.4 M (960.6). For comparable entities, including an adjustment for currency effects, the property management revenues were essentially unchanged from the previous year.
- Revenues from Pandox' own operations were SEK 1,285.6 M (1,156.0), representing an increase of 2.9 per cent for comparable units. The improvement is mainly explained by the facts that The Hotel, Brussels, has been operating at full capacity during the last quarter and that Hyatt Montreal, which was badly affected by a strike in 2012, had a very strong year.
- Profit before tax, excluding non-recurring items but including Pandox' share in Norgani, amounted to SEK 389.1 M (435.2).
- Pandox manages a hotel property portfolio consisting of 120 hotels with 25,000 rooms and one congress centre. The company operates across 10 countries, in 59 locations and under 19 different brands. Since December 1st 2013, Pandox has sole ownership of all hotel properties plus a management agreement for one hotel which belongs to one of Pandox' shareholders.

The numbers in this report is based on the full figures for the 47 hotels which have been wholly owned by Pandox throughout the year, plus the attributable share, according to the equity method, of the 11 month results for the remaining 72 hotels and a conference centre. From Dec 1st 2013 and onwards, all hotels are 100 per cent owned by Pandox and, as a result, all the numbers from all the hotels are consolidated from that date.

For the sake of comparison, we also publish a pro forma profit and loss statement for the combined Pandox/Norgani operations in 2013 and 2012.

Macro economic outlook

The US economy displayed clear signs of improvement during 2013 with rising house prices and an improvement in labour markets among the positives. By the end of the year, unemployment had dropped to 7 per cent compared to 10 per cent in October 2009. Most commentators believe that the US economy can expect to see steady improvements and stable growth during 2014-2015. China's growth seems to have levelled out at the high level while other emerging markets are expected to be supported by a global upturn in general.

The Eurozone came out of recession before the summer of 2013, but has not shown any signs of real improvement in growth rates since. Demand expansion is mainly driven by Germany, but also heavily indebted countries, such as Ireland, Portugal, Greece and Spain, have seen meaningful improvements. Austerity measures have also been cut back which bodes well for the future. A number of challenges still remain though.

2013 has been a year of slow growth for the Swedish economy, but multiple signs are now pointing towards improved GNP-growth as manufacturing and exports start to grow and strong household finances drive consumption. The risk of increased inflation seems low and labour markets are seen as fairly stable. Economists are predicting a 3 per cent GDP growth for 2014 and the already historically strong Krona is expected to firm even further. Also in Denmark, which has been hampered by the recession and falling house prices for some time, the future looks brighter? House prices have started to recover and an upturn in economic activity can be detected, particularly in Copenhagen. However, the recovery is still slow and relatively weak.

The Norwegian economy has seen weak growth mainly due to falling house prices and declining investments in the construction and energy sectors coupled with a persistently weak demand on the consumer side. In addition, a currency that has stayed strong over a longer time continues to dampen GDP growth and the 2014 forecast has been revised down to 1.5 per cent.

Yet again, Finland has the gloomiest outlook of the Nordic countries. The slow growth in the Eurozone, the dip in the Russian economy as well as higher taxes weighs on the export dependent economy. GDP fell in 2013 for the second year running and there is still a lack of real drivers of growth.

The US hotel market

The US hotel markets tracked the economy at large and continued its steady improvement. Over the last year, an increase in the average price paid has been the strongest support of growth, but occupancy rates also increased during the year. RevPAR was up by 5.4 per cent at year end, making it the fourth consecutive year of positive growth. Occupancy rates are in line with the record breaking year 2006 and the outlook for 2014 is positive.

In New York, the hotel market experienced a solid year with a particularly strong first half. At the end of the fourth quarter, growth had exceeded the 4 per cent mark. However, the short term trend points to a slowdown. Occupancy rates fell compared to last year while prices have stayed the course due to a strong business segment. Other large hotel markets such as Chicago, Los Angeles, San Francisco and Miami have performed well during the year although, like New York, Chicago had a weak last quarter.

The European hotel market

RevPAR growth across Europe came in just above the 1 per cent mark for the year with fourth quarter growth reaching above 3 per cent. RevPAR growth was weakest in southern Europe but also northern and central areas have, in the main, seen weaker growth compared to last year. An interesting detail is that, apart from Madrid, all capital cities in the recession hit PIIGS countries have shown marked growth in RevPAR.

The London market experienced strong underlying demand during 2013 but as a result of the large increase in capacity due to the 2012 Olympics and the related price effects, RevPAR growth was only 1 per cent. The tail end of the year showed unexpected strength and the rolling three month average points to an 8 per cent growth rate of which price makes up 6 points. The hotel market in Brussels was on a slightly negative trend during the first 6 months, but recovered during the autumn and ended the year with an increase of 2 per cent in RevPAR. In Berlin, RevPAR for the full year was unchanged when compared to a very strong 2012.

Growth in the Nordic hotel markets has been mixed during the year. Copenhagen continued to ride high and ended the year with 6.3 per cent RevPAR growth driven by increases in both price and occupancy rates. Oslo has bounced back as well. After a disappointing first quarter, growth has been steady for the rest of the year with a total RevPAR increase of 1 per cent, mainly driven by price. Helsinki was one of the weakest hotel markets in Europe during 2013 and full year numbers show an annual drop in RevPAR of 5 per cent.

In the Stockholm hotel market, demand increased by 3 per cent during 2013 with the leisure segment being the strongest (+8 per cent). However, RevPAR growth was flat compared to 2012 as capacity grew at the same pace as demand and average price staid the same. The short term trend is relatively stable, although with large variations between different segments and niche markets. As an example, the five star segment has seen strong development due to increased demand, while airport hotels in the Arlanda area have seen drops in both price and occupancy rates due to increased capacity.

The Pandox property portfolio (including the previously separate Norgani portfolio)

Pandox' hotel property portfolio continued to perform well in respective markets.

In Stockholm, in line with the general trend, the northern areas showed the strongest development during the year while the southern areas showed weaker development. After a weak first quarter of the year, Oslo had a marginally positive RevPAR growth driven mainly by price. If we disregard effects due to renovation projects, Pandox' hotels in Oslo performed on par with or above the market average for the year.

The Helsinki market dropped during the year, partly because Russian tourism and domestic business travel, due to the poor economic activity, were down and partly because we compare the numbers to those of a very strong 2012 when a number of large events (the World Ice hockey Championships, the European Athletics championship, World Design Capital) took place in the city. During 2013, Pandox experienced greatly reduced capacity in the city which, in turn, had a negative influence on the ability to generate income.

Copenhagen's hotel market continues its strong trend which also included the Pandox hotels which developed well, particularly in the second part of the year. The trend is set to continue during 2014 and include demand as well as average price.

The hotel market in Brussels displayed a negative trend during the first 6 months, but recovered during the autumn. Overall the market grew by 2 per cent. Looking at Pandox' Belgian hotels, Hilton Brussels City performed the best with an increased market share as a result. At The Hotel Brussels, the finishing touches were added to its comprehensive renovation and repositioning project. The hotel has been operating at full capacity since October and been well received by the market.

Montreal had a stronger conference year than last and occupancy at weekends were up overall which contributed to a good result. Hyatt Montreal saw a powerful rebound from a strike affected 2012, with a summer season that was back to normal as well as increases in both price and occupancy. InterContinental managed to increase volumes while prices developed weakly.

Hotel Berlin, Berlin experienced a strong start to the year, partly because the renovation of all the rooms was completed in 2012. From the second quarter and onwards, revenues were flatter, in line with the general market which was affected by a smaller number of large meetings and events as compared to 2012. Huge repositioning and renovation projects, in line with the strategy that was put in place when Pandox assumed operations during 2013, were launched at the hotels in Dortmund, Lübeck and Bremen. As a result of the renovation, the hotels performed somewhat below the average for respective market.

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 997.4 M (960.6). For comparable units and currencies, the portfolio's compensation rate was almost unchanged compared to 2012. 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 134.7 M (122.5). The increase is mainly due to increased maintenance costs. The operating net increased overall by SEK 24.6 M to SEK 862.7 M (838.1).

Revenues and profit – hotel operations

Total revenues from hotel operations amounted to SEK 1,285.6 M (1,156.0). For comparable units, and adjusted for currency effects, revenues increased by 2.9 per cent compared to the previous year. The overall profit from hotel operations were SEK 1.0 M (-1.2).

Share of profit - Norgani

Pandox' share of the profit in Norgani for 11 months was SEK 135.2 M (171.2 for 12 months 2012) before tax and is recognised under net financial items. In 2012, a non-recurring revenue of SEK 31.3 M from a property divestment and a property write-down of SEK 8.2 M were included. Pandox AB (publ.) acquired the remaining 50 per cent of the Norgani group on the 1st of December 2013. As a result, Norgani is treated as a fully consolidated subsidiary after that date.

Profit

The Group's profit before tax, excluding non-recurring items, was SEK 389.1 M (435.2). The decrease was mainly due to higher financing costs and loss of capacity in connection with planned investments.

Financing and Cash flow

Net financial items relating to current operations for the period January to December 2013 amounted to SEK -317.3 M (-283.4). The Group's interest-bearing liabilities as of December 31st 2013 amounted to SEK 14,562.9 M (7,991.3). The loan portfolio has due-dates that are staggered over time and the average loan repayment period is 4.0 years. The average interest rate on loans, as of December 31st 2013, was 3.9 per cent. The Swedish portfolio is financed in Swedish kronor, while properties outside of Sweden are, in the main, financed in each respective local currency. Available liquid funds, including unutilized bank overdraft and credit facilities totalling SEK 677 M, amounted to SEK 1,265.5 M (997). Cash flow before changes in working capital and investments, and excluding non-recurring items and tax, was SEK 639.7 M (664.5).

Investments

The Pandox Group's investments, excluding acquisitions, totalled SEK 302.4 M (335.6) during the year. The investments concerned, among other things, the investment programs for The Hotel Brussels, Radisson Blu Arlandia, Scandic Park Helsinki and Hilton Stockholm 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 20,154.8 M (9,522.5). The market value of the hotel properties significantly exceeds its book value.

Fourth quarter 2013

Property revenues for the fourth quarter amounted to SEK 299.5 M (248.9). The profit before tax, excluding non-recurring revenue and expenses, was SEK 121.5 M (128.9) and the cash flow, excluding non-recurring items, was SEK 193.6 M (186.9).

Outlook for 2014

The outlook for 2014 must be labelled as fair. Financial activity levels in most countries are on the increase which creates fertile ground for the hotel market. International markets and segments are predicted to grow both in volume and price during the year, with the price component becoming more prominent in the second half of the year. National markets and segments hold good potential for improved volumes with opportunities for price increases after the summer. This positive global picture will lead to increased revenues and a stronger cash flow for Pandox compared to 2013.

Stockholm on the 18th of February 2014
Pandox AB (publ)

Anders Nissen
CEO

Condensed Income Statement

SEK M	October-December 2013	October-December 2012	Full-Year 2013	Full-Year 2012	Pro forma Full-Year 2013	Pro forma Full-Year 2012
Property operations						
Rental revenue	283.3	237.5	950.0	920.4	1,745.9	1,746.3
Other property revenue	16.2	11.4	47.4	40.2	66.6	55.1
Total property revenue¹⁾	299.5	248.9	997.4	960.6	1,812.5	1,801.4
Property costs	-36.5	-23.6	-134.7	-122.5	-262.7	-243.3
Operating net	263.0	225.3	862.7	838.1	1 549.8	1 558.1
Depreciation	-63.8	-50.1	-210.7	-194.0	-290.2	-264.6
Income from property operations	199.2	175.2	652.0	644.1	1,259.6	1,293.5
Hotel operations						
Operating revenue ¹⁾	380.2	308.6	1,285.6	1,156.0	1,307.7	1,178.9
Operating costs ²⁾	-365.8	-295.7	-1,284.6	-1,157.2	-1,308.1	-1,184.6
Operating income, hotel operations	14.4	12.9	1.0	-1.2	-0.4	-5.7
Gross income	213.6	188.1	653.0	642.9	1,259.2	1,287.8
Administrative costs ⁴⁾	-25.4	-20.1	-81.8	-72.4	-127.6	-118.8
Operating income	188.2	168.0	571.2	570.5	1,131.6	1,169.0
Net financial items, current operations	-99.1	-75.2	-317.3	-283.4	-607.1	-585.6
Portion of profit from Norgani ⁵⁾	32.4	27.9	135.2	171.2	-	-
Other financial income and costs ³⁾	-	-	-	-	-	46.2
Income before tax	121.5	120.7	389.1	458.3	524.5	629.6
Tax	-160.8	-3.3	-197.0	-6.1	-197.0	-9.0
Deferred tax	-7.6	-20.9	-61.4	-88.0	-81.7	-150.8
NET INCOME	-46.9	96.5	130.7	364.2	245.8	469.8

1) Breakdown of external revenue						
Revenue from property operations	299.5	248.9	997.4	960.6	1,812.5	1,801.4
Of which internal rents	-62.1	-53.1	-221.8	-205.9	-223.5	-205.9
Revenue from hotel operations	380.2	308.6	1,285.6	1,156.0	1,307.7	1,178.9
Total external revenue	617.6	504.4	2,061.2	1,910.7	2,896.7	2,774.4

2) Internal rents for rents in Pandox owned operating companies are included as income under rental revenue and as a cost on the line operating cost under Hotel Operations.

3) The portion of profit for associated companies is for the first 11 months as Pandox acquired the remaining 50% of the Norgani group on the 1st of December 2013. In 2012, a non-recurring revenue of SEK 31.3 M from a property divestment and a property write-down of SEK 8.2 M were included in the portion of profit for associated companies.

4) SEK 168.6 M of this year's tax is attributable to a property transaction in 2005 and a tax dispute in Germany.

Interest Rate Structure¹⁾

SEK M	SEK	DKK	EUR	GBP	CHF	CAD	NOK	Total Share, %	Int, % ²⁾	
Due										
2014	1,570.8	572.8	1,189.6	382.1	85.3	201.4	507.8	4,509.8	31.0	3.5
2015	225.0	119.9	594.7	-	131.3	-	251.3	1,322.2	9.1	4.6
2016	380.0	-	447.1	-	-	-	251.3	1,078.4	7.4	4.6
2017	200.0	-	241.5	-	-	223.1	185.1	849.7	5.8	4.9
2018	250.0	-	223.6	-	-	-	211.6	685.2	4.7	5.3
2019 and later	3,725.0	613.0	1,779.6	-	-	-	-	6,117.6	42.0	3.8
Total	6,350.8	1,305.7	4,476.1	382.1	216.6	424.5	1,407.1	14,562.9	100	3.9
Share, %	44	9	31	3	1	2	10	100		
Average interest rate, %	4.0	2.9	4.0	1.8	3.2	4.0	5.2	3.9		
Average fixed period, years	5.1	4.0	3.9	0.1	0.7	1.9	1.9	4.0		

¹⁾ Converted to SEK ²⁾ Average interest rate in per cent

Condensed Balance Sheet

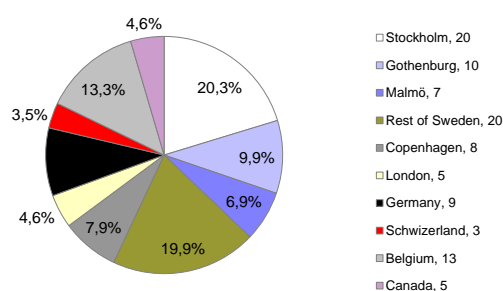
SEK M	31 December 2013	31 December 2012
Assets		
Hotel properties, including equipment	20,154.8	9,522.5
Other property, plant and equipment	46.1	1,803.6
Deferred tax recoverable	629.0	124.8
Current assets	302.8	204.6
Cash and bank balances	588.6	287.2
Total assets	21,721.3	11,942.7
Equity and liabilities		
Shareholders' equity	5,236.9	3,118.7
Deferred tax liability	1,039.7	393.0
Interest-bearing liabilities	14,562.9	7,991.3
Non-interest-bearing liabilities	881.8	439.7
Total equity and liabilities	21,721.3	11,942.7

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

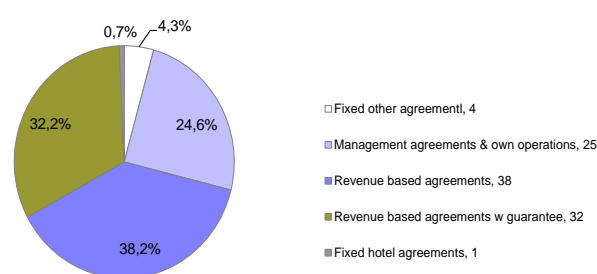
Key Figures & Ratios

SEK M	Full-Year 2013	Full-Year 2012
Property-related key data		
Book value of properties including hotel equipment	20,154.8	9,522.5
Total property revenue	997.4	960.6
Operating net	862.7	838.1
Financial key data		
Interest coverage ratio, multiple (excl. non-recurring items)	3.0	3.4
Return on equity, %	4.0	11.5
Equity/assets ratio, %	24.1	26.1
Cash flow, excluding non-recurring items and tax	639.7	664.5
Investments, excluding acquisitions	302.4	335.6

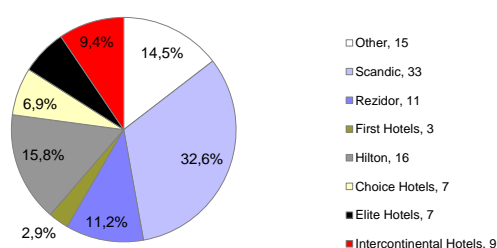
Rental revenue per geographic area January-December 2013*



Rental revenue per type of lease January-December 2013*



Rental revenue per cooperation partner January-December 2013*



Pandox Hotel Properties

As at 31 December 2013

Name and location	No. Of rooms	Situation
First Hotel Royal Star, Stockholm	103	Exhibition centre
Hilton Stockholm Slussen	289	City centre
Mr Chip Hotel, Kista	150	Ring road
Park Inn by Radisson Solna	247	Solna
Quality Hotel Park, Södertälje	157	City centre
Quality Hotel Prince Phillip, Stockholm	208	Ring road
Quality Hotel, Nacka	164	Ring road
Radisson Blu Arlandia Hotel, Arlanda	339	Airport
Scandic Alvik, Stockholm	324	Ring road
Scandic Hasselbacken, Stockholm	113	City centre
Scandic Järva Krog, Stockholm	215	Ring road
Scandic Kungens Kurva, Stockholm	257	Ring road
Scandic Malmen, Stockholm	332	City centre
Scandic Park, Stockholm	201	City centre
Scandic Skogshöjd, Södertälje	225	City centre
Scandic Star Sollentuna	269	Ring road
Scandic Sundsvall Nord	159	Ring road
Scandic Södertälje	131	Ring road
Scandic Upplands Väsby	156	Ring road
Total Stockholm	4.039	
Elite Park Avenue Hotel, Göteborg	317	City centre
Quality Hotel Winn, Göteborg	121	Ring road
Scandic Backadal, Göteborg	236	Ring road
Scandic Crown, Göteborg	338	City centre
Scandic Mölndal, Göteborg	208	City centre
Total Göteborg	1.220	
Scandic Bollnäs	114	City centre
First Hotel Grand, Borås	158	City centre
Scandic Plaza, Borås	169	City centre
Scandic Gävle Väst	200	Ring road
First Hotel Mårtenson, Halmstad	103	City centre
Scandic Hallandia, Halmstad	156	City centre
Clarion Hotel Grand, Helsingborg	158	City centre
Scandic Helsingborg Nord	237	Ring road
Elite Stora Hotellet, Jönköping	135	City centre
Scandic Elmia, Jönköping	287	Exhibition centre
Scandic Kalmar Väst	148	Airport
Clarion Hotel Plaza, Karlstad	131	City centre
Scandic Klarälven, Karlstad	146	Ring road
Scandic Winn, Karlstad	199	City centre
Scandic Ferrum, Kiruna	171	City centre
Quality Hotel Grand Kristianstad	137	City centre
Quality Hotel Ekoxen, Linköping	190	City centre
Scandic Linköping Väst	150	Ring road
Quality Hotel Luleå	218	City centre
Scandic Luleå	160	Ring road
Scandic Star, Lund	196	City centre

Radisson Blu Hotel, Malmö	229	City centre
Scandic Kramer, Malmö	113	City centre
Scandic S:t Jörgen, Malmö	288	City centre
Scandic Segevång, Malmö	166	Ring road
Best Western Mora Hotell & Spa	140	City centre
Scandic Norrköping Nord	150	Ring road
Vildmarkshotellet, Kolmården	213	Resort
Stadshotellet Princess, Sandviken	84	City centre
Quality Hotel Prisma, Skövde	107	City centre
Scandic Billingen, Skövde	124	City centre
Scandic Swania, Trollhättan	201	City centre
Scandic Umeå Syd	161	Ring road
Scandic Uplandia, Uppsala	133	City centre
Scandic Uppsala Nord	184	Ring road
Scandic Västerås	174	Ring road
Best Western Royal Corner, Växjö	159	City centre
Scandic Växjö	123	Ring road
Scandic Grand, Örebro	221	City centre
Scandic Örebro Väst	204	Ring road
Clarion Hotel Grand, Östersund	176	City centre
Scandic Östersund Syd	129	Ring road
Total regional locations in Sweden	7.042	
Comfort Hotel Holberg, Bergen	149	City centre
Scandic Bergen Airport	199	Airport
Radisson Blu Hotel Bodø	191	City centre
Rica Hotel Bodø	113	City centre
Quality Hotel & Resort Fagernes	139	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
Clarion Collection Hotel Bastion, Oslo	99	City centre
Comfort Hotel Børsparken, Oslo	248	City centre
Scandic KNA, Oslo	224	City centre
Quality Hotel & Resort Hafjel, Øyer	210	City centre
Total Norge	2.501	
Hotel Korpilampi, Esbo	151	Ring road
Scandic Esbo	96	Ring road
Hilton Helsinki Kalastajatorppa	238	Ring road
Hilton Helsinki Strand	190	City centre
Scandic Park (fd Continental), Helsingfors	523	City centre
Scandic Grand Marina, Helsingfors	462	City centre
Scandic Marina Congress Center, Helsingfors	0	City centre
Rantasipi Imatran Valtionhotelli	137	City centre
Scandic Jyväskylä	150	City centre
Scandic Kajanus, Kajaani	181	Exhibition centre
Scandic Kuopio	137	City centre
Scandic Rosendahl	213	City centre
Scandic Tampere City	263	City centre
Airport Hotel Bonus Inn, Vantaa	211	Airport
Best Western Hotel Pilotti, Vantaa	112	Airport
Total Finland	3.064	

Scandic Kolding	186	Ring road
Clarion Collection Hotel Mayfair, Köpenhamn	106	City centre
First Hotel Copenhagen	215	Conferens/Airport
First Hotel Excelsior, Copenhagen	100	City centre
First Hotel Twentyseven, Köpenhamn	200	City centre
Omena Hotel Copenhagen	223	City centre
Scandic Copenhagen	486	City centre
Scandic Glostrup	120	Ring road
Scandic Hvidovre	207	Ring road
Total Danmark	1.843	
Crowne Plaza Antwerpen	262	City centre
Scandic Antwerpen	204	Ring road
Crowne Plaza Brussels - Le Palace	354	City centre
Hilton Brussels City	284	City centre
Holiday Inn Brussels Airport	310	Airport
Hotel BLOOM!, Bryssel	305	City centre
Scandic Grand Place, Bryssel	100	City centre
The Hotel, Bryssel	421	City centre
Total Belgium	2.240	
Pelican Bay, Lucaya, Grand Bahama Island	186	Resort
Hyatt Regency, Montreal	605	City centre
InterContinental Montreal	357	City centre
Radisson Blu Hotel, Basel	206	City centre
Hilton London Docklands	378	City centre
Holiday Inn Lübeck	159	Ring road
Hotel Berlin, Berlin	701	City centre
Radisson Blu Bremen	235	City centre
Radisson Blu Dortmund	190	Exhibition centre
Total Internationellt	3.017	
Total Pandox portfölj	24.966	