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# Interim report

January–September 2015

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## A strong third quarter

### Third quarter July - September 2015

- Revenue from Property Management amounted to MSEK 458 (380), which includes one-time revenue of MSEK 60. Adjusted for one-time revenue, currency effects and comparable units, the increase was 10 percent.
- Net operating income from Property Management amounted to MSEK 403 (310). Adjusted for one-time revenue, currency effects and comparable units, the increase was 10 percent.
- Net operating income from Operator Activities amounted to MSEK 115 (88), an increase of 31 percent. Adjusted for currency effects and comparable units, the increase was 12 percent.
- EBITDA amounted to MSEK 495 (377). Adjusted for one-time revenue the increase was 15 percent.
- Profit for the period amounted to MSEK 425 (240) and includes one-time revenue of MSEK 60 and compensation for a past tax expense of MSEK 19.
- Cash earnings amounted to MSEK 407 (259), an increase of MSEK 148.

### Interim period January – September 2015

- Revenue from Property Management amounted to MSEK 1,178 (1,119). Adjusted for one-time revenue, currency effects and comparable units, the increase was 7 percent.
- Net operating income from Property Management amounted to MSEK 974 (897). Adjusted for one-time revenue, currency effects and comparable units, the increase was 7 percent.
- Net operating income from Operator Activities amounted to MSEK 312 (239). Adjusted for currency effects and comparable units, the increase was 20 percent.
- EBITDA amounted to MSEK 1,223 (1,083), an increase of 13 percent.
- Profit for the period amounted to MSEK 1,450 (1,128), an increase of MSEK 322.
- Cash earnings amounted to MSEK 896 (679), an increase of MSEK 217.
- The net asset value (EPRA NAV) per share was SEK 104.45 (92.11).

Key figures (MSEK)*	Q3 2015	Q3 2014	Chg in %	9m 2015	9m 2014	Chg in %	FY 2014
Revenue Property management (Note 1,2)	458	380	21	1,178	1,119	5	1,477
Net operating income Property management (Note 1,2)	403	310	30	974	897	9	1,186
Net operating income Operator activities (Note 2)	115	88	31	312	239	31	320
EBITDA (Note 1)	495	377	31	1,223	1,083	13	1,425
Profit for the period (Note 1,3)	425	240	77	1,450	1,128	28	1,253
Earnings per share, SEK (Note 1,3,4)	2.83	1.60	77	9.66	7.52	28	8.35
Cash earnings, MSEK (Note 1,3)	407	259	57	896	679	32	873
Cash earnings per share, SEK (Note 1,3,4)	2.71	1.73	57	5.97	4.53	32	5.82
<i>Key data</i>							
Net interest bearing debt, MSEK	—	—	—	12,225	12,592	-3	12,587
Equity asset ratio, %	—	—	—	40.7	38.9	n.m.	38.1
Loan to value, %	—	—	—	46.4	50.2	n.m.	48.7
Interest cover ratio	4.7	3.2	n.m.	3.7	2.7	n.m.	2.6
Property market value, MSEK	—	—	—	27,712	25,861	7	26,504
EPRA NAV per share, SEK (Note 4)	—	—	—	104.45	89.66	16	92.11
WAULT (lease portfolio), years	—	—	—	8.7	8.9	n.m.	9.0
RevPAR (Operating properties) for comparable units at comparable exchange rates, SEK	718	670	7	700	642	9	645

(Note 1) Includes one-time revenue of MSEK 60 in Q3 2015. (Note 2) Divestment of 15 Investment properties in April 2014, and reclassification of Urban House Copenhagen to Operator Activities in April 2014, and reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to Operator Activities in June 2015. (Note 3) Includes compensation for tax cost of MSEK 19 in Q3 2015. (Note 4) Retrospectively adjusted for share split in May 2015. The total number of shares outstanding before and after full dilution is 150 000 000.

\* Comparable figures in brackets refer to the corresponding period last year for profit/loss items and year-end 2014 for balance sheet items, unless otherwise stated. For a complete set of definitions please see page 29, 30 and 37.



## CEO's comments

# A strong third quarter

Pandox is reporting strong earnings for the third quarter. The drivers behind the higher result are partly continued improvements in the hotel market with a higher growth rate in Property Management where, i.a., renovated hotels are coming back at full capacity and also contribute with increased market shares, and partly increased demand and good productivity in Operator Activities. Lower financing costs also contribute to the increase in earnings. Net operating income growth in the third quarter for comparable units in Property Management and Operator Activities was 10 and 12 percent respectively, which reflects a high-quality hotel portfolio, a strong market position and advanced operational excellence.

## Stronger hotel market

We now find ourselves in an interesting market phase where international markets and premium segments, which are at the front end of the hotel cycle, have improved their growth considerably and where the average price per sold room is increasing. The hotel cycle in general strengthened in the third quarter, which has had a positive effect on the entire Pandox hotel portfolio. With respect to individual locations that are key for Pandox, market growth in the third quarter, measured as RevPAR (revenue per available room) for Stockholm was 23 percent, Oslo 10 percent, Copenhagen 12 percent and Brussels 13 percent. Helsinki improved despite weak economic growth in the country. After a long period of falling or stable prices, we have seen a clear increase in the average room price in Stockholm, Oslo and Copenhagen. At the regional level in the Nordics, Pandox's growth was overall good as a result of an active business, conference and event market, and renovated hotels improving their market share.

## Motels of tomorrow are already delivering today

In cooperation with Scandic 19 motels in Sweden, Denmark and Norway have undergone a radical upgrade incorporating a new design concept. They include well-known and classic hotels such as Kungens Kurva in Stockholm, Klarälven in Karlstad, Backadal in Gothenburg and Elmia in Jönköping. The project was concluded in 2014 and the hotels have received a very positive reception in the market. Growth in rental income for these hotels was very good in the third quarter, which illustrates Pandox's ability to work in cooperation with a strong, long-term tenant to identify and implement value-generating development projects which result in increased cash flow for both parties.

## Cash flow in focus

Pandox's portfolio today consists of 104 hotel properties. Close to 80 percent of the portfolio's market value consists of hotels with long leases with the best operators and brands in the sector. Pandox's aim is to increase cash flow –property by property – and to ensure that the properties grow in value, enabling new investments and supporting the Company's continued expansion. Pandox's investment strategy is well tested and includes different types of investments: (1) portfolio acquisitions with associated restructuring and development; (2) individual hotel acquisitions; (3) lease extensions with associated investments; and (4) taking over operation and improving the market position of hotels. We are constantly working on developing our portfolio in an ongoing dialogue with tenants, partners and other stakeholders aimed at creating a better hotel product and stronger cash flow. This is good for Pandox, our tenants and naturally for the hotel guests as well.

## Outlook remains positive

We reiterate our outlook from the second quarter to grow cash earnings, excluding one-time items, in 2015 compared to 2014.



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 geographical focus on Northern Europe. Pandox's strategy is to own sizeable full-service hotels with strategic locations in key leisure and corporate destinations. Pandox is an active owner with a business model based on long term lease agreements with the best operators in the market. But if these conditions are missing, Pandox has long experience of running hotel operations on its own. This creates business opportunities across the hotel value chain.

## Long leases with well-known tenants

At the end of the third quarter 2015, Pandox's hotel property portfolio comprised 104 hotels with a total of 21,971 hotel rooms in eight countries, with a market value of about MSEK 27,700. Of the 104 hotels, 87 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 17 hotels were owned and operated by Pandox.

In addition, Pandox had asset management agreements for 9 hotels, and operates one additional hotel under a long-term lease agreement.

## Pandox's value drivers

- Large, high quality portfolio of premier hotel properties in strategic cities
- Geographical diversification which provides opportunity for diversification over the business cycle
- 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 of hotels
- Attractive yield, resilient cash flow generation and potential for lower interest cost
- Active ownership, which drives value and creates optionality

## Pandox's financial targets

- Dividend policy – Pandox will target a dividend pay-out ratio of between 40 and 60 percent of cash earnings<sup>1</sup>, with an average payout ratio over time of approximately 50 percent. 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 will target a debt ratio (loan-to-value<sup>2</sup>) between 45 and 60 percent, depending on the market environment and prevailing opportunities.

<sup>1</sup> Defined as EBITDA plus financial income less financial cost less current tax.

<sup>2</sup> Defined as interest bearing liabilities divided by the sum of property market value of Investment properties and Operating properties.

# Hotel market development

## Upswing on a broad front in the third quarter

The hotel markets in Europe in general experienced an upswing on a broad front in the third quarter, driven by a strong increase in demand from the leisure segment during the holiday months of July and August, and by a strong business travel month in September. Renewed concern over the global economy as a result of slower growth in China and other growth nations was not reflected in the outcome for the third quarter, and demand for travel and hotel stays from the Chinese travel market has continued to grow. There was continued variation in the macroeconomic growth situation for the Nordic countries, with the Danish and above all the Swedish economy experiencing a positive trend. Development in Norway and Finland remained more subdued.

## Continued improvements in key hotel markets

RevPAR development quarterly change (in local currency)

	FY 2012	FY 2013	FY 2014	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
USA	7%	5%	8%	6%	8%	8%	9%	8%	7%	6%
New York <sup>1</sup>	6%	4%	3%	-1%	5%	4%	1%	-4%	-2%	1%
Montreal	-2%	6%	10%	5%	7%	17%	7%	8%	9%	5%
Europe	5%	2%	6%	6%	4%	5%	7%	6%	6%	10%
London <sup>1</sup>	2%	1%	3%	7%	1%	2%	4%	2%	-2%	5%
Brussels	-2%	2%	3%	5%	4%	3%	1%	2%	8%	13%
Berlin	9%	0%	5%	2%	1%	10%	5%	5%	15%	7%
Stockholm	-5%	0%	2%	4%	0%	3%	1%	6%	-3%	23%
Oslo	-3%	4%	1%	7%	-5%	3%	0%	1%	14%	10%
Helsinki	4%	-5%	2%	2%	0%	4%	3%	-1%	-3%	6%
Copenhagen	5%	6%	4%	13%	2%	3%	1%	9%	10%	12%

Source: STR (USA, Canada, Europe, Finland), Benchmarking Alliance (Sweden, Norway, Denmark).

<sup>1</sup> Pandox does not have any direct business exposure to these markets but they are important for the overall assessment of the global hotel market.

## Growth trend in North America sustained

In the US and Canada growth for the third quarter's RevPAR amounted to 6 percent for both countries. The strong trend in the US market since 2011 is continuing and analysts are expecting RevPAR growth of 6-7 percent for both this year and in 2016, partly due to anticipated limited new hotel room capacity in the country. Parts of Canada which are heavily dependent on the oil industry saw a decline in the third quarter, while the larger cities showed healthy growth numbers driven by both improved average prices and increased demand. A stronger dollar, higher employment figures and sustained improvement in the US economy are expected to have a positive effect on the amount of US international travel, which is important for Canada and key markets in Europe.

## Positive trend in Europe and the Nordic region

The hotel markets in Europe experienced a positive trend for the quarter with RevPAR growth of 10 percent. The total growth for the January to September period amounted to 8 percent. The Nordic hotel market in general had a very strong third quarter with high growth numbers in the majority of large cities and regional towns due to strong demand from the leisure segment in July and August, with a partial explanation being inclement weather, particularly in July. In Stockholm RevPAR increased by 23 percent for the quarter and, in addition to the strong summer, the business and conference market was good in September. Oslo and Copenhagen experienced growth of 10 and 12 percent respectively in the quarter. Despite weak economic growth in general in Finland, the hotel market in Helsinki experienced good growth (+6 percent) after two quarters of decline.

# Financial development July–September 2015

*Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2014 for balance sheet items, unless otherwise stated.*

## Revenue

Revenue from Property Management amounted to MSEK 458 (380), an increase of 20.5 percent. Adjusted for one-time revenue of SEK 60 million relating to mediation with Nordic Hospitality Group AS; the increase was 4.7 percent. The whole period was affected by the reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to the Operating Properties segment. Adjusted for one-time revenue, currency effects and comparable units, revenue increased by 9.9 percent. The drivers for the revenue increase are mainly continued improvements in the hotel market and renovated hotels increasing their market share. The takeover of operation of Hotel Prince Philip was concluded 1 October and did not affect the quarter.

Revenue from Operator Activities amounted to MSEK 534 (401), an increase of 33.2 percent, including revenue from Grand Hotel Oslo and revenue from the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel. Adjusted for currency effects and comparable units, revenue increased by 5.4 percent and RevPAR by 7.2 percent, supported by a stronger market as well as recently renovated and repositioned hotels increasing their market share.

The Group's net sales amounted to MSEK 992 (781), an increase of 27.0 percent. Adjusted for one-time revenue, currency effects and comparable units, net sales increased by 7.5 percent.

## Net operating income

Net operating income from Property Management, which corresponds to gross profit, amounted to MSEK 403 (310), an increase of 30.0 percent. Adjusted for one-time revenue of SEK 60 million, the increase was 10.6 percent. Adjusted for one-time revenue, currency effects and comparable units, net operating income increased by 9.8 percent. The increase is explained by better conditions on the hotel market, higher rents, lower property costs and renovated hotel properties increasing their market share.

Net operating income from Operator Activities, which corresponds to gross profit plus depreciation included in Operator Activities costs, amounted to MSEK 115 (88), an increase of 30.7 percent. Adjusted for currency effects and comparable units, net operating income increased by 12.3 percent. The increase is mainly explained by increased demand, renovated and repositioned hotels increasing their market share, good productivity development and, to a certain extent, gross profit from reclassified operations.

## Administration costs

Central administration costs amounted to MSEK –23 (–21). In general the increase reflects a strengthening of Group-wide functions, including the cost of the Company's long-term incentive scheme.

## EBITDA

EBITDA (gross earnings plus depreciation included in Operator Activities' costs, less central administration costs, excluding depreciation) amounted to MSEK 495 (377), an increase of 31.3 percent. Adjusted for one-time revenue of SEK 60 million, the increase was 15.4 percent and reflects improved underlying net operating income for both Property Management and Operator Activities.

## Financial income and expenses

Financial expenses amounted to MSEK –106 (–120), a reduction of MSEK 14, which is explained by lower net interest-bearing debt and lower interest rates.

## Profit before changes in value

Profit before changes in value including one-time items amounted to MSEK 355 (237), an increase of 49.8 percent.

## Changes in value

Unrealised changes in value for Investment properties amounted to MSEK 232 (177). The increase is explained by a combination of yield compression in many markets, resulting in decreased valuation yields and thereby lower discount rates in Investment property valuations, and higher underlying cash flows in Pandox's property portfolio.

On 29 September 2015 Pandox signed an agreement for the sale of the hotel property Scandic Antwerp with an underlying property value equivalent to MSEK 151, representing a current valuation. The divestment did not have any impact of the period's profits. The transaction will be completed and exit will take place on December 1, 2015.

Changes in value of derivatives amounted to MSEK -73 (-110), after a decrease in market interest rates compared to the fixed rate on interest swaps.

## Current and deferred tax

Current tax amounted to MSEK 17 (1), including compensation for a past tax expense equivalent to MSEK 19 relating to Germany. Current tax was affected by, among other things, deductible depreciation and investments as well as loss carry-forwards from previous years. Deferred tax expense amounted to MSEK -106 (-65).

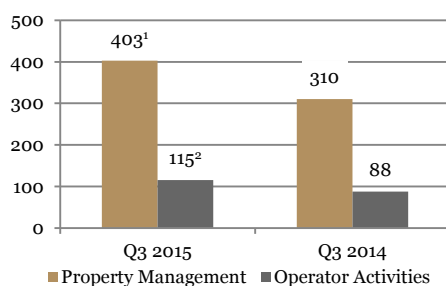
## Profit for the period

Profit for the period amounted to MSEK 425 (240), which represents SEK 2.83 (1.60) per share before and after full dilution.

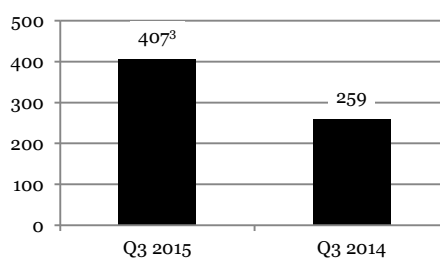
## Cash earnings

Cash earnings amounted to MSEK 407 (259), an increase of MSEK 57.1. Adjusted for one-time revenue and compensation for a past tax expense, cash earnings increased by 26.6 percent.

Net operating income, MSEK



Cash earnings, MSEK



<sup>1</sup> Includes one-time revenue of MSEK 60 related to mediation.

<sup>2</sup> Includes reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to Operating properties full period.

<sup>3</sup> Includes one-time revenue of MSEK 60 related to mediation and compensation for previous tax expense of MSEK 19.

# Financial development January– September 2015

*Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2014 for balance sheet items, unless otherwise stated.*

## Revenue

Revenue from Property Management totalled MSEK 1,178 (1,119), which is equivalent to an increase of 5.3 percent. Adjusted for one-time revenue of MSEK 60 for mediation, the revenue was unchanged, despite the divestment of 15 hotel properties in April 2014 and the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel in June 2015. Adjusted for one-time revenue, currency effects and comparable units, revenue increased by 6.8 percent. The takeover of operation of Hotel Prince Philip was concluded 1 October 2015 and did not affect the period.

Revenue from Operator Activities amounted to MSEK 1,510 (1,153), an increase of 31.0 percent, including revenue from Grand Hotel Oslo for seven months and revenue from the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel for four months. Adjusted for currency effects and comparable units, revenue increased by 7.6 percent and RevPAR by 9.0 percent.

The Group's net sales amounted to MSEK 2,688 (2,272), an increase of 18.3 percent. Adjusted for one-time revenue, currency effects and comparable units, net sales increased by 7.2 percent.

## Net operating income

Net operating income from Property Management, which corresponds to gross profit, amounted to MSEK 974 (897), an increase of 8.6 percent. Adjusted for one-time revenue of SEK 60 million, net operating income increased by 1.9 percent. Adjusted for one-time revenue, currency effects and comparable units, net operating income increased by 6.9 percent, which reflects lower property costs, and good underlying development in the markets and portfolio.

Net operating income from Operator Activities, which corresponds to gross profit plus depreciation included in Operator Activities' costs, amounted to MSEK 312 (239), an increase of 30.5 percent. Adjusted for one-time revenue, currency effects and comparable units, net operating income increased by 19.9 percent. The increase is mainly explained by increased demand in the market and gradual improvement in average prices, renovated and repositioned hotels increasing their market share, good productivity development and, to a certain extent, gross profits from reclassified operations.

## Administration costs

Central administration costs amounted to MSEK –64 (–53). The increase mainly reflects a strengthening of Group-wide functions, including the cost of the Company's long-term incentive scheme.

## EBITDA

EBITDA (gross earnings plus depreciation included in Operator Activities' costs, less central administration costs, excluding depreciation) amounted to MSEK 1,223 (1,083), an increase of 12.9 percent. Adjusted for one-time revenue of SEK 60 million, the increase was 7.4 percent and reflects improved underlying net operating income for both Property Management and Operator Activities. The basis for comparison was affected by the divestment of 15 investment properties in April 2014 by four months.

## Financial income and expenses

Financial expenses amounted to MSEK –335 (–408) a reduction of MSEK 73, which is explained by the repayment of interest-bearing liabilities following the divestment of 15 investment properties in April last year, and lower interest rates.



## Profit before changes in value

Profit before changes in value including one-time items amounted to MSEK 791 (605), an increase of 30.7 percent.

## Changes in value

Unrealised changes in value for Investment properties amounted to MSEK 903 (755). The increase is explained by a combination of yield compression in many markets resulting in decreased valuation yields and thereby lower discount rates in the valuation of Investment properties, and strong underlying cash flows in Pandox's property portfolio.

Realised changes in value for Investment properties amounted to MSEK 8 and are explained by final settlement of the consideration for the divestment of Hilton London Docklands in April 2014.

On 29 September 2015 Pandox signed an agreement for the sale of the hotel property Scandic Antwerp with an underlying property value equivalent to MSEK 151, representing the most current valuation. The divestment did not have any impact of the period's profits. The transaction will be completed and exit will take place on December 1, 2015.

Changes in value of derivatives amounted to MSEK 110 (–454).

## Current and deferred tax

Current tax amounted to MSEK 7 (0), including compensation for past tax expense equivalent to MSEK 19 relating to Germany in the third quarter. Current tax was affected by, among other things, deductible depreciation and investments, as well as loss carry-forwards from previous years. Accordingly, current tax is expected to be low for the full year. Deferred tax expense amounted to MSEK –369 (–69).

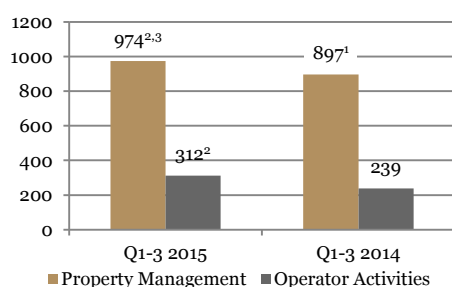
## Profit for the period

Profit for the period amounted to MSEK 1,450 (1,128), which corresponds to SEK 9.66 (7.52) per share before and after full dilution.

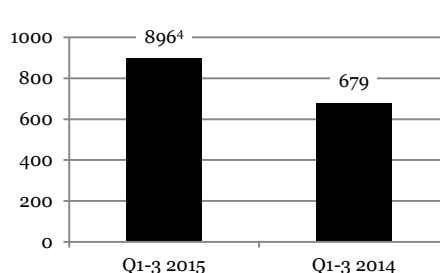
## Cash earnings

Cash earnings amounted to MSEK 896 (679), an increase of MSEK 32.0. Adjusted for one-time revenue and compensation for a past tax expense, cash earnings for the third quarter of 2015 increased by 20.3 percent. This is despite the divestment of 15 hotel properties in April 2014.

Net operating income, MSEK



Cash earnings, MSEK



<sup>1</sup> The figures for the comparable period are affected by the divestment of 15 investment properties in April 2014 and the reclassification of Urban House Copenhagen from Investment Properties to Operating Properties.

<sup>2</sup> The figures are affected by the reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to Operating Properties for four months.

<sup>3</sup> Includes one-time revenue of MSEK 60 related to mediation.

<sup>4</sup> Includes one-time revenue of MSEK 60 related to mediation and compensation for previous tax cost of MSEK 19.

# Segment reporting

Pandox's business is organised into Property Management, which comprises 87 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 17 Operating properties owned by Pandox, in which Pandox 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 32.

In addition, Pandox has external 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. In the third quarter, revenues and EBITDA for the eight external asset management agreements in Oslo, amounted to MSEK 0.8 (o) and MSEK 0.1 (o) respectively.

Furthermore, Pandox operates Grand Hotel Oslo under a long-term lease agreement with an external related-party property owner. This is reported under Operator Activities.

## Summary of segments

MSEK	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
Total gross profit	483	377	1,188	1,062	1,397
– whereof gross profit Property Management	403	310	974	897	1,186
– whereof gross profit Operator Activities	80	67	214	166	211
Net operating income Property Management					
– Net operating income equals gross profit	403	310	974	897	1,186
Net operating income Operator Activities					
– Gross profit	80	67	214	166	211
– Add: Depreciation included in costs, Operator Activities <sup>1</sup>	35	21	98	73	109
– Net operating income Operator Activities	115	88	312	239	320
Total net operating income	518	398	1,286	1,136	1,506
Central administration, excluding depreciation <sup>1</sup>	-23	-21	-63	-53	-81
EBITDA	495	377	1,223	1,083	1,425

<sup>1</sup> Total depreciation for Operator Activities and central administration amounts to: MSEK 35 (Q3 2015), MSEK 21 (Q3 2014), MSEK 98 (Q1-Q3 2015), MSEK 73 (Q1-Q3 2014) and MSEK 110 (2014).

As of September 30, 2015, the market value of Pandox's total property portfolio amounted to MSEK 27,712 (26,504), including Scandic Antwerp for which the transaction will be concluded and exit will take place on 1 December, 2015.

# Property Management

Investment Properties: MSEK 21,337, representing 77 percent of total property market value

## Net operating income Property Management

MSEK	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
Rental income	389	364	1,080	1,075	1,418
Other property income	69	16	98	44	60
Costs, excluding property administration	-36	-54	-153	-175	-229
Net operating income, before property administration	422	326	1,025	944	1,249
Property administration	-19	-16	-51	-47	-63
Gross profit	403	310	974	897	1,186
Net operating income, after property administration	403	310	974	897	1,186

Rental income and other property income amounted to MSEK 458 (380), of which MSEK 60 consists of one-time revenue for mediation, which is reported under other property income.

The comparison is affected by the reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to Operating Properties in June 2015.

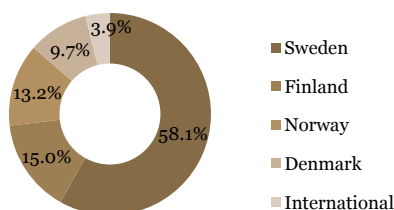
Adjusted for one-time revenue, currency effects and comparable units, rental income increased by 9.9 percent as a result of good underlying growth in the hotel market and recently renovated hotels increasing their market share, particularly those under the joint development program with Scandic (the Shark project).

Reported net operating income after property administration increased by 30.0 percent. Adjusted for one-time revenue, the net operating income after property administration amounted to MSEK 343 (310) and net operating income before property administration to MSEK 362 (326).

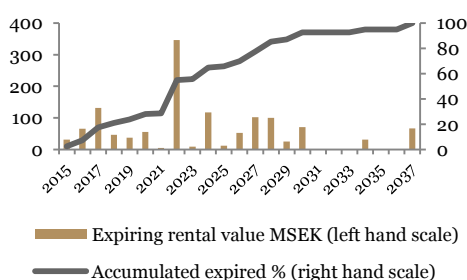
Adjusted for one-time revenue, currency effects and comparable units, net operating income increased by 9.8 percent, mainly as a result of higher rental income.

Investment properties comprises 87 properties which are recognised at market value. On 30 September 2015 investment properties had a weighted average unexpired lease term (WAULT) of 8.7 years (31 December 2014: 9.0). The lease maturity profile has staggered expirations. In 2022 a larger number of leases, compared with other years, will expire as an effect of a previous sizable portfolio acquisition.

Rental income by geography (Jan - Sept 2015)



Lease maturity profile (September 30, 2015)<sup>1</sup>



<sup>1</sup> Pandox's leases are primarily linked to hotel revenue and generally contain a minimum guaranteed rent that provides both operational upside and downside protection in the event the development of the hotel operator should be weaker.

# Operator Activities

Operating Properties: MSEK 6,375, representing 23 percent of total property market value

## Net operating income Operator Activities

MSEK	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
Revenues	534	401	1,510	1,153	1,598
Costs	-454	-334	-1,296	-987	-1,387
Gross profit	80	67	214	166	211
Add: Depreciation included in costs	35	21	98	73	109
Net operating income	115	88	312	239	320

Revenue from Operator Activities amounted to MSEK 534 (401), an increase of 33.2 percent, and net operating income amounted to MSEK 115 (88), an increase of 30.7 percent. Grand Hotel Oslo, which Pandox has been operating under a long-term lease agreement with an external related-party property owner since 1 March 2015, and Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel are included for the whole period. Revenue from Grand Hotel Oslo amounted to MSEK 57 (0).

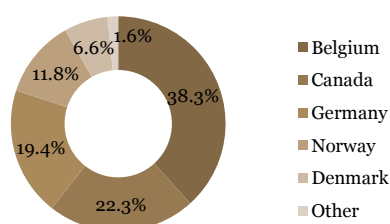
Adjusted for currency effects and comparable units, revenue increased by 5.4 percent. Adjusted for currency effects and comparable units, net operating income increased by 12.3 percent.

The increased revenue is explained by a stronger hotel market in general terms and renovated hotels coming back to the market. In addition are revenues from Grand Hotel Oslo, which is a pure operator's business without any property ownership, at a lower operating margin. The net operating income was positively affected by higher activity levels, mainly due to increased demand and therefore higher occupancy, and by continued productivity gains in hotel operations in general and positive development for The Hotel Brussels, Hyatt Regency Montreal and Radisson Blu Dortmund.

Adjusted for currency effects and comparable units, RevPAR increased by 7.2 percent, mainly due to improved occupancy but also due to a greater extent to improved average room rates.

Operating Properties comprises 17 hotel properties which Pandox owns and operates. These hotels are recognised at cost less depreciation and any impairment.

Revenues by geography (Jan – Sept 2015)





# Property portfolio

At the end of the period, Pandox's property portfolio comprised 104 (31 December, 2014: 104) hotel properties with 21,971 (December 31, 2014: 21,969) hotel rooms in eight countries. The Company's main geographical focus, which represents around 77 percent of the portfolio by market value, is the Nordics. Of the owned hotel properties, 87 are leased to third parties, which means that around 77 percent of the portfolio market value is covered by external leases. These are reported in the Property Management segment. The remaining 17 hotels are owned and operated by Pandox and are reported in the Operator Activities segment.

## Portfolio overview by segment and country

Property Management Investment properties	No. of hotels	No. of rooms	Property value (MSEK)	Property value in % of total	Value per room (MSEK)
Sweden	51	9,714	12,910	46.6%	1.3
Norway	13	2,200	2,355	8.5%	1.1
Finland	13	2,913	3,067	11.1%	1.1
Denmark	7	1,405	2,036	7.3%	1.4
International*	3	510	969	3.5%	1.9
<b>Total Investment properties</b>	<b>87</b>	<b>16,742</b>	<b>21,337</b>	<b>77.0%</b>	<b>1.3</b>
Operator Activities Operating properties					
Sweden	1	150	150	0.5%	1.0
Norway	1	303	233	0.8%	0.8
Finland	1	151	44	0.2%	0.3
Denmark	2	440	584	2.1%	1.3
International	12	4,185	5,364	19.4%	1.3
<b>Total Operating properties</b>	<b>17</b>	<b>5,229</b>	<b>6,375</b>	<b>23.0%</b>	<b>1.2</b>
<b>Total owned properties</b>	<b>104</b>	<b>21,971</b>	<b>27,712</b>	<b>100.0%</b>	<b>1.3</b>

\*Including Scandic Antwerp.

The majority of Pandox's tenant base 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 Carlson Rezidor Hotel Group) and Hilton.

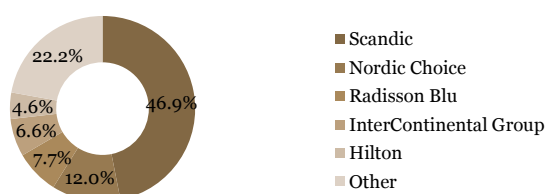
## Pandox's portfolio by brand

Brand	No. of hotels	No. of rooms	Countries
Scandic	50	10,311	SE, NO, FI, DK, BE
Nordic Choice's 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	6	882	SE, DK
Hyatt	1	607	CAN
Elite	2	452	SE
Best Western	3	355	SE, FI
Rantasipi	1	137	FI
Independent brands	9	2,461	SE, FI, DK, BE, DE
<b>Total</b>	<b>104</b>	<b>21,971</b>	<b>8</b>

\* Nordic Choice's brands include : Comfort Hotel, Quality Hotel, Quality Hotel & Resort, Clarion Hotel and Clarion Collection.

\*\* InterContinental's brands include: Crowne Plaza, Holiday Inn and InterContinental.

Rooms per brand (September 30, 2015)



Pandox's own brands (September 30, 2015)



## Change in property values

At the end of the period, the total market value of Pandox's property portfolio was MSEK 27,712 (26,504), of which MSEK 21,337 (20,843) was attributable to Investment properties and MSEK 6,375 (5,661) to Operating properties. The market value of Operating properties is reported for information purposes only.

No reclassification took place in the third quarter. The takeover of operation of Hotel Prince Philip was concluded 1 October 2015.

Operating properties are recognised at cost less depreciation and any impairment. At the end of the period, the carrying amount of Operating properties was MSEK 5,100 (4,858). The increase is mainly the result of the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel in the second quarter.

### Change in value Investment properties

	MSEK
Investment properties, beginning of the period (January 1, 2015)	20,843
+ Acquisitions	—
+ Investments	134
- Divestments <sup>1</sup>	-8
+/- Reclassifications	-401
+/- Unrealised changes in value	903
+/- Realised changes in value <sup>1</sup>	8
+/- Change in currency exchange rates	-142
Investment properties, end of period (September 30, 2015) <sup>2,3</sup>	21,337

### Change in value Operating properties (reported for information purposes only)

	MSEK
Operating properties, beginning of the period (January 1, 2015)	5,661
+ Acquisitions	—
+ Investments	97
- Divestments	—
+/- Reclassifications	401
+/- Unrealised changes in value	337
+/- Realised changes in value	—
+/- Change in currency exchange rates	-121
Operating properties, end of period (September 30, 2015)	6,375

<sup>1</sup> Refers to final payment for Hilton London Docklands, which was divested in April 2014.

<sup>2</sup> Of which MSEK 151 attributable to Scandic Antwerp.

<sup>3</sup> Including Hotel Prince Philip.

## Average valuation yield

At the end of the period, the average valuation yield on Pandox's Investment properties amounted to 5.9 percent (31 December, 2014: 6.1), and for Operating properties it was 7.6 percent (31 December, 2014: 7.9).

## Investments

During the period January – September investments in the existing portfolio, excluding acquisitions, amounted to MSEK 234 (388), of which MSEK 134 (280) was for Investment properties and MSEK 100 (108) was for Operating properties, including MSEK 3 for Grand Hotel Oslo.

The decrease in investments is mainly explained by the fact that the Shark project with Scandic is coming to an end, but also that several other larger projects were concluded in 2014.

At the end of the period investments had been approved for future projects in an amount corresponding to approximately MSEK 550. Ongoing major investment projects include Hilton Helsinki Strand, Hotel Berlin Berlin, Quality Ekoxen Linköping, InterContinental Montreal and Radisson Blu Lillehammer.

On 29 September 2015 Pandox signed an agreement for the sale of the hotel property Scandic Antwerp with an underlying property value of MEUR 16 (equivalent to MSEK 151), representing the most current valuation.

## 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 their 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 the future cash flows 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 maximizing 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.

In the third quarter Pandox had external valuations performed on a quarter of the properties in its portfolio. The external valuation results are in line with and confirm 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 certain key valuation parameters, as of September 30, 2015, is shown below:

### Sensitivity analysis (MSEK)

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-1,663 / +1,970
Change in currency exchange rates	+/- 1%	+/- 84
Net operating income	+/- 1%	+/- 200
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 10
Operating properties, effect on revenues	Change	Effect on revenue
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 18
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging of our portfolio, change in interest rates	+/- 1%	-/+ 36
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 129
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 438

# Financing

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2014 for balance sheet items, unless otherwise stated.

## Financial position and net asset value

At the end of the period the loan-to-value ratio was 46.4 percent (48.7). Shareholders' equity amounted to MSEK 11,546 (10,402) and the net asset value (NAV) as defined by EPRA was MSEK 15,668 (13,816). EPRA NAV per share was SEK 104.45 (92.11). Liquid funds, including long-term credit facilities amounted to MSEK 2,051 (1,901).

## Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 12,860 (12,908). The average fixed rate period was 3.3 (3.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 3.2 (3.6) percent, including effects from interest-rate swaps. The average repayment period was 3.5 (4.6) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Unutilised credit facilities amounted to MSEK 1,415 (1,581).

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 Pandox had interest rate swaps amounting to MSEK 9,339 and 61.4 percent of Pandox's loan portfolio was hedged against interest rate movements for periods longer than one year.

### Fixed rate period

(MSEK)	Interest maturity				Interest rate swaps		
	Loans	Interest swaps	Amount	Share	Volume	Share	Average interest swaps <sup>1</sup>
< 1 year	12,860	-7,902	4,959	38.6%	1,437	15.4%	3.5%
1-2 year	—	752	752	5.8%	752	8.1%	3.2%
2-3 year	—	896	896	7.0%	896	9.6%	3.3%
3-4 year	—	243	243	1.9%	243	2.6%	2.4%
4-5 year	—	1,894	1,894	14.7%	1,894	20.3%	2.8%
> 5 year	—	4,118	4,118	32.0%	4,118	44.1%	2.3%
Total/net/average	12,860	0	12,860	100.0%	9,339	100.0%	2.7%

<sup>1</sup> Excluding bank margins.

In order to reduce the currency exposure in foreign investment Pandox's main objective is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox strategy is to have a long investment perspective. Currency effects are largely in form of translation effects.

### Interest maturity structure by currency

Year due (MSEK) <sup>1</sup>	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share %	Interest % <sup>2</sup>
2015	1,157	547	1,155	225	219	712	4,014	31.2	4.3
2016	380	—	471	—	—	236	1,086	8.5	3.3
2017	200	—	254	—	195	174	823	6.4	3.4
2018	250	—	235	—	—	198	684	5.3	3.1
2019	125	—	118	—	—	—	243	1.9	2.5
2020 and later	3,600	656	1,755	—	—	—	6,011	46.7	2.4
Total	5,712	1,203	3,988	225	414	1,319	12,860	100.0	3.2
Share, %	44.4	9.4	31.0	1.7	3.2	10.3	100.0	—	—
Average interest rate, %	3.4	2.6	3.1	0.6	3.4	3.6	3.2	—	—
Average interest rate period, years	4.2	3.5	3.1	0.1	0.9	0.8	3.3	—	—
Property market value	13,060	2,620	7,935	715	794	2,588	27,712	—	—

<sup>1</sup> Converted to MSEK. <sup>2</sup> Average interest rate in percent including bank margin.



As of 30 September 2015, the market value for Padox's financial derivatives amounted to MSEK –790 (–900), which is explained by a decrease in the market rates in relation to the fixed interest in the interest swap agreements. Falling market rates in the third quarter led to a remeasurement which impacted profits in the amount of MSEK –73 (–110).

### Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity <sup>2</sup>	Interest, loans <sup>1</sup>	Net interest, interest swaps, negative value <sup>1</sup>	Total
2015	188	3	18	21
2016	939	10	34	44
2017	245	3	25	28
2018	4,189	36	19	55
2019	5,978	82	6	88
2020 and later	1,322	18	157	174
<b>Total</b>	<b>12,860</b>	<b>151</b>	<b>259</b>	<b>411</b>

<sup>1</sup> Calculation based on ending balance as of September 30, 2015 and actual interest rates as of the same date and an implied yearly interest expense for the different maturity periods.

<sup>2</sup> Excluding current amortisation.

Refinancing of remaining loans maturing in 2015 was concluded in October. The loan (MSEK 188) has been extended for four years and includes an increase of MSEK 47 of the loan amount.

### Deferred tax

At the end of the period, deferred tax assets amounted to MSEK 865 (924). These represent tax loss carry-forwards which the Company expects to be able to use in upcoming fiscal years, and temporary measurement differences on interest-rate derivatives.

The deferred tax liabilities amounted to MSEK 2,310 (1,993). The increase is primarily due to an increased market value for investment properties.

Padox has no outstanding tax-related cases.

## Other information

### Outlook

Based on continued improvements in the general economic climate and a positive trend in the travel market, Pandox's strong market position and portfolio – which benefit from increased operator activity – as well as continued low interest rates, we expect to be able to grow cash earnings, excluding one-time revenue, further in 2015 compared to 2014. This is supported by development during the first nine months of 2015 when Pandox's cash earnings increased, excluding one-time items, by MSEK 138, compared to the first nine months of 2014, despite the divestment of 15 hotel properties in April 2014.

### Important events during the period

#### *Divestment of hotel property in Antwerp*

On 29 September 2015 it was announced that an agreement had been signed for the divestment of the hotel property Scandic Antwerp in Belgium for MEUR 16 to the hotel chain Van Der Valk in the Netherlands. The amount is in line with the most recent valuation. Pandox will receive payment of MEUR 13.6 after deduction for deferred tax. The transaction will be completed and exit will take place on 1 December, 2015.

#### *New Head of Investor Relations appointed*

On 21 September it was announced that Camilla Weiner had been appointed as the new Head of Investor Relations. Camilla is a member of Pandox's Executive Management and reports to the Company's CFO Liia Nõu.

#### *Postponement of takeover of Quality Hotel Prince Philip*

On 10 August Pandox announced that it will take over operation of Quality Hotel Prince Philip in Skärholmen, Sweden, as of 1 September 2015. The takeover was postponed until 1 October 2015. The hotel, which has 208 rooms, will be included in the Property Management segment until the end of the third quarter of 2015.

#### *Over-allotment option in IPO for Pandox AB (publ) exercised*

On 2 July it was announced that, in connection with the offering and listing of the Company's B shares on Nasdaq Stockholm, ABG Sundal Collier has exercised the over-allotment option for 7,826,086 shares in Pandox on behalf of Managers. No price stabilisation measures had been implemented since the listing, and taking into account the Company's share price trend, ABG Sundal Collier, as the stabilising manager on behalf of Manager, decided to end the stabilisation period.

### Important events after the period

#### *Notice to attend an extraordinary shareholders' meeting to elect a new board member*

On 27 October it was announced that the Board had invited the shareholders in Pandox Aktiebolag (publ) to attend an extraordinary shareholders' meeting at 1.30 p.m. on 23 November 2015 at Hilton Stockholm Slussen, Guldgränd 8, 104 65 Stockholm, to elect Ann-Sofie Danielsson to replace board member Christian Sundt.

#### *Nominating Committee for the 2016 Annual General Meeting*

On 8 October it was announced that the Nominating Committee had been appointed for the 2016 Annual General Meeting (AGM) in accordance with principles adopted by the AGM. The Nominating Committee consists of: Anders Ryssdal (Chairman), Christian Ringnes, Lars-Åke Bokenberger, Marianne Flink and Johannes Wingborg.

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## Employees

As of 30 September 2015, Pandox had 1,757 (1,594) employees. Of the total employees, 1,730 (1,566) are employed in the segment Operator Activities and 27 (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 during the period January-September amounted to MSEK 41 (42), and the profit for the period amounted to MSEK 477 (733).

At the end of the period the Parent Company's shareholders' equity amounted to MSEK 2,747 (2,420) and interest bearing debt of MSEK 4,762 (4,592), of which MSEK 4,381 (3,655) 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 administrative 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. During the third quarter revenue from the asset management agreements amounted to MSEK 0.9 (0). As of March 1, 2015, Pandox operates Grand Hotel Oslo under a long-term lease agreement with the property owner Eiendomsspar AS. During the third quarter rental payments for Grand Hotel Oslo amounted to MSEK 15 (0).

## 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 36.

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 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 also historical key ratios.

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## 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 Online Travel Agencies (OTAs) could materially and adversely affect Pandox's business and profitability.



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## Seasonal variations

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. Since the majority of the customers that stay at Pandox owned or operated hotels are business travelers, the Company's total revenues have historically been greater, particularly in the second and to some degree in the fourth quarter than in the first and third quarter. The timing of holidays and major events can also impact the Company's quarterly results.

## Company information

Pandox AB (publ) is a Swedish limited liability company (corporate ID 556030-7885) with its registered office in Stockholm, Sweden. Pandox was formed in 1995 and the company's B shares are listed on Nasdaq Stockholm since 18 June 2015.

## Forward-looking statements

This report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of Pandox AB's (publ), may cause actual developments and results to differ materially from the expectations expressed in this report.

## Governing text

The report has been translated from Swedish. The Swedish text shall govern for all purposes and prevail in the event of any discrepancy.

# Financial calendar

Extraordinary shareholders' meeting	23 November 2015
Pandox Hotel Market Day	24 November 2015
Interim Report, Q4, October – December and Year-End Report 2015	18 February 2016
Annual General Meeting 2016	3 May 2016
Interim Report, Q1, January – March 2016	4 May 2016
Interim Report, Q2, April – June 2016	18 August 2016

More information about Pandox and the financial calendar is available at [www.pandox.se](http://www.pandox.se).

## Presentation of interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 5 November at 09:00 CET.

To follow the presentation online go to <http://media.fronto.com/cloud/pandox/151105>. To participate in the conference call and ask questions, please call one of the telephone numbers indicated below about 10 minutes before the start of the presentation. The presentation material will be available at [www.pandox.se](http://www.pandox.se) at approximately 08:00 CET.

SE: +46 (0)8 5052 0110  
UK: +44 (0)20 7162 0077  
US: +1 334 323 6201  
Access Code: 955721

A recorded version of the presentation will be available at [www.pandox.se](http://www.pandox.se).

## Contact information

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### **Camilla Weiner**

Head of Investor Relations

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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, 4 November, 2015

Christian Ringnes  
Chairman

Leiv Askvig  
Board member

Olaf Gauslå  
Board member

Bengt Kjell  
Board member

Christian Sundt  
Board member

Helene Sundt  
Board member

Mats Wäppling  
Board member

Anders Nissen  
CEO

Pandox AB (publ) is required to publish this information under the Swedish Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on 5 November 2015 at 07:00 CET.

# 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 30 September 2015 and the nine-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 causes us to believe that the 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 4 November, 2015

Per Gustafsson  
Authorized Public Accountant

Willard Möller  
Authorized Public Accountant

# Summary of financial reports

## Condensed statement of profit and loss and other comprehensive income

MSEK	Note	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
Revenues Property Management						
Rental income	1	389	364	1,080	1,075	1,418
Other property income		69	16	98	44	60
Revenue Operator Activities	1	534	401	1,510	1,153	1,598
<b>Total revenues</b>		<b>992</b>	<b>781</b>	<b>2,688</b>	<b>2,272</b>	<b>3,076</b>
Costs Property Management	1	-55	-70	-204	-222	-292
Costs Operator Activities	1	-454	-334	-1,296	-987	-1,387
<b>Gross profit</b>		<b>483</b>	<b>377</b>	<b>1,188</b>	<b>1,062</b>	<b>1,397</b>
- whereof gross profit Property Management	1	403	310	974	897	1,186
- whereof gross profit Operator Activities	1	80	67	214	166	211
Central administration		-23	-21	-64	-53	-82
Financial income		1	1	2	4	5
Financial expenses		-106	-120	-335	-408	-541
<b>Profit before changes in value</b>		<b>355</b>	<b>237</b>	<b>791</b>	<b>605</b>	<b>779</b>
Changes in value						
Properties, unrealised	1	232	177	903	755	906
Properties, realised	1	—	—	8	291	291
Derivatives, unrealised		-73	-110	110	-454	-622
<b>Profit before tax</b>		<b>514</b>	<b>304</b>	<b>1,812</b>	<b>1,197</b>	<b>1,354</b>
Current tax		17	1	7	0	-16
Deferred tax		-106	-65	-369	-69	-85
<b>Profit for the period</b>		<b>425</b>	<b>240</b>	<b>1,450</b>	<b>1,128</b>	<b>1,253</b>
Other comprehensive income						
Items that have been or may be classified to profit or loss						
Translation differences foreign operations		37	-10	-156	18	-3
<b>Other comprehensive income for the period</b>		<b>37</b>	<b>-10</b>	<b>-156</b>	<b>18</b>	<b>-3</b>
<b>Total comprehensive income for the period attributable to the shareholders of the parent company</b>		<b>462</b>	<b>230</b>	<b>1,294</b>	<b>1,146</b>	<b>1,250</b>
<b>Earnings per share, before and after dilution, SEK</b>		<b>2.83</b>	<b>1.60</b>	<b>9.66</b>	<b>7.52</b>	<b>8.35</b>
<b>Total earnings per share, before and after dilution, SEK</b>		<b>3.08</b>	<b>1.53</b>	<b>8.63</b>	<b>7.64</b>	<b>8.33</b>

## Condensed statement of financial position

MSEK	30-sep-15	30-sep-14	31-dec-14
<b>ASSETS</b>			
<b>Non-current assets</b>			
Operating properties <sup>3, 4</sup>	4,693	3,981	4,135
Equipment and interiors <sup>4</sup>	407	679	723
Investment properties <sup>3</sup>	21,187	20,577	20,843
Deferred tax assets	865	921	924
Other non-current receivables	25	25	26
<b>Total non-current assets</b>	<b>27,177</b>	<b>26,183</b>	<b>26,651</b>
<b>Current assets</b>			
Inventories	16	9	11
Current tax assets	50	34	44
Trade account receivables	239	182	153
Prepaid expenses and accrued income	118	95	97
Other current receivables	13	49	10
Cash and cash equivalents	636	402	321
Assets held for sale <sup>5</sup>	151	—	—
<b>Total current assets</b>	<b>1,223</b>	<b>771</b>	<b>636</b>
<b>Total assets</b>	<b>28,400</b>	<b>26,954</b>	<b>27,287</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	375	375	375
Other paid-in capital	2,138	2,138	2,138
Reserves	-273	-96	-117
Retained earnings, including profit for the period	9,306	8,056	8,006
<b>Equity attributable to the owners of the Parent Company</b>	<b>11,546</b>	<b>10,473</b>	<b>10,402</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities <sup>1</sup>	12,409	12,589	11,785
Derivatives <sup>2</sup>	790	731	900
Provisions	37	54	54
Deferred tax liability	2,310	1,854	1,993
<b>Total non-current liabilities</b>	<b>15,546</b>	<b>15,228</b>	<b>14,732</b>
<b>Current liabilities</b>			
Provisions	18	12	12
Interest-bearing liabilities <sup>1</sup>	452	405	1,122
Tax liabilities	—	—	19
Trade accounts payable	171	139	189
Liabilities group companies	—	34	208
Other current liabilities	129	132	166
Accrued expenses and prepaid income	523	531	437
Debt related to assets held for sale <sup>5</sup>	15	—	—
<b>Total current liabilities</b>	<b>1,308</b>	<b>1,253</b>	<b>2,153</b>
<b>Total liabilities</b>	<b>16,854</b>	<b>16,481</b>	<b>16,885</b>
<b>Total equity and liabilities</b>	<b>28,400</b>	<b>26,954</b>	<b>27,287</b>

<sup>1</sup> The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values.

<sup>2</sup> 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.

<sup>3</sup> The change is mainly explained by the reclassification of Mr Chip Hotel and Radisson Lillehammer Hotel.

<sup>4</sup> Of which MSEK 262 reclassification from equipment to Operating properties.

<sup>5</sup> Scandic Antwerp.



## 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	2,138	-114	8,031	10,430
Profit for the period	—	—	—	1,128	1,128
Other comprehensive income	—	—	18	—	18
Comprehensive income for the period	—	—	18	1,128	1,146
Dividend	—	—	—	-1,103	-1,103
Group contribution	—	—	—	—	—
Closing balance equity September 30, 2014	375	2,138	-96	8,056	10,473
Profit for the period Q4 2014	—	—	—	125	125
Other comprehensive income	—	—	-21	—	-21
Comprehensive income for the period	—	—	-21	125	104
Dividend	—	—	—	—	—
Group contribution	—	—	—	-175	-175
Closing balance equity December 31, 2014	375	2,138	-117	8,006	10,402
Opening balance equity January 1, 2015	375	2,138	-117	8,006	10,402
Profit for the period	—	—	—	1,450	1,450
Other comprehensive income	—	—	-156	—	-156
Comprehensive income for the period	—	—	-156	1,450	1,294
Dividend	—	—	—	-150	-150
Closing balance equity September 30, 2015	375	2,138	-273	9,306	11,546

## Condensed statement of cash flow

MSEK	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
<b>OPERATING ACTIVITIES</b>					
Profit before tax	514	304	1,812	1,197	1,354
Reversal of depreciation	35	21	98	73	110
Changes in value, Investment properties, realised	—	—	-8	-291	-291
Changes in value, Investment properties, unrealised	-232	-177	-903	-755	-906
Changes in value, derivatives, unrealised	73	110	-110	454	622
Taxes paid	17	1	7	0	-8
<b>Cash flow from operating activities before changes in working capital</b>	<b>407</b>	<b>259</b>	<b>896</b>	<b>678</b>	<b>881</b>
Increase/decrease in operating assets	-21	-28	-121	-65	-12
Increase/decrease in operating liabilities	22	-49	-169	-183	12
Change in working capital	1	-77	-290	-248	0
<b>Cash flow from operating activities</b>	<b>408</b>	<b>182</b>	<b>606</b>	<b>430</b>	<b>881</b>
<b>INVESTING ACTIVITIES</b>					
Investments in properties and fixed assets	-68	-97	-234	-388	-528
Divestment of investment properties, net effect on liquidity	—	—	—	2,607	2,607
Acquisitions of subsidiaries	—	—	-8	—	—
Acquisitions of financial assets	—	—	-1	-2	-2
Divestment of financial assets	—	—	3	23	24
<b>Cash flow from investing activities</b>	<b>-68</b>	<b>-97</b>	<b>-240</b>	<b>2,240</b>	<b>2,101</b>
<b>FINANCING ACTIVITIES</b>					
Group contribution to parent company's shareholders	—	—	—	—	-175
New loans	53	407	203	407	422
Amortization of debt	-19	-433	-99	-2,169	-2,387
Paid dividends	—	—	-150	-1,103	-1,103
<b>Cash flow from financing activities</b>	<b>34</b>	<b>-26</b>	<b>-46</b>	<b>-2,865</b>	<b>-3,243</b>
<b>Cash flow for the period</b>	<b>374</b>	<b>59</b>	<b>320</b>	<b>-195</b>	<b>-261</b>
Cash and cash equivalents at beginning of period	263	341	321	589	589
Exchange differences in cash and cash equivalents	-1	2	-5	8	-7
<b>Cash and cash equivalents at end of period</b>	<b>636</b>	<b>402</b>	<b>636</b>	<b>402</b>	<b>321</b>
Information regarding interest payments					
Interest received	1	1	2	3	5
Interest paid	-104	-118	-329	-401	-522
<b>Information regarding cash and cash equivalents end of period</b>	<b>636</b>	<b>402</b>	<b>636</b>	<b>402</b>	<b>321</b>
Cash and cash equivalents consist of bank deposits					

## Certain definitions and key data

Net operating income (MSEK)	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
<b>PROPERTY MANAGEMENT</b>					
Investment properties					
Rental income	389	364	1,080	1,075	1,418
Other property income	69	16	98	44	60
Expenses, excluding property administration	-36	-54	-153	-175	-229
<b>Net operating income, before property administration</b>	<b>422</b>	<b>326</b>	<b>1,025</b>	<b>944</b>	<b>1,249</b>
Property administration	-19	-16	-51	-47	-63
<b>Net operating income, after property administration, equals gross profit, Property Management</b>	<b>403</b>	<b>310</b>	<b>974</b>	<b>897</b>	<b>1,186</b>
<b>OPERATOR ACTIVITIES</b>					
Operating properties					
Revenue	534	401	1,510	1,153	1,598
Costs	-454	-334	-1,296	-987	-1,387
<b>Gross profit</b>	<b>80</b>	<b>67</b>	<b>214</b>	<b>166</b>	<b>211</b>
Add: Depreciation included in costs	35	21	98	73	109
<b>Net operating income</b>	<b>115</b>	<b>88</b>	<b>312</b>	<b>239</b>	<b>320</b>
<b>EBITDA reconciliation (MSEK)</b>					
Gross profit	483	377	1,188	1,062	1,397
Add: Depreciations included in costs, Operator Activities	35	21	98	73	109
Less: Central administration, excluding depreciation	-23	-21	-63	-52	-81
<b>EBITDA</b>	<b>495</b>	<b>377</b>	<b>1,223</b>	<b>1,083</b>	<b>1,425</b>
<b>Cash earnings (MSEK)</b>					
EBITDA	495	377	1,223	1,083	1,425
Add: Financial income	1	1	2	4	5
Less: Financial cost	-106	-120	-336	-408	-541
Less: Current tax	17	1	7	0	-16
<b>Cash earnings</b>	<b>407</b>	<b>259</b>	<b>896</b>	<b>679</b>	<b>873</b>
<b>EPRA NAV (MSEK)</b>					
Shareholders' equity per financial statement, Group	—	—	11,546	10,473	10,402
Add: Revaluation of Operating properties	—	—	1,275	624	803
Add: Fair value of financial derivatives	—	—	790	731	900
Less: Deferred tax assets related to derivatives	—	—	-190	-178	-219
Add: Deferred tax liabilities related to properties	—	—	2,247	1,799	1,930
<b>EPRA NAV</b>			<b>15,668</b>	<b>13,449</b>	<b>13,816</b>

## Key ratios

	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
<b>Financial data</b>					
Return on equity, in %	3.8	2.3	13.2	10.8	12.0
Equity to assets ratio, in %	—	—	40.7	38.9	38.1
Loan to value, in %	—	—	46.4	50.2	48.7
Interest coverage ratio	4.7	3.2	3.7	2.7	2.6
Average cost of debt end of period, in %	—	—	-3.2	-3.7	-3.6
Net interest-bearing debt, MSEK	—	—	12,225	12,592	12,587
Investments, excluding acquisitions, MSEK	68	97	234	388	528
<b>Per share data <sup>1</sup></b>					
Earnings per share, SEK	2.83	1.60	9.66	7.52	8.35
Cash earnings per share, SEK	2.71	1.73	5.97	4.53	5.82
Shareholders' equity per share, SEK	—	—	76.97	69.82	69.30
Net asset value (EPRA NAV) per share, SEK	—	—	104.45	89.66	92.11
Dividend per share, SEK <sup>3</sup>	—	—	—	—	6.90
Weighted average number of shares outstanding, after dilution, thousands <sup>1</sup>	150,000	150,000	150,000	150,000	150,000
<b>Property data</b>					
Number of hotels, end of period <sup>2</sup>	—	—	104	104	104
Number of rooms, end of period <sup>2</sup>	—	—	21,971	21,969	21,969
WAULT, yrs	—	—	8.7	8.9	9.0
Total property market value, MSEK	—	—	27,712	25,861	26,504
Property market value Investment properties, MSEK	—	—	21,337	20,577	20,843
Property market value Operating properties, MSEK	—	—	6,375	5,284	5,660
RevPAR (Operating properties) for comparable units at comparable exchange rates, SEK	718	670	700	642	645

<sup>1</sup> 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 A shares and 75,000,000 B shares. For a fair comparison this number of shares is used for the calculation of key ratios.

<sup>2</sup> Pandox's owned hotel properties.

<sup>3</sup> For 2014 is indicated proposed dividend and resolved extra dividend paid during 2014.

## Condensed income statement for the Parent Company

MSEK	Q3 2015	Q3 2014	9m 2015	9m 2014	FY 2014
Other income	5	17	41	42	56
Administration cost	-30	-21	-86	-66	-96
Operating profit	-25	-4	-45	-24	-40
Financial income	4	4	13	17	106
Interest rate cost	-47	-49	-139	-163	-226
Received dividends	30	—	666	799	1,265
Write-down of value of shares in subsidiaries	—	—	—	—	-466
Other financial income and expenses	-10	4	-18	-32	-40
Profit after financial cost	-48	-45	477	597	599
Non-recurring income <sup>1</sup>	—	—	—	136	136
Appropriations	—	—	—	—	—
Profit before tax	-48	-45	477	733	735
Current tax	—	—	—	—	—
Deferred tax	—	—	—	—	—
Profit for the period	-48	-45	477	733	735

<sup>1</sup> Attributable primarily to the divestment of investment properties to Fastighets AB Balder in April 2014.

## Condensed balance sheet for the Parent Company

MSEK	30-sep-15	30-sep-14	31-dec-14
<b>Assets</b>			
Tangible assets	1	1	1
Financial assets	10,138	11,182	10,770
Current assets	272	208	155
<b>Total assets</b>	<b>10,411</b>	<b>11,391</b>	<b>10,926</b>
<b>Equity and liabilities</b>			
Equity	2,747	2,397	2,420
Provisions	7	6	6
Non-current liabilities	4,381	4,529	3,655
Current liabilities	3,276	4,459	4,845
<b>Total equity and liabilities</b>	<b>10,411</b>	<b>11,391</b>	<b>10,926</b>

# 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. Material transactions between the segments consist of internal interest-bearing loans. There are no internal sales between the segments. Scandic Hotels and Nordic Choice Hotels are tenants who account for more than 10 per cent of revenues. Year to date 2015, rental income from Scandic Hotels amounted to MSEK 605 (574) and rental income from Nordic Choice Hotels amounted to MSEK 140 (144), corresponding to 58.1 (55.4) and 13.4 (13.9) percent respectively of total hotel rental income.

Q1-Q3 2015	Property Management	Operator Activities	Group and non-allocated items	Total
<b>Revenue Investment properties</b>				
Rental and other property income	1,178	—	—	1,178
Revenue Operating properties	—	1,510	—	1,510
<b>Total revenues</b>	<b>1,178</b>	<b>1,510</b>	<b>—</b>	<b>2,688</b>
<b>Costs Investment properties</b>	<b>-204</b>	<b>—</b>	<b>—</b>	<b>-204</b>
Costs Operating properties	—	-1,296	—	-1,296
<b>Gross profit</b>	<b>974</b>	<b>214</b>	<b>—</b>	<b>1,188</b>
- whereof gross profit Investment properties	974	—	—	974
- whereof gross profit Operating properties	—	214	—	214
Central administration	—	—	-64	-64
Financial income	—	—	2	2
Financial expenses	—	—	-335	-335
<b>Profit before changes in value</b>	<b>974</b>	<b>214</b>	<b>-397</b>	<b>791</b>
<i>Changes in value</i>				
Properties, unrealised	903	—	—	903
Properties, realised	8	—	—	8
Derivatives, unrealised	—	—	110	110
<b>Profit before tax</b>	<b>1,885</b>	<b>214</b>	<b>-287</b>	<b>1,812</b>
Current tax	—	—	7	7
Deferred tax	—	—	-369	-369
<b>Profit for the period</b>	<b>1,885</b>	<b>214</b>	<b>-649</b>	<b>1,450</b>

Q1-Q3 2015	Sweden	Denmark	Norway	Finland	International	Total
<b>Geographical area</b>						
<b>Revenue</b>						
- Property Management	660	108	203	165	42	1,178
- Operator Activities	7	99	179	17	1,208	1,510
Market value properties	13,060	2,620	2,588	3,111	6,333	27,712
Investments in properties	84	28	28	38	56	234
Divestments of properties	—	—	—	—	—	—



Note 1 cont.

Q3 2015	Property Management	Operator Activities	Group and non-allocated items	Total
<b>Revenue Investment properties</b>				
Rental and other property income	458	—	—	458
Revenue Operating properties	—	534	—	534
<b>Total revenues</b>	<b>458</b>	<b>534</b>	<b>—</b>	<b>992</b>
<b>Costs Investment properties</b>	<b>-55</b>	<b>—</b>	<b>—</b>	<b>-55</b>
Costs Operating properties	—	-454	—	-454
<b>Gross profit</b>	<b>403</b>	<b>80</b>	<b>—</b>	<b>483</b>
- whereof gross profit Investment properties	403	—	—	403
- whereof gross profit Operating properties	—	80	—	80
Central administration	—	—	-23	-23
Financial income	—	—	1	1
Financial expenses	—	—	-106	-106
<b>Profit before changes in value</b>	<b>403</b>	<b>80</b>	<b>-128</b>	<b>355</b>
<i>Changes in value</i>				
Properties, unrealised	232	—	—	232
Properties, realised	—	—	—	—
Derivatives, unrealised	—	—	-73	-73
<b>Profit before tax</b>	<b>635</b>	<b>80</b>	<b>-201</b>	<b>514</b>
Current tax	—	—	17	17
Deferred tax	—	—	-106	-106
<b>Profit for the period</b>	<b>635</b>	<b>80</b>	<b>-290</b>	<b>425</b>

Q3 2015	Sweden	Denmark	Norway	Finland	International	Total
<b>Geographical area</b>						
<b>Revenue</b>						
- Property Management	241	42	104	58	13	458
- Operator Activities	5	43	83	6	397	534
Market value properties	13,060	2,620	2,588	3,111	6,333	27,712
Investments in properties	27	2	16	10	13	68
Divestments of properties	—	—	—	—	—	—

Note 1 cont.

Q1-Q3 2014	Property Management	Operator Activities	Group and non-allocated items	Total
<b>Revenue Investment properties</b>				
Rental and other property income	1,119	—	—	1,119
Revenue Operating properties	—	1,153	—	1,153
<b>Total revenues</b>	<b>1,119</b>	<b>1,153</b>	<b>—</b>	<b>2,272</b>
<b>Costs Investment properties</b>	<b>-222</b>	<b>—</b>	<b>—</b>	<b>-222</b>
Costs Operating properties	—	-987	—	-987
<b>Gross profit</b>	<b>897</b>	<b>166</b>	<b>—</b>	<b>1,062</b>
- whereof gross profit Investment properties	897	—	—	897
- whereof gross profit Operating properties	—	166	—	166
Central administration	—	—	-53	-53
Financial income	—	—	4	4
Financial expenses	—	—	-408	-408
<b>Profit before changes in value</b>	<b>897</b>	<b>166</b>	<b>-457</b>	<b>605</b>
<i>Changes in value</i>				
Properties, unrealised	755	—	—	755
Properties, realised	291	—	—	291
Derivatives, unrealised	—	—	-454	-454
<b>Profit before tax</b>	<b>1,943</b>	<b>166</b>	<b>-911</b>	<b>1,197</b>
Current tax	—	—	—	—
Deferred tax	—	—	-69	-69
<b>Profit for the period</b>	<b>1,943</b>	<b>166</b>	<b>-980</b>	<b>1,128</b>

Q1-Q3 2014	Sweden	Denmark	Norway	Finland	International	Total
<b>Geographical area</b>						
<b>Revenue</b>						
- Property Management	658	110	151	152	48	1,119
- Operator Activities	—	69	—	20	1,064	1,153
Market value properties	12,169	2,435	2,809	2,991	5,457	25,861
Investments in properties	157	16	19	97	99	388
Divestments of properties	—	—	—	—	—	—

Note 1 cont.

Q3 2014	Property Management	Operator Activities	Group and non-allocated items	Total
<b>Revenue Investment properties</b>				
Rental and other property income	380	—	—	380
<b>Revenue Operating properties</b>	—	401	—	401
<b>Total revenues</b>	<b>380</b>	<b>401</b>	<b>—</b>	<b>781</b>
<b>Costs Investment properties</b>	-70	—	—	-70
<b>Costs Operating properties</b>	—	-334	—	-334
<b>Gross profit</b>	<b>310</b>	<b>67</b>	<b>—</b>	<b>377</b>
- whereof gross profit Investment properties	310	—	—	310
- whereof gross profit Operating properties	—	67	—	67
Central administration	—	—	-21	-21
Financial income	—	—	1	1
Financial expenses	—	—	-120	-120
<b>Profit before changes in value</b>	<b>310</b>	<b>67</b>	<b>-140</b>	<b>237</b>
<i>Changes in value</i>				
Properties, unrealised	177	—	—	177
Properties, realised	—	—	—	—
Derivatives, unrealised	—	—	-110	-110
<b>Profit before tax</b>	<b>487</b>	<b>67</b>	<b>-250</b>	<b>304</b>
Current tax	—	—	1	1
Deferred tax	—	—	-65	-65
<b>Profit for the period</b>	<b>487</b>	<b>67</b>	<b>-314</b>	<b>240</b>

Q3 2014	Sweden	Denmark	Norway	Finland	International	Total
<b>Geographical area</b>						
<b>Revenue</b>						
- Property Management	217	38	57	56	12	380
- Operator Activities	—	28	—	7	365	400
Market value properties	12,169	2,435	2,809	2,991	5,457	25,861
Investments in properties	56	3	8	25	5	97
Divestments of properties	—	—	—	—	—	—

## 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

## Rounding off

Since amounts have been rounded off in MSEK, the tables do not always add up.

## 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 29 for full reconciliation.

## Net operating income, Operator activities, MSEK

Gross profit Operator Activities plus depreciation included in costs, Operator Activities. Please see page 29 for full reconciliation.

## EBITDA, MSEK

Total net operating income less central administration excluding depreciation. Please see page 29 for full reconciliation.

## 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, MSEK

EBITDA plus financial income less financial expenses less current tax. Please see page 29 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.

## 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 29 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.