Year-end report

January–December 2015

Pandox™

Year-end report

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Good growth and profitability

Quarter October – December 2015

- Revenue from Property Management amounted to MSEK 365 (359). Adjusted for currency effects and comparable units, the increase was 6 percent.
- Net operating income from Property Management amounted to MSEK 306 (289). Adjusted for currency effects and comparable units, the increase was 11 percent.
- Net operating income from Operator Activities amounted to MSEK 104 (81), an increase of 28 percent. Adjusted for currency effects and comparable units, the increase was 15 percent.
- EBITDA amounted to MSEK 381 (341), an increase of 12 percent.
- Profit for the period amounted to MSEK 681 (124), an increase of MSEK 557.
- Cash earnings amounted to MSEK 234 (193), an increase of 21 percent including extra tax expense of MSEK -29.

Year-end January – December 2015

- Revenue from Property Management amounted to MSEK 1,543 (1,478). Adjusted for one-time revenue, currency effects and comparable units, the increase was 7 percent.
- Net operating income from Property Management amounted to MSEK 1,280 (1,186). Adjusted for one-time revenue, currency effects and comparable units, the increase was 8 percent.
- Net operating income from Operator Activities amounted to MSEK 416 (320). Adjusted for currency effects and comparable units, the increase was 19 percent.
- Profit for the period amounted to MSEK 2,131 (1,253), an increase of MSEK 878.
- Cash earnings amounted to MSEK 1,130 (873), an increase of 29 percent.
- The net asset value (EPRA NAV) per share was SEK 107.71 (92.11).
- The Board of Directors is proposing a dividend of SEK 3.80 per share, equivalent to just over 50 percent of cash earnings.

Important events after the period

- Agreement signed regarding divestment of eight Investment properties in Sweden for MSEK 850.

Key figures (MSEK)*	Q4 2015	Q4 2014	*Chg in %*	FY 2015	FY 2014	*Chg in %*
Revenue Property management (Note 1,2)	365	359	*2*	1,543	1,478	*4*
Net operating income Property management (Note 1,2)	306	289	*6*	1,280	1,186	*8*
Net operating income Operator activities (Note 2)	104	81	*28*	416	320	*30*
EBITDA (Note 1)	381	341	*12*	1,603	1,425	*12*
Profit for the period (Note 1,3)	681	124	*449*	2,131	1,253	*70*
Earnings per share, SEK (Note 1,3,4)	4.54	0.83	*449*	14.21	8.35	*70*
Cash earnings, MSEK (Note 1,3)	234	193	*21*	1,130	873	*29*
Cash earnings per share, SEK (Note 1,3,4)	1.56	1.29	*21*	7.53	5.82	*29*
Key data						
Net interest bearing debt, MSEK	—	—	—	15,376	12,587	*22*
Equity asset ratio, %	—	—	—	38.6	38.1	*n.m*
Loan to value, %	—	—	—	49.5	48.7	*n.m*
Interest cover ratio	3.6	2.6	*n.m.*	3.6	2.6	*n.m*
Property market value, MSEK	—	—	—	31,437	26,504	*19*
EPRA NAV per share, SEK (Note 4)	—	—	—	107.71	92.11	*17*
WAULT (lease portfolio), years	—	—	—	11.2	9.0	*n.m.*
RevPAR (Operating properties) for comparable units at comparable exchange rates, SEK	660	658	*0*	688	644	*7*

(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, reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel in June 2015 and Quality Hotel Prince Philip in October 2015 to Operator Activities. (Note 3) Includes extra tax cost of MSEK -29 in Q4 2015 and 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 28, 29 and 36.

CEO's comments

Good growth and profitability

Pandox's net operating income for the fourth quarter 2015 increased by just over 12 percent, adjusted for currency effects and comparable units, despite an estimated shortfall in net operating income for Operating Activities of around MSEK 18 in Brussels due to the heightened security status in the city in November and December.

For the same reason, operations in Brussels have started 2016 slightly weaker compared with the corresponding period 2015. Pandox has concluded, however, that bookings in the hotel market in Brussels were back at normal levels as of mid-January 2016 and that a recovery in net operating income is on-going. Despite the disruptions in Brussels, the net operating income for Operator Activities increased by 15 percent in the fourth quarter, adjusted for currency effects and comparable units.

Development for Property Management was strong, with net operating income growth of just over 11 percent, adjusted for currency effects and comparable units, driven by positive development on the hotel market where renovated hotels have returned to full capacity and increased their market shares. Sustained market recovery in Helsinki, where Pandox has several large hotel properties including Scandic Park Helsinki, made a positive contribution. Lower financing costs also added to the earnings increase in the quarter.

2015 was another good year for Pandox with good growth and high profitability. Cash earnings, adjusted for one-time items, increased by 24 percent, which reflects a strong hotel property portfolio, an effective business model and a good underlying hotel market.

A strong year on the hotel market

2015 was a strong year for the global hotel market, with an increase in international tourism in excess of 4 percent, according to the World Tourism Organization (UNWTO). The hotel market continued to improve in general in the fourth quarter, with good RevPAR growth in most hotel markets globally. The RevPAR increase is mainly driven at this time by rising average room rates, reflecting a more mature hotel market. All of Pandox's key markets, except Brussels, showed high and stable RevPAR growth in the fourth quarter, with Copenhagen as the strongest market. The recovery continued in Helsinki in the fourth quarter with 6 percent growth for the second consecutive quarter. Growth in Pandox's regional markets was stable at a positive level, supported by a strong business, conference and event market, and contribution from renovated hotels with increased market shares.

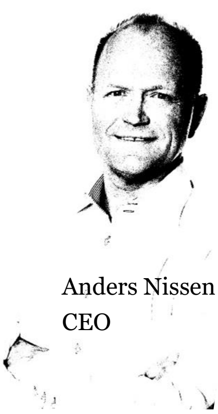
German acquisition confirms Pandox's strategy and business model

At the beginning of December Pandox acquired 18 hotel properties with a combined 3,415 rooms in Germany. This will strengthen the Company's position in Europe's largest hotel market, and constitutes a valuable addition to the lease portfolio. The acquired properties meet all of Pandox's criteria with respect to size, city, location, market position and profitability, and the acquisition confirms our strategy and business model of long leases with strong operators. As part of the acquisition agreement, Pandox signed new 25-year sales-based leases with good guaranteed rent levels. The hotels belong to the stable intermediate segment and are expected to make a significant contribution to rental revenue and cash earnings in 2016.

The acquired hotels are full-service products and are located in international cities like Frankfurt, Düsseldorf and Hamburg, and in regional hubs like Cologne, Hannover and Mönchengladbach, and altogether they will deliver a well-balanced demand. Most of the hotels are very strong in the business segment and are in cities with a dynamic event market in both the corporate and leisure segments. Pandox sees good potential to, in cooperation with Fattal Hotels, make cash-flow enhancing investments in the acquired portfolio.

Pandox is well equipped for 2016

Pandox's most important drivers for cash earnings are the growth of the hotel market and the organic growth we create ourselves through our quality hotel portfolio and cash flow enhancing investments, as well as the possibility of potential complementary acquisitions. All in all, Pandox is well equipped for 2016.



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 in the upper-mid to high-end segment 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 fourth quarter 2015, Pandox's hotel property portfolio comprised 121 hotels with a total of 25,190 hotel rooms in eight countries, with a market value of more than MSEK 31,000. Of the 121 hotels, 103 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) of more than 11 years. The remaining 18 hotels were owned and operated by Pandox.

In addition, Pandox had asset management agreements for nine 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[1], 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[2]) between 45 and 60 percent, depending on the market environment and prevailing opportunities.

[1] Defined as EBITDA plus financial income less financial cost and current tax.
[2] Defined as interest bearing liabilities divided by the sum of property market value of Investment properties and Operating properties.

Hotel market development

Good market growth in the fourth quarter

The hotel markets in Europe demonstrated continued positive growth also in the fourth quarter, which is dominated by the business travel segment, with a RevPAR (revenue per available room) increase for Europe as a whole of 6 percent. The terrorist attacks in Paris and the links to Brussels had a negative impact on RevPAR for both of these markets in November and December. Pandox has concluded that room bookings in the Brussels market were back at normal levels as of mid-January 2016. According to UNWTO, global international tourism increased by just over 4 percent in 2015 – the sixth consecutive year of growth exceeding 4 percent. The outlook for 2016 remains positive according to the UNWTO, albeit with a slightly lower growth rate compared to the past two years. The prospects for growth for the Nordic countries are still mixed, with the Swedish economy in the lead, followed by Denmark.

Continued improvements in key hotel markets

RevPAR development quarterly change (in local currency)

	FY 2012	FY 2013	FY 2014	FY 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
USA	*7%*	*5%*	*8%*	*6%*	*6%*	*8%*	*8%*	*9%*	*8%*	*7%*	*6%*	*5%*
New York [1]	6%	4%	3%	-2%	*-1%*	*5%*	*4%*	*1%*	*-4%*	*-2%*	*1%*	-2%
Montreal	-2%	6%	10%	7%	5%	*7%*	*17%*	*7%*	*8%*	*9%*	*5%*	6%
Europe	5%	*2%*	*6%*	*7%*	6%	*4%*	*5%*	*7%*	*6%*	*6%*	*10%*	*6%*
London [1]	2%	1%	3%	2%	7%	*1%*	*2%*	*4%*	*2%*	*-2%*	*5%*	1%
Brussels	-2%	2%	3%	2%	5%	*4%*	*3%*	*1%*	*2%*	*8%*	*13%*	-10%
Berlin	9%	0%	5%	8%	2%	*1%*	*10%*	*5%*	*5%*	*15%*	*7%*	7%
Stockholm	-5%	0%	2%	9%	4%	*0%*	*3%*	*1%*	*6%*	*-3%*	*23%*	11%
Oslo	-3%	4%	1%	8%	7%	*-5%*	*3%*	*0%*	*1%*	*14%*	*10%*	7%
Helsinki	4%	-5%	2%	2%	2%	*0%*	*4%*	*3%*	*-1%*	*-3%*	*6%*	6%
Copenhagen	5%	6%	4%	11%	13%	*2%*	*3%*	*1%*	*9%*	*10%*	*12%*	14%

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

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

North America stable at a high level

In the US and Canada, RevPAR growth in the fourth quarter amounted to 5 percent and 1 percent respectively. The corresponding figures for the full year are 6 percent and 4 percent respectively. Montreal hotels had a strong year overall with increased demand in, among others, the conference segment, and increased incoming travel from the US market. The trend of steadily improving average rates and limited new capacity continued in the US market, although the growth rate was slower in 2015. Higher employment figures and pay increases combined with low oil prices are expected to result in a sustained strong demand from the domestic market. A strong dollar is, however, expected to lower international demand slightly, particularly in destinations with a large percentage of foreign visitors, such as New York.

Good growth in Europe and the Nordic countries

Europe ended the year in a stable position. RevPAR was up 6 percent for the fourth quarter and 7 percent for the full year, driven by good domestic demand, particularly in the leisure segment, and increased demand from non-European travellers, partly due to the strong dollar against the euro. The hotel market in Brussels declined by 10 percent during the quarter as a result of the heightened security status in the city linked to the terrorist attacks in Paris. The Nordic hotel market in general had a strong fourth quarter, with stable growth overall in several large cities and regional cities. In Stockholm RevPAR increased by 11 percent for the quarter in an environment characterised by high economic activity. Growth in Copenhagen continued to rise and was up 14 percent for the quarter, driven in equal parts by demand and average room rates. Despite headwinds in the Norwegian economy due to the crisis in the oil industry, Oslo's RevPAR increased by 7 percent for the quarter. Demand was helped by a severely depreciated Norwegian krona towards the end of the year. The Helsinki market, which comes from relatively low levels, ended the year with two positive quarters with growth of 6 percent each, entirely driven by higher occupancy.

Financial development October–December 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 365 (359), an increase of 2 percent. Reclassification of Mr Chip Hotel Kista, Radisson Blu Lillehammer Hotel and Quality Hotel Prince Philip to Operating Properties impacted the entire period, and the divestment of Scandic Antwerp had an impact on one month. Adjusted for currency effects and comparable units, revenue increased by 6 percent. The revenue growth was mainly driven by continued general improvement in the hotel market and renovated hotels increasing their market share.

Revenue from Operator Activities amounted to MSEK 536 (445), an increase of 20 percent, including revenue from Grand Hotel Oslo and from the reclassification of Mr Chip Hotel Kista, Radisson Blu Lillehammer Hotel and Quality Hotel Prince Philip for the full period. Growth was negatively impacted by the heightened security status in Brussels in November and December, which resulted in a drop in revenue of around MSEK 25. Adjusted for currency effects and comparable units, revenue declined by 0.7 percent and RevPAR increased by 0.4 percent. Adjusted for the loss of revenue in Brussels, revenue increased by 5 percent and RevPAR by 7 percent.

The Group's net sales amounted to MSEK 901 (804), an increase of 12 percent. Adjusted for currency effects and comparable units, sales increased by 2 percent.

Net operating income

Net operating income from Property Management, which corresponds to gross profit, amounted to MSEK 306 (289), an increase of 6 percent. Adjusted for currency effects and comparable units, net operating income rose by 11 percent. The increase is explained by better conditions in 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 104 (81), an increase of 28 percent, despite a temporary drop in net operating income in Brussels, estimated at around MSEK 18, resulting from the heightened security status there in November and December.

Adjusted for currency effects and comparable units, net operating income increased by 15 percent, which is explained by a combination of factors including productivity gains, lower maintenance and property costs due to past investments, a higher level of activity in the hotel portfolio as a whole and to a certain boost to gross profit from reclassified operations.

Administration costs

Central administration costs amounted to MSEK –30 (–29).

EBITDA

EBITDA (gross earnings plus depreciation included in Operator Activities' costs, less central administration costs, excluding depreciation) amounted to MSEK 381 (341), an increase of 12 percent and is explained by improved underlying net operating income for both Property Management and Operator Activities.

Financial income and expenses

Financial expenses amounted to MSEK –106 (–133), a reduction of MSEK 27, which is explained by lower interest-bearing net debt on average during the quarter, and lower interest rates.

Profit before changes in value

Profit before changes in value amounted to MSEK 236 (173), an increase of 36 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 484 (151). The increase is explained by a combination of yield compression, resulting in decreased valuation yields and thereby lower discount rates in the valuation of Investment Properties, and higher underlying cash flows in Pandox's property portfolio.

Realised changes in value for Investment Properties amounted to MSEK 4 (0), attributable entirely to the previously announced divestment of Scandic Antwerp, which was concluded on 1 December 2015.

On 5 December 2015 Pandox announced that it had signed an agreement for the acquisition of 18 hotel properties in Germany. The acquisition was completed and consolidated in the balance sheet as of 31 December 2015. The final consideration amounted to the equivalent of around MSEK 3,654. The acquisition did not have any impact on the period's profits.

Changes in the value of derivatives amounted to MSEK 93 (–168), after an increase in market interest rates compared to the fixed rate on interest swaps.

Current and deferred tax

Current tax amounted to MSEK –42 (–16), including extra tax expense of MSEK -29 relating to earlier periods due to an assessment for arrears by the Swedish Tax Agency relating to past downward adjustment of acquisition expenses for shares in partnership and limited partnership companies, as described on page 23 under "Invitation to acquire B shares in Pandox Aktiebolag (publ)." Pandox has appealed the ruling and been given a grace period for payment, but has made a provision for the full amount. Current tax was affected by, among other things, deductible depreciation and investments, via tax-based extended refurbishment possibilities, and by loss carry-forwards from previous years. The deferred tax expense amounted to MSEK –94 (–16).

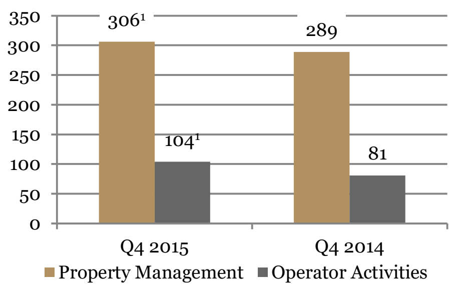
Profit for the period

Profit for the period amounted to MSEK 681 (124), which represents SEK 4.54 (0.83) per share before and after full dilution.

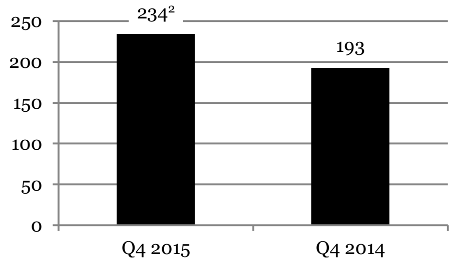
Cash earnings

Cash earnings amounted to MSEK 234 (193), an increase of 21 percent. Adjusted for extra tax expense, cash earnings increased by 36 percent.

Net operating income, MSEK



Cash earnings, MSEK



[1] Includes reclassification of Mr Chip Hotel, Radisson Blu Lillehammer Hotel and Quality Hotel Prince Philip to Operating properties full period, as well as divestment of Scandic Antwerpen in December.

[2] Includes extra tax expense of MSEK -29.

Financial development January– December 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.

Net sales

Revenue from Property Management amounted to MSEK 1,543 (1,478), an increase of 4 percent. Adjusted for one-time revenue of MSEK 60 relating to mediation in the third quarter of 2015, the revenue was unchanged, despite the divestment of 15 hotel properties in April 2014 and Scandic Antwerp in December 2015, and the reclassification of Mr Chip Hotel Kista, (June 2015), Radisson Blu Lillehammer Hotel (June 2015) and Quality Hotel Prince Philip (October 2015). Adjusted for one-time revenue, currency effects and comparable units, the revenue increase was 7 percent.

Revenue from Operator Activities amounted to MSEK 2,046 (1,598), an increase of 28 percent, including revenue from Grand Hotel Oslo for ten months, revenue after the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel for seven months and Quality Hotel Prince Philip for three months. Adjusted for currency effects and comparable units, revenue increased by 5 percent and RevPAR by 7 percent. Growth was negatively impacted by the heightened security status in Brussels in November and December, which resulted in a temporary decline in occupancy and some loss of revenue.

The Group's net sales amounted to MSEK 3,589 (3,076), an increase of 17 percent. Adjusted for one-time revenue, currency effects and comparable units, sales increased by 6 percent.

Net operating income

Net operating income from Property Management, which corresponds to gross profit, amounted to MSEK 1,280 (1,186), an increase of 8 percent. Adjusted for one-time revenue of MSEK 60, net operating income increased by 3 percent. Adjusted for one-time revenue, currency effects and comparable units, net operating income increased by 8 percent, which reflects good underlying development in the markets and the portfolio, as well as reduced property costs.

Net operating income from Operator Activities, which corresponds to gross profit plus depreciation included in Operator Activities' costs, amounted to MSEK 416 (320), an increase of 30 percent, despite a temporary drop in net operating income in Brussels resulting from the heightened security status there in November and December. The negative effect on net operating income in the fourth quarter is estimated at around MSEK 18. Adjusted for currency effects and comparable units, net operating income increased by 19 percent. The increase is mainly explained by rising demand in the market and gradual improvement in average rates, renovated and repositioned hotels increasing their market share, good productivity development, lower maintenance and property costs due to past investments and a certain boost to gross profit from reclassified operations.

Administration costs

Central administration costs amounted to MSEK –94 (–82). The increase reflects a strengthening of corporate functions and includes 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 1,603 (1,425), an increase of 12 percent. Adjusted for one-time revenue of MSEK 60, the increase was 8 percent and is explained by 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, and the divestment of Scandic Antwerp in December 2015.

Financial income and expense

Financial expense amounted to MSEK –441 (–541) a reduction of MSEK 100, which is mainly explained by the repayment of interest-bearing liabilities following the divestment of 15 Investment Properties in April 2014 and by lower interest rates.

Profit before changes in value

Profit before changes in value including one-time items amounted to MSEK 1,027 (779), an increase of 32 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 1,387 (906). 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 12, of which MSEK 8 is attributable to final settlement of the consideration for the divestment of Hilton London Docklands implemented in April 2014 and MSEK 4 attributable to the divestment of Scandic Antwerp in December 2015.

On 5 December 2015 Pandox announced that it had signed an agreement for the acquisition of 18 hotel properties in Germany. The acquisition was completed and consolidated in the balance sheet as of 31 December 2015. The final consideration amounted to the equivalent of around MSEK 3,654. The acquisition did not have any impact on the period's profits.

Changes in value of derivatives amounted to MSEK 203 (–622).

Current and deferred tax

Current tax amounted to MSEK –35 (–16), including compensation for a past tax expense in the third quarter equivalent to MSEK 19 relating to transactions in Germany, and extra tax expense of MSEK -29 due to an assessment for arrears by the Swedish Tax Agency relating to past downward adjustment of acquisition expenses for shares in partnership and limited partnership companies, as described on page 23 under "Invitation to acquire B shares in Pandox Aktiebolag (publ)." Pandox has appealed the ruling and been given a grace period for payment, but has made a provision for the full amount. Current tax was affected by, among other things, deductible depreciation and investments, via tax-based extended refurbishment possibilities, and by loss carry-forwards from previous years. The deferred tax expense amounted to MSEK -463 (–85).

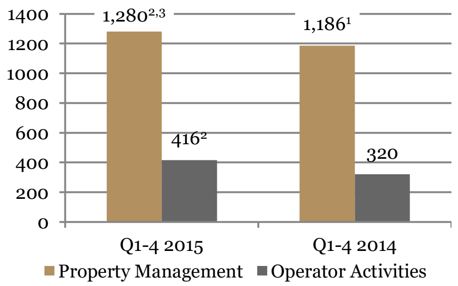
Profit for the period

Profit for the period amounted to MSEK 2,131 (1,253), which corresponds to SEK 14.21 (8.35) per share before and after full dilution.

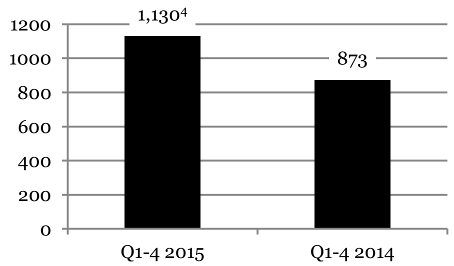
Cash earnings

Cash earnings amounted to MSEK 1,130 (873), an increase of 29 percent despite the divestment of 15 hotel properties in April 2014 and Scandic Antwerp in December 2015. Adjusted for one-time revenue, compensation for a past tax expense and extra tax expense, cash earnings increased by 24 percent.

Net operating income, MSEK



Cash earnings, MSEK



[1] 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 in April 2014, and current period divestment of Scandic Antwerp in December 2015..

[2] The figures are affected by the reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to Operating Properties for seven months and Quality Hotel Prince Philip three months.

[3] Includes one-time revenue of MSEK 60 related to mediation.

[4] Includes one-time revenue of MSEK 60 related to mediation, compensation for previous tax cost of MSEK 19 and extra tax expense of MSEK 29.

Segment reporting

Pandox's business is organised into Property Management, which comprises 103 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 18 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 31.

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 fourth quarter, revenues and EBITDA for the eight external asset management agreements in Oslo, amounted to MSEK 0.7 (0) and MSEK 0.4 (0) 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	Q4 2015	Q4 2014	FY 2015	FY 2014
Total gross profit	371	334	1,559	1,397
– whereof gross profit Property Management	*306*	*289*	*1,280*	*1,186*
– whereof gross profit Operator Activities	*65*	*45*	*279*	*211*
Net operating income Property Management				
– Net operating income equals gross profit	306	289	1,280	1,186
Net operating income Operator Activities				
– Gross profit	65	45	279	211
– Add: Depreciation included in costs, Operator Activities [1]	39	36	137	109
– Net operating income Operator Activities	104	81	416	320
Total net operating income	410	370	1,696	1,506
Central administration, excluding depreciation [1]	-29	-29	-93	-81
EBITDA	381	341	1,603	1,425

1 Total depreciation for Operator Activities and central administration amounts to: MSEK 40 (Q4 2015), MSEK 37 (Q4 2014), MSEK 138 (FY 2015) and MSEK 110 (FY 2014).

As of December 31, 2015, the market value of Pandox's total property portfolio amounted to MSEK 31,437 (26,504), including the 18 acquired hotel properties in Germany.

Property Management

Investment Properties: MSEK 25,062, representing 80 percent of total property market value

Net operating income Property Management

MSEK	Q4 2015	Q4 2014	FY 2015	FY 2014
Rental income	351	343	1,431	1,418
Other property income	14	16	112	60
Costs, excluding property administration	-44	-54	-197	-229
Net operating income, before property administration	321	305	1,346	1,249
Property administration	-15	-16	-66	-63
Gross profit	306	289	1,280	1,186
Net operating income, after property administration	306	289	1,280	1,186

Rental income and other property revenue amounted to MSEK 365 (359), an increase of 2 percent.

The comparison is affected by the reclassification of Mr Chip Hotel Kista (June 2015), Radisson Blu Lillehammar Hotel (June 2015) and Quality Hotel Prince Philip (October 2015) to Operating Properties, and the divestment of Scandic Antwerp (December 2015).

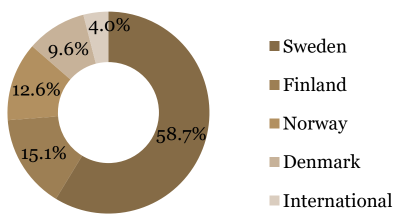
Adjusted for currency effects and comparable units, the total rental income increased by 6 percent as a result of underlying growth in the hotel market and newly renovated hotels in the joint development project with Scandic (the Shark project) increasing their market share. Scandic Park in Helsinki is one example of this.

The reported net operating income after property administration increased by 6 percent. Adjusted for currency effects and for comparable units, net operating income increased by 11 percent as a result of higher rental income and lower costs.

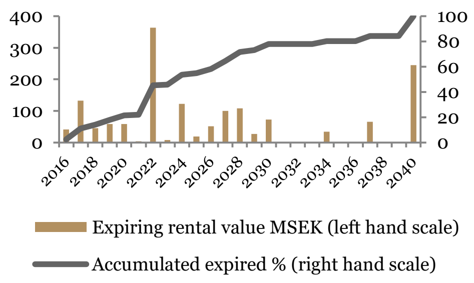
The 18 acquired hotel properties in Germany were consolidated into the balance sheet as of 31 December 2015, but were not included in earnings until 1 January 2016.

Investment Properties consists of 103 properties that are recognised at market value. On 31 December 2015 the weighted average unexpired lease term (WAULT) in the Investment Properties portfolio was of 11.2 years (31 December 2014: 9.0), including the 18 hotel properties in Germany for which new 25-year sales-based leases have been signed. The acquisition has further diversified the lease maturity profile.

Rental income by geography (Jan - Dec 2015)



Lease maturity profile (December 31, 2015)[1]



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

Operator Activities

Operating Properties: MSEK 6,375, representing 20 percent of total property market value

Net operating income Operator Activities

MSEK	Q4 2015	Q4 2014	FY 2015	FY 2014
Revenues	536	445	2,046	1,598
Costs	-471	-400	-1,767	-1,387
Gross profit	**65**	**45**	**279**	**211**
Add: Depreciation included in costs	39	36	137	109
Net operating income	**104**	**81**	**416**	**320**

Revenue from Operator Activities amounted to MSEK 536 (445), an increase of 20 percent, and net operating income amounted to MSEK 104 (81), an increase of 28 percent.

The increase in net operating income in the fourth quarter for Operator Activities was lower than budgeted for due to a temporary loss of revenue estimated at around MSEK 25 and of net operating income of around MSEK 18 in Brussels, where Pandox owns and operates five hotels, due to the heightened security status there in November and December. Pandox has concluded, however, that booking levels in the hotel market in Brussels were back at normal levels as of mid-January 2016 and that net operating income is recovering. RevPAR for the Brussels market fell by 10 percent in the fourth quarter.

Despite the Brussels effect, net operating income, adjusted for currency effects and comparable units, increased by 15 percent, which is explained by a combination of factors including productivity gains, lower maintenance and property costs due to past investments, and a higher level of activity in the hotel portfolio.

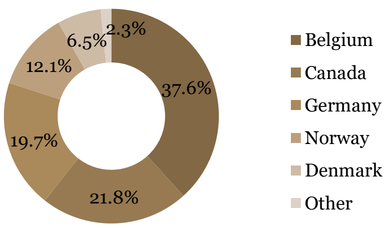
The net operating margin was 19.5 (18.3) percent in the fourth quarter. Adjusted for Grand Hotel Oslo – which Pandox operates but does not own the property and thus has a lower operating margin – the net operating margin was 22.6 (18.3) percent.

Adjusted for currency effects and comparable units, revenue fell by 0.7 percent, which is entirely explained by lower occupancy in Brussels in November and December. Adjusted for currency effects and comparable units, RevPAR increased by 0.4 percent and was negatively impacted by the Brussels effect. Adjusted for the Brussels effect, RevPAR increased by 7 percent.

Grand Hotel Oslo, which Pandox has been operating under a long-term lease with Eiendomsspar AS since 1 March 2015, and the reclassified hotels Mr Chip Hotel Kista, Radisson Blu Lillehammer Hotel and Quality Hotel Prince Philip, are included for the full quarter. Revenue from Grand Hotel Oslo amounted to MSEK 50 (0).

Operating Properties consists of 18 hotel properties which Pandox owns and operates. These hotels are recognised at cost less depreciation and any impairment losses.

Revenues by geography (Jan – Dec 2015)



Property portfolio

At the end of the period, Pandox's property portfolio comprised 121 (31 December, 2014: 104) hotel properties with 25,190 (December 31, 2014: 21,969) hotel rooms in eight countries. The Company's main geographical focus, which represents around 69 percent of the portfolio by market value, is the Nordics. Of the owned hotel properties, 103 are leased to third parties, which means that around 80 percent of the portfolio market value is covered by external leases. These are reported in the Property Management segment. The remaining 18 hotels are owned and operated by Pandox and are reported in the Operator Activities segment.

Portfolio overview by segment and geography

Property Management Investment properties	No. of hotels	No. of rooms	Property value (MSEK)	Property value in % of total	Value per room (MSEK)
Sweden	50	9,519	13,193	42.0%	1.4
Norway	13	2,199	2,377	7.6%	1.1
Finland	13	2,911	2,978	9.5%	1.0
Denmark	7	1,405	2,041	6.5%	1.5
International	20	3,721	4,473	14.2%	1.2
Total Investment properties	103	19,755	25,062	79.7%	1.3
Operator Activities Operating properties					
Sweden	2	358	269	0.9%	0.8
Norway	1	303	234	0.7%	0.8
Finland	1	151	42	0.1%	0.3
Denmark	2	440	567	1.8%	1.3
International	12	4,183	5,262	16.7%	1.3
Total Operating properties	18	5,435	6,375	20.3%	1.2
Total owned properties	121	25,190	31,437	100%	1.2

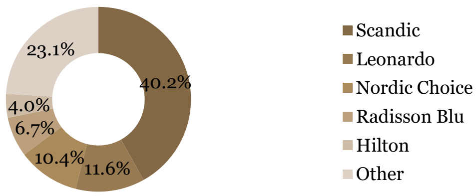
The majority of Pandox's tenant base consists of well-known hotel operators with strong hotel brands in their respective markets. The tenants are both Nordic-oriented hotel operators, such as Scandic (the largest hotel operator in the Nordics with more than 200 hotels), Nordic Choice, and operators focused on other regions and global markets such as Fattal (Leonardo), Rezidor (Radisson Blu) and Hilton.

Pandox's portfolio by brand

Brand	No. of hotels	No. of rooms	Countries
Scandic	49	10,120	SE, NO, FI, DK, BE
Leonardo	16	2921	DE
Nordic Choice	16	2,629	SE, NO
Radisson Blu	7	1,693	SE, NO, CH, DE
Hilton	4	1,001	SE, FI, BE
Holiday Inn	4	963	BE, DE
First Hotels	6	882	SE, DK
Crowne Plaza	2	616	BE
Hyatt	1	607	CAN
Elite	2	452	SE
InterContinental	1	357	CAN
Best Western	3	355	SE, FI
Rantasipi	1	135	FI
Independent brands	9	2,459	SE, FI, DK, BE, DE
Total	121	25,190	8

The franchise agreement with Radisson Blu Lillehammer Hotel ended on 1 January 2016 and the hotel is now being operated under a separate brand, Lillehammer Hotel. The franchise agreements with Quality Hotel Prince Philip and Quality Hotel Fagernes ended on the same date and they are now being operated under the brands Best Western Hotel PLUS Prince Philip and Thon Hotel Fagernes respectively.

Rooms per brand (December 31, 2015)



Pandox's own brands (December 31, 2015)

urban HOUSE
hotelbloom! Brussels
The Hotel. BRUSSELS
Hotel Berlin, Berlin
HOTELLI KORPILAMPI

Change in property values

At the end of the period, Pandox's property portfolio had a total market value of MSEK 31,437 (26,504), of which Investment properties accounted for MSEK 25,062 (20,843) and Operating properties for MSEK 6,375 (5,661). The market value of Operating properties is reported for information purposes only.

The reclassification of Quality Hotel Prince Philip to Operating properties was implemented on 1 October 2015 and the divestment of Scandic Antwerp was implemented on 1 December 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 5,128 (4,858). The increase is mainly the result of the reclassification of Mr Chip Hotel Kista, Radisson Blu Lillehammer Hotel and Quality Hotel Prince Philip.

Change in value Investment properties

	MSEK
Investment properties, beginning of the period (January 1, 2015)	20,843
+ Acquisitions	3,665
+ Investments	220
- Divestments [1]	-158
+/- Reclassifications	-517
+/- Unrealised changes in value	1,387
+/- Realised changes in value [2]	12
+/- Change in currency exchange rates	-390
Investment properties, end of period (December 31, 2015)	25,062
Less book value properties of assets held for sale	*-728*
Investment properties, adjusted end of period	*24,335*

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

	MSEK
Operating properties, market value beginning of the period (January 1, 2015)	5,661
+ Acquisitions	—
+ Investments	172
- Divestments	—
+/- Reclassifications	517
+/- Unrealised changes in value	322
+/- Realised changes in value	—
+/- Change in currency exchange rates	-297
Operating properties, market value end of period (December 31, 2015)	6,375

[1] Of which MSEK -8 refers to final payment for Hilton London Docklands, which was divested in April 2014, and MSEK -151 refers to Scandic Antwerp divested in December 2015.
2 Of which MSEK -8 refers to final payment for Hilton London Docklands, which was divested in April 2014, and approx. MSEK 4 refers to Scandic Antwerp divested in December 2015.

Average valuation yield

At the end of the period, the average valuation yield used for Pandox's property valuations was, for Investment properties 5.9 percent (31 December, 2014: 6.1), and for Operating properties 7.5 percent (31 December, 2014: 7.9).

Investments

During the period January–December 2015, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 392 (528), of which MSEK 220 (353) was for Investment Properties and MSEK 172 (175) was for Operating Properties. 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 equivalent to around MSEK 780. Major investment projects include Leonardo Wolfsburg City, Elite Park Avenue Göteborg, Elite Stora Hotellet Jönköping, Hotel Berlin, Berlin, Quality Ekoxen Linköping, InterContinental Montreal and Lillehammer Hotel.

Acquisitions and divestments

On 1 December 2015 Pandox concluded the sale of the hotel property Scandic Antwerp with an underlying property value equivalent to MSEK 151.

On 31 December 2015 the acquisition of 18 hotel properties in Germany was concluded for a final consideration of MSEK 3,654 on a debt-free basis.

On 15 February 2016, Pandox entered into an agreement with Midstar AB regarding the divestment of eight Investment Properties with 965 rooms in Sweden for a total consideration of MSEK 850. The transaction is expected to be concluded 31 March 2016 and the realised value change, including deferred tax gain of MSEK 59, is estimated to MSEK 160 in the first quarter 2016.

Property valuation

Pandox performs internal valuations of its hotel property portfolio. 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.

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.

All properties are valued by external professional property appraisers independent of Pandox, and their assumptions and values form an important element in the assessment of the internal valuations.

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 fourth 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

Sensitivity to changes in certain key valuation parameters, as of December 31, 2015:

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-1,967 / +2,333
Change in currency exchange rates	+/- 1%	+/- 119
Net operating income	+/- 1%	+/- 235

Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 14

Operating properties, effect on revenues	Change	Effect on revenue
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 17

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%	-/+ 66
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 155
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 406

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 49.5 percent (48.7). Shareholders' equity amounted to MSEK 12,092 (10,402) and the net asset value (NAV) as defined by EPRA was MSEK 16,156 (13,816). EPRA NAV per share was SEK 107.71 (92.11). Cash and cash equivalents, including long-term credit facilities, amounted to MSEK 1,561 (1,901).

After the end of the reporting period, at the beginning of January 2016, Pandox signed a contract for a revolving credit facility of MSEK 1,500 with two Nordic banks. Including this facility and refinancing of loan, cash and cash equivalents including long-term credit facilities amounted to MSEK 2,333.

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 15,546 (12,908). The average fixed rate period was 2.6 (3.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.8 (3.6) percent, including effects from interest-rate swaps. The average repayment period was 3.4 (4.6) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Unutilised credit facilities amounted to MSEK 1,391 (1,581) and MSEK 2,163 taking into account the revolving credit facility and refinancing of loan in January 2016.

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 8,715 and 49.2 percent of Pandox's loan portfolio was hedged against interest rate movements for periods longer than one year.

Fixed rate period

	Interest maturity				Interest rate swaps		
(MSEK)	Loans	Interest swaps	Amount	Share	Volume	Share	Average interest swaps [1]
< 1 year	15,546	-7,651	7,895	50.8%	1,064	12.2%	3.3%
1–2 year	—	802	802	5.2%	802	9.2%	3.4%
2–3 year	—	670	670	4.3%	670	7.7%	3.1%
3–4 year	—	239	239	1.5%	239	2.7%	2.5%
4–5 year	—	1,864	1,864	12.0%	1,864	21.4%	2.8%
> 5 year	—	4,076	4,076	26.2%	4,076	46.8%	2.3%
Total/net/average	15,546	0	15,546	100.0%	8,715	100.0%	2.7%

[1] 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) [1]	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share %	Interest % [2]
2016	1,847	526	4,178	220	211	913	7,895	50.8	2.9
2017	200	—	247	—	188	167	802	5.2	3.4
2018	250	—	228	—	—	191	669	4.3	3.1
2019	125	—	114	—	—	—	239	1.5	2.5
2020	900	147	818	—	—	—	1,865	12.0	2.8
2021 and later	2,700	490	886	—	—	—	4,076	26.2	2.3
Total	**6,022**	**1,163**	**6,471**	**220**	**399**	**1,271**	**15,546**	**100.0**	**2.8**
Share, %	38.7	7.5	41.6	1.4	2.6	8.2	100.0	—	—
Average interest rate, %	3.1	2.1	2.4	0.8	3.4	3.6	2.8	—	—
Average interest rate period, years	3.8	3.4	1.8	0.1	0.8	0.7	2.6	—	—
Property market value	13,463	2,607	11,284	702	770	2,611	31,437	—	—

[1] Converted to MSEK. [2] Average interest rate in percent including bank margin.

As of 31 December 2015, the market value for Pandox's financial derivatives amounted to MSEK –703 (–900), which is mainly explained by a decrease in the market rates in relation to the fixed interest in the interest swap agreements. Falling market rates in the fourth quarter led to a remeasurement which impacted profits in the amount of MSEK 93 (–168).

Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity [2]	Interest, loans [1]	Net interest, interest 1 swaps, negative value	Total
2016	1,673	16	35	51
2017	238	3	25	28
2018	4,036	33	19	52
2019	6,081	77	7	84
2020	2,252	34	56	90
2020 and later	1,266	19	104	123
Total	**15,546**	**182**	**246**	**428**

[1] Calculation based on ending balance as of December 31, 2015 and actual interest rates as of the same date and an implied yearly interest expense for the different maturity periods.

[2] Excluding current amortisation.

At the end of December 2015, as part of the financing of the acquisition of the 18 hotel properties in Germany, Pandox took out a syndicated loan of MEUR 247. The loan will mature in five years.

Deferred tax

At the end of the period, the deferred tax assets amounted to MSEK 800 (924). The assets 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 2,281 (1,993). The increase is primarily due to an increased market value for Investment Properties.

Other information

The Board of Directors' proposed dividend

At the 2016 Annual General Meeting the Board of Directors will propose a dividend of SEK 3.80 per share for the 2015 fiscal year, which is equivalent to just over 50 percent of cash earnings for 2015.

Important events during the period

Eiendomsspar AS, CGS Holding AS and Helene Sundt AS restructured their shareholding in Pandox

On 11 December 2015 it was announced that Pandox's three largest shareholders had started an internal restructuring (de-merger) of their joint holding company SU-ES AB (name now changed to Eiendomsspar Sverige AB), through which they owned the shares in Pandox AB. The de-merger was completed 21 December 2015 and the shares in Pandox AB are thereafter held by the three shareholders via separate companies.

Acquisition of 18 hotel properties in Germany

On 5 December Pandox announced its acquisition of 18 hotel properties in Germany for MEUR 400, equivalent to around MSEK 3,700, with Eiendomsspar AS as a minority owner of 5.1 percent.

Audit Committee appointed for Pandox Aktiebolag (publ)

On 23 November it was announced that Pandox's Board of Directors – which in its entirety had previously performed the tasks of an audit committee – had appointed an Audit Committee consisting of Ann-Sofie Danielsson (chairman), Bengt Kjell and Olaf Gauslå.

Extraordinary shareholders' meeting for Pandox Aktiebolag (publ)

On 23 November an extraordinary shareholders' meeting was held for Pandox Aktiebolag (publ) to elect a new board member, Ann-Sofie Danielsson (independent) to replace Christian Sundt (CGS Holding AS). Notice to attend the extraordinary meeting was published on 27 October.

Nominating Committee for the 2016 Annual General Meeting

On 8 October it was announced that the Nominating Committee had been appointed in preparation for the 2016 Annual General Meeting 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.

Important events after the end of the period

Agreement to divest eight investment properties in Sweden

On 16 February 2016, Pandox announced it had entered into an agreement with Midstar AB regarding the divestment of eight Investment Properties with 965 rooms in Sweden for a total consideration of MSEK 850. The transaction is expected to close 31 March 2016.

Operation of Quality Hotel & Resort Hafjell to be taken over

On 11 February 2016 Pandox announced that it will take over the operation of Quality Hotel & Resort Hafjell on 1 September 2016.

Operation of Quality Hotel & Resort Kristiansand to be taken over

On 4 February 2016 Pandox announced that it will take over the operation of Quality Hotel & Resort Kristiansand on 28 May 2016 and that the hotel will be operated under the brand Thon Hotels.

Completion of acquisition of 18 hotel properties in Germany
On 4 January 2016 Pandox announced that it had completed the acquisition of 18 hotel properties in Germany for a final consideration of MEUR 400, equivalent to around MSEK 3,654.

Employees

As of 31 December 2015, Pandox had 2,009 (1,810) employees. The increase is mainly the result of the reclassification of Mr Chip Hotel Kista, Radisson Blu Lillehammer Hotel and Quality Hotel Prince Philip. Of the total number of employees, 1,981 (1,782) are employed in the Operator Activities segment and 28 (28) in the Property Management segment and in 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-December amounted to MSEK 56 (56), and the profit for the period amounted to MSEK 571 (735).

At the end of the period the Parent Company's shareholders' equity amounted to MSEK 2,841 (2,420) and interest bearing debt of MSEK 5,810 (4,592), of which MSEK 4,087 (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 administrational costs and interest expenses relating to receivables and liabilities. All related party transactions are entered into on market terms.

Pandox has entered into nine asset management agreements, regarding eight hotels located in Oslo and the Pelican Bay Lucaya resort in the Grand Bahama Island, which are owned by Eiendomsspar AS, subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. During the fourth quarter revenue from the asset management agreements amounted to MSEK 1.1 (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 fourth quarter rental payments for Grand Hotel Oslo amounted to MSEK 12 (0).
The acquisition of 18 hotel properties in Germany in December 2015 was executed with Eiendomsspar AS as a minority owner with 5.1 percent.

On 30 December 2015 Pandox AB took a short-term loan for around MEUR 80 on market terms and, for Pandox AB, cost-neutral terms, with Eiendomsspar Sverige AB as the lender. Pandox AB's credit-related costs for the loan amounted to around MEUR 0.034, equivalent to around MSEK 0.31. The loan was repaid in its entirety on 15 January 2016.

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 35.

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.

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.

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 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

Annual General Meeting 2016	3 May 2016
Interim Report, Q1, January – March 2016	4 May 2016
Capital market day in Brussels	24 May 2016
Interim Report, Q2, April – June 2016	18 August 2016
Interim Report, Q3, July-September 2016	10 November 2016

More information about Pandox and the financial calendar is available at www.pandox.se.

Presentation of interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 18 February at 09:00 CET.

To follow the presentation online go to http://media.fronto.com/cloud/pandox/160218. 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 at approximately 08:00 CET.

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A recorded version of the presentation will be available at www.pandox.se.

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Board of Directors' assurance

The Board of Directors and the CEO confirm that this report provides a fair overview of the Company's and the Group's business, position and results and describes the significant risks and uncertainties facing the Company and its subsidiaries. This interim report has not been examined by the company's auditors.

Stockholm, 17 February, 2016

Christian Ringnes
Chairman

Leiv Askvig
Board member

Olaf Gauslå
Board member

Bengt Kjell
Board member

Ann-Sofie Danielsson
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 18 February 2016 at 07:00 CET.

Summary of financial reports

Condensed statement of profit and loss and other comprehensive income

MSEK	Note	Q4 2015	Q4 2014	FY 2015	FY 2014
Revenues Property Management					
Rental income	1	351	343	1,431	1,418
Other property income		14	16	112	60
Revenue Operator Activities	1	536	445	2,046	1,598
Total revenues		**901**	**804**	**3,589**	**3,076**
Costs Property Management	1	-59	-70	-263	-292
Costs Operator Activities	1	-471	-400	-1,767	-1,387
Gross profit		**371**	**334**	**1,559**	**1,397**
- whereof gross profit Property Management	1	306	289	1,280	1,186
- whereof gross profit Operator Activities	1	65	45	279	211
Central administration		-30	-29	-94	-82
Financial income		1	1	3	5
Financial expenses		-106	-133	-441	-541
Profit before changes in value		**236**	**173**	**1,027**	**779**
Changes in value					
Properties, unrealised	1	484	151	1,387	906
Properties, realised	1	4	—	12	291
Derivatives, unrealised		93	-168	203	-622
Profit before tax		**817**	**156**	**2,629**	**1,354**
Current tax		-42	-16	-35	-16
Deferred tax		-94	-16	-463	-85
Profit for the period attributable to the shareholders of the parent company		**681**	**124**	**2,131**	**1,253**
Other comprehensive income					
Items that have been or may be classified to profit or loss					
Translation differences foreign operations		-131	-21	-287	-3
Translation differences realisation of foreign operations		-4	—	-4	—
Other comprehensive income for the period		-135	-21	-291	-3
Total comprehensive income for the period attributable to the shareholders of the parent company		546	103	1,840	1,250
Earnings per share, before and after dilution, SEK		4.54	0.83	14.21	8.35
Total earnings per share, before and after dilution, SEK		3.64	0.69	12.27	8.33

Condensed statement of financial position

MSEK	31-dec-15	31-dec-14
ASSETS		
Non-current assets		
Operating properties[3, 4]	4,747	4,135
Equipment and interiors[4]	381	723
Investment properties	24,335	20,843
Deferred tax assets	800	924
Other non-current receivables	25	26
Total non-current assets	30,288	26,651
Current assets		
Inventories	14	11
Current tax assets	64	44
Trade account receivables	173	153
Prepaid expenses and accrued income	109	97
Other current receivables	70	10
Cash and cash equivalents	170	321
Assets held for sale[5]	732	—
Total current assets	1,332	636
Total assets	31,620	27,287
EQUITY AND LIABILITIES		
Equity		
Share capital	375	375
Other paid-in capital	2,138	2,138
Reserves	-408	-117
Retained earnings, including profit for the period	9,987	8,006
Equity attributable to the owners of the Parent Company	12,092	10,402
Non-controlling interests	123	—
Sum equity	12,215	10,402
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities[1]	13,720	11,785
Derivatives[2]	703	900
Provisions	56	54
Deferred tax liability	2,281	1,993
Total non-current liabilities	16,760	14,732
Current liabilities		
Provisions	12	12
Interest-bearing liabilities[1]	1,826	1,122
Tax liabilities	2	19
Trade accounts payable	212	189
Liabilities group companies	—	208
Other current liabilities	99	166
Accrued expenses and prepaid income	482	437
Debt related to assets held for sale [5]	12	—
Total current liabilities	2,645	2,153
Total liabilities	19,405	16,885
Total equity and liabilities	31,620	27,287

[1] The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values.

[2] The fair value measurement belongs to level 2 in the fair value hierarchy in IFRS, i.e., it is based on inputs that are observable, either directly or indirectly.

[3] The change is mainly explained by the reclassification of Mr Chip Hotel, Radisson Blu Lillehammer Hotel and Quality Hotel Prince Philip.

[4] Of which MSEK 310 reclassification from equipment to Operating properties.

[5] Relating to divestment of eight investment properties in Sweden, of which MSEK 728 represents book value properties and MSEK 4 represents other assets.

Condensed statement of changes in equity

MSEK	Attributable to the owners of the parent company Share capital	Other paid in capital	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance equity January 1, 2014	**375**	**2,138**	**-114**	**8,031**	**10,430**	**—**	**10,430**
Profit for the period	—	—	—	1,253	1,253	—	1,253
Other comprehensive income	—	—	-3	—	-3	—	-3
Comprehensive income for the period	**—**	**—**	**-3**	**1,253**	**1,250**	**—**	**1,250**
Dividend	—	—	—	-1,103	-1,103	—	-1,103
Group contribution	—	—	—	-175	-175	—	-175
Closing balance equity December 31, 2014	**375**	**2,138**	**-117**	**8,006**	**10,402**	**—**	**10,402**
Opening balance equity January 1 2015	**375**	**2,138**	**-117**	**8,006**	**10,402**	**—**	
Profit for the period	—	—	—	2,131	2,131	—	2,131
Other comprehensive income	—	—	-291	—	-291	—	-291
Comprehensive income for the period	**—**	**—**	**-291**	**2,131**	**1,840**	**—**	**1,840**
Dividend	—	—	—	-150	-150	—	-150
Change in non-controlling interests	—	—	—	—	—	123	123
Closing balance equity December 31, 2015	**375**	**2,138**	**-408**	**9,987**	**12,092**	**123**	**12,215**

Condensed statement of cash flow

MSEK	Q4 2015	Q4 2014	FY 2015	FY 2014
OPERATING ACTIVITIES				
Profit before tax	817	156	2,629	1,354
Reversal of depreciation	39	37	137	110
Changes in value, Investment properties, realised	-4	—	-12	-291
Changes in value, Investment properties, unrealised	-484	-151	-1,387	-906
Changes in value, derivatives, unrealised	-93	168	-203	622
Other items not included in the cash flow	12	—	12	—
Taxes paid	-13	-8	-6	-8
Cash flow from operating activities before changes in working capital	**274**	**202**	**1,170**	**881**
Increase/decrease in operating assets	2	53	-119	-12
Increase/decrease in operating liabilities	-18	196	-187	12
Change in working capital	**-16**	**249**	**-306**	**0**
Cash flow from operating activities	**258**	**451**	**864**	**881**
INVESTING ACTIVITIES				
Investments in properties and fixed assets	-158	-140	-392	-528
Divestment of subsidiaries, net effect on liquidity	124	—	124	2,607
Acquisitions of subsidiaries, net effect on liquidity	-3,712	—	-3,720	—
Acquisitions of financial assets	—	—	-1	-2
Divestment of financial assets	—	1	3	24
Cash flow from investing activities	**-3,746**	**-139**	**-3,986**	**2,101**
FINANCING ACTIVITIES				
Group contribution to parent company's shareholders	—	-175	—	-175
New loans	3,696	15	3,899	422
Amortization of debt	-788	-218	-887	-2,387
Acqusition of non-controlling interest	123	—	123	—
Paid dividends	—	—	-150	-1,103
Cash flow from financing activities	**3,031**	**-378**	**2,985**	**-3,243**
Cash flow for the period	**-457**	**-66**	**-137**	**-261**
Cash and cash equivalents at beginning of period	636	402	321	589
Exchange differences in cash and cash equivalents	-9	-15	-14	-7
Cash and cash equivalents at end of period	**170**	**321**	**170**	**321**
Information regarding interest payments				
Interest received	1	2	3	5
Interest paid	-101	-121	-430	-522
Information regarding cash and cash equivalents end of period	**170**	**321**	**170**	**321**

Cash and cash equivalents consist of bank deposits.

Definitions and key data

Net operating income (MSEK)	Q4 2015	Q4 2014	FY 2015	FY 2014
PROPERTY MANAGEMENT				
Investment properties				
Rental income	351	343	1,431	1,418
Other property income	14	16	112	60
Expenses, excluding property administration	-44	-54	-197	-229
Net operating income, before property administration	**321**	**305**	**1,346**	**1,249**
Property administration	-15	-16	-66	-63
Net operating income, after property administration, equals gross profit, Property Management	**306**	**289**	**1,280**	**1,186**
OPERATOR ACTIVITIES				
Operating properties				
Revenue	536	445	2,046	1,598
Costs	-471	-400	-1,767	-1,387
Gross profit	**65**	**45**	**279**	**211**
Add: Depreciation included in costs	39	36	137	109
Net operating income	**104**	**81**	**416**	**320**

EBITDA reconciliation (MSEK)				
Gross profit	**371**	**334**	**1,559**	**1,397**
Add: Depreciations included in costs, Operator Activities	39	36	137	109
Less: Central administration, excluding depreciation	-29	-29	-93	-81
EBITDA	**381**	**341**	**1,603**	**1,425**

Cash earnings (MSEK)				
EBITDA	**381**	**341**	**1,603**	**1,425**
Add: Financial income	1	1	3	5
Less: Financial cost	-106	-133	-441	-541
Less: Current tax	-42	-16	-35	-16
Cash earnings	**234**	**193**	**1,130**	**873**

EPRA NAV (MSEK)				
Shareholders' equity per financial statement, Group	—	—	12,092	10,402
Add: Revaluation of Operating properties	—	—	1,248	803
Add: Fair value of financial derivatives	—	—	703	900
Less: Deferred tax assets related to derivatives	—	—	-168	-219
Add: Deferred tax liabilities related to properties	—	—	2,281	1,930
EPRA NAV			**16,156**	**13,816**

Key ratios

Financial data	Q4 2015	Q4 2014	FY 2015	FY 2014
Return on equity, in %	5.8	1.2	18.9	12.0
Equity to assets ratio, in %	—	—	38.6	38.1
Loan to value, in %	—	—	49.5	48.7
Interest coverage ratio	3.6	2.6	3.6	2.6
Average cost of debt end of period, in %	—	—	-2.8	-3.6
Net interest-bearing debt, MSEK	—	—	15,376	12,587
Investments, excluding acquisitions, MSEK	158	140	392	528
Per share data [1]				
Earnings per share, SEK	4.54	0.83	14.21	8.35
Cash earnings per share, SEK	1.56	1.29	7.53	5.82
Shareholders' equity per share, SEK	—	—	80.61	69.35
Net asset value (EPRA NAV) per share, SEK	—	—	107.71	92.11
Dividend per share, SEK [3]	—	—	3.80	1.00
Weighted average number of shares outstanding, after dilution, thousands [1]	150,000	150,000	150,000	150,000
Property data				
Number of hotels, end of period [2]	—	—	121	104
Number of rooms, end of period [2]	—	—	25,190	21,969
WAULT, yrs	—	—	11.2	9.0
Total property market value, MSEK	—	—	31,437	26,504
Property market value Investment properties, MSEK	—	—	25,062	20,843
Property market value Operating properties, MSEK	—	—	6,375	5,660
RevPAR (Operating properties) for comparable units at comparable exchange rates, SEK	660	658	688	644

[1] Retrospectively adjusted for share split in May 2015. Total number of outstanding shares after split amount to 150,000,000, of which 75,000,000 A shares and 75,000,000 B shares. For a fair comparison this number of shares is used for the calculation of key ratios.
[2] Pandox's owned hotel properties.
[3] For 2015 is indicated proposed dividend.For 2014 is indicated ordinary dividend.

Condensed income statement for the Parent Company

MSEK	Q4 2015	Q4 2014	FY 2015	FY 2014
Other income	24	14	65	56
Administration cost	-37	-30	-123	-96
Operating profit	**-13**	**-16**	**-58**	**-40**
Financial income	46	89	59	106
Interest rate cost	-50	-63	-189	-226
Received dividends	—	466	666	1,265
Write-down of value of shares in subsidiaries	—	-466	—	-466
Other financial income and expenses	2	-8	-16	-40
Profit after financial cost	**-15**	**2**	**462**	**599**
Non-recurring income [1]	3	0	3	136
Appropriations	106	—	106	0
Profit before tax	**94**	**2**	**571**	**735**
Current tax	—	—	—	—
Deferred tax	—	—	—	—
Profit for the period	**94**	**2**	**571**	**735**

[1] 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
Assets		
Non-current assets	0	1
Financial assets	11,775	10,770
Current assets	112	155
Total assets	**11,887**	**10,926**
Equity and liabilities		
Equity	2,841	2,420
Provisions	30	18
Non-current liabilities	4,093	3,655
Current liabilities	4,923	4,833
Total equity and liabilities	**11,887**	**10,926**

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.

Q1-Q4 2015	Property Management	Operator Activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	1,543	—	—	1,543
Revenue Operating properties	—	2,046	—	2,046
Total revenues	**1,543**	**2,046**	**—**	**3,589**
Costs Investment properties	-263	—	—	-263
Costs Operating properties	—	-1,767	—	-1,767
Gross profit	**1,280**	**279**	**—**	**1,559**
- whereof gross profit Investment properties	*1,280*	—	—	*1,280*
- whereof gross profit Operating properties	—	*279*	—	*279*
Central administration	—	—	-94	-94
Financial income	—	—	3	3
Financial expenses	—	—	-441	-441
Profit before changes in value	**1,280**	**279**	**-532**	**1,027**
Changes in value				
Properties, unrealised	1,387	—	—	1,387
Properties, realised	12	—	—	12
Derivatives, unrealised	—	—	203	203
Profit before tax	**2,679**	**279**	**-329**	**2,629**
Current tax	—	—	-35	-35
Deferred tax	—	—	-463	-463
Profit for the period	**2,679**	**279**	**-827**	**2,131**

Q1-Q4 2015 Geographical area	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
- Property Management	882	142	242	221	56	1,543
- Operator Activities	22	134	248	23	1,619	2,046
Market value properties	13,463	2,608	2,611	3,020	9,735	31,437
Investments in properties	117	58	52	53	112	392
Acquisitions of properties	—	—	—	—	3,665	3,665
Realised value change properties	—	—	—	—	12	12

Note 1 cont.

Q4 2015	Property Management	Operator Activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	365	—	—	365
Revenue Operating properties	—	536	—	536
Total revenues	**365**	**536**	**—**	**901**
Costs Investment properties	-59	—	—	-59
Costs Operating properties	—	-471	—	-471
Gross profit	**306**	**65**	**—**	**371**
- whereof gross profit Investment properties	*306*	—	—	*306*
- whereof gross profit Operating properties	—	*65*	—	*65*
Central administration	—	—	-30	-30
Financial income	—	—	1	1
Financial expenses	—	—	-106	-106
Profit before changes in value	**306**	**65**	**-135**	**236**
Changes in value				
Properties, unrealised	484	—	—	484
Properties, realised	4	—	—	4
Derivatives, unrealised	—	—	93	93
Profit before tax	**794**	**65**	**-42**	**817**
Current tax	—	—	-42	-42
Deferred tax	—	—	-94	-94
Profit for the period	**794**	**65**	**-178**	**681**

Q4 2015 Geographical area	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
- Property Management	222	34	39	56	14	365
- Operator Activities	15	35	69	6	411	536
Market value properties	13,463	2,608	2,611	3,020	9,735	31,437
Investments in properties	33	30	24	15	56	158
Acquisitions of properties	—	—	—	—	3,665	3,665
Realised value change properties	—	—	—	—	12	12

Note 1 cont.

Q1-Q4 2014	Property Management	Operator Activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	1,478	—	—	1,478
Revenue Operating properties	—	1,598	—	1,598
Total revenues	**1,478**	**1,598**	**—**	**3,076**
Costs Investment properties	-292	—	—	-292
Costs Operating properties	—	-1,387	—	-1,387
Gross profit	**1,186**	**211**	**—**	**1,397**
- whereof gross profit Investment properties	*1,186*	—	—	*1,186*
- whereof gross profit Operating properties	—	*211*	—	*211*
Central administration	—	—	-82	-82
Financial income	—	—	5	5
Financial expenses	—	—	-541	-541
Profit before changes in value	**1,186**	**211**	**-618**	**779**
Changes in value				
Properties, unrealised	906	—	—	906
Properties, realised	291	—	—	291
Derivatives, unrealised	—	—	-622	-622
Profit before tax	**2,383**	**211**	**-1,240**	**1,354**
Current tax	—	—	-16	-16
Deferred tax	—	—	-85	-85
Profit for the period	**2,383**	**211**	**-1,341**	**1,253**

Q1-Q4 2014 Geographical area	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
- Property Management	869	143	199	206	61	1,478
- Operator Activities	—	90	—	25	1,483	1,598
Market value properties	12,349	2,577	2,636	3,103	5,839	26,504
Investments in properties	202	33	22	130	141	528
Realised value change properties	249	—	—	—	42	291

Note 1 cont.

Q4 2014	Property Management	Operator Activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	359	—	—	359
Revenue Operating properties	—	445	—	445
Total revenues	**359**	**445**	**—**	**804**
Costs Investment properties	-70	—	—	-70
Costs Operating properties	—	-400	—	-400
Gross profit	**289**	**45**	**—**	**334**
- whereof gross profit Investment properties	*289*	—	—	*289*
- whereof gross profit Operating properties	—	*45*	—	*45*
Central administration	—	—	-29	-29
Financial income	—	—	1	1
Financial expenses	—	—	-133	-133
Profit before changes in value	**289**	**45**	**-161**	**173**
Changes in value				
Properties, unrealised	151	—	—	151
Properties, realised	—	—	—	—
Derivatives, unrealised	—	—	-168	-168
Profit before tax	**440**	**45**	**-329**	**156**
Current tax	—	—	-16	-16
Deferred tax	—	—	-16	-16
Profit for the period	**440**	**45**	**-361**	**124**

Q4 2014 Geographical area	Sweden	Denmark	Norway	Finland	International	Total
Revenue						
- Property Management	211	33	48	54	13	359
- Operator Activities	—	21	—	5	419	445
Market value properties	12,349	2,577	2,636	3,103	5,839	26,504
Investments in properties	45	17	3	33	42	140
Realised value change properties	249	—	—	—	42	291

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 in the income statement for the parent company.

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 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 28 for full reconciliation.

Net operating income, Operator activities, MSEK
Gross profit Operator Activities plus depreciation included in costs, Operator Activities. Please see page 28 for full reconciliation.

EBITDA, MSEK
Total net operating income less central administration excluding depreciation. Please see page 28 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 28 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 28 for full reconciliation.

Dividend per share, SEK
Proposed/decided 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.