
Interim report

January–June 2015



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Continued positive development for Pandox

Second quarter April – June 2015

- Revenue from Property Management amounted to MSEK 388.1 (380.2). The divestment of 15 hotel properties in April 2014 affects the comparison by one month. Adjusted for currency effects and comparable units, the increase was 6.7 percent.
- Net operating income from Property Management amounted to MSEK 311.5 (308.3), an increase of 1.0 percent. Adjusted for currency effects and comparable units, the increase was 6.3 percent.
- Net operating income from Operator Activities amounted to MSEK 145.7 (117.5), an increase of 24.0 percent. Adjusted for currency effects and comparable units, the increase was 24.5 percent.
- EBITDA amounted to MSEK 438.1 (409.2), an increase of 7.1 percent.
- Profit for the period amounted to MSEK 651.2 (537.1).
- Cash earnings amounted to MSEK 318.5 (271.1), an increase of MSEK 47.4.

Interim period January – June 2015

- Revenue from Property Management amounted to MSEK 720.0 (738.8). The divestment of 15 hotel properties in April 2014 affects the comparison by four months. Adjusted for currency effects and comparable units, the increase was 5.5 percent.
- The total net operating income was MSEK 767.7 (737.0), an increase of 4.2 percent.
- EBITDA amounted to MSEK 727.5 (705.5), an increase of 3.1 percent.
- Profit for the period amounted to MSEK 1,025.2 (888.4).
- Cash earnings amounted to MSEK 489.3 (419.8), an increase of MSEK 69.5.
- The market value of the properties amounted to MSEK 27,327 (26,504).
- The net asset value (EPRA NAV) per share was SEK 99.23 (92.11).
- Pandox expects continued growth in cash earnings in 2015 compared to 2014 (Note 1).

Key figures (MSEK)*	Q2	Q2	Change in %	6m	6m	Change in %	FY
	2015	2014		2015	2014		2014
Revenue Property management	388.1	380.2	2.1	720.0	738.8	-2.5	1,477.3
Net operating income Property management (2, 3)	311.5	308.3	1.0	571.5	586.3	-2.5	1,185.7
Net operating income Operator activities (3)	145.7	117.5	24.0	196.2	150.7	30.2	320.2
EBITDA	438.1	409.2	7.1	727.5	705.5	3.1	1,424.5
Profit for the period	651.2	537.1	21.2	1,025.2	888.4	15.4	1,252.7
Earnings per share, SEK (4)	4.34	3.58	21.2	6.83	5.92	15.4	8.35
Cash earnings, MSEK	318.5	271.1	17.5	489.3	419.8	16.6	872.5
Cash earnings per share, SEK (4)	2.12	1.81	17.5	3.26	2.80	16.6	5.82
<i>Key data</i>							
Net interest bearing debt, MSEK				12,558	12,626	-0.5	12,587
Equity asset ratio, %				40.0	38.6	n.m.	38.1
Loan to value, %				46.9	51.1	n.m.	48.7
Interest cover ratio	3.8	2.9	n.m.	3.2	2.5	n.m.	2.6
Property market value, MSEK				27,327	25,362	7.7	26,504
EPRA NAV per share, SEK (4)				99.23	85.92	15.5	92.11
WAULT (lease portfolio), years				8.9	8.8	n.m.	9.0
RevPAR (Operating properties) for comparable units at constant exchange rates, SEK	808	737	9.6	692	629	10.0	645

(Note 1) Outlook is presented on page 19. (Note 2) Comparable figures are affected by the divestment of 15 Investment properties in April 2014, and reclassification of Urban House Copenhagen from Property management to Operator activities. (Note 3) Figures for the current period are affected by reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel in June 2015. (Note 4) Retrospectively adjusted for share split in May 2015. The total number of shares outstanding 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 samt 36.

CEO's comments

Continued positive development for Pandox

Pandox's profit for the second quarter reflects stable economic development and improved demand in the hotel market with higher rental income in the Property Management business stream, good growth in the Operator Activities business stream and lower financing costs. Rental income and cash earnings increased – both aggregated and for comparable units – compared to the previous year despite the divestment of 15 hotel properties in April 2014. The second quarter is normally stronger due to seasonal variations, but earnings were even better than expected. This proves that Pandox has a high-quality portfolio and that our strategy and business model are generating strong cash flows and support our previously published outlook.

Long leases with strong tenants provide stable revenues

Pandox has long leases with well-known hotel operators. This provides the company with stable revenues, a lower investment requirement and reduced risk. Around 80 percent of our net operating income is generated by hotels that are leased to strong operators and brands. We work with our partners to create mutual value through product development projects and renovations in which we co-invest and share the future financial benefits from the investments. A key aspect of our strategy is creating the necessary conditions for strong growth and improving the portfolio's quality and value growth over time. Good examples of this are the lease agreements for Park Avenue in Gothenburg and Stora Hotellet in Jönköping, which Pandox and Elite Hotels renewed and extended in May. Both agreements are for a period of 15 years and cover joint development and upgrading programmes aimed at making the hotels more competitive and further increasing their value.

Hotel market restructuring results in Pandox taking over operations

Due to hotel market restructuring we have for a while had a number of lease agreements that have been reclassified from Property Management to Operator Activities including Mr Chip Hotel in Kista, Radisson Blu Lillehammer Hotel, Hotel Fagernes and Hotel Prince Philip in Skärholmen. In the case of these hotels, Pandox has opted to take over operation to safeguard the properties' value and ensure future value growth. These operations, as well as Grand Hotel Oslo which we recently took over, have good growth potential.

Pandox back on the stock exchange

As of 18 June Pandox is once again a listed company and I would like to extend a warm welcome to all of our new shareholders. We are naturally very happy about the great reception Pandox has received and we feel a responsibility to handle the trust placed in us in a responsible way. As most of you know, Pandox was listed on the stock exchange from 1997 until 2004 when our current principal owners acquired the company. The core of Pandox's operations remains the same, but today we are a better and stronger company in every respect. Our business model is well-tried and tested, our portfolio is larger and more stable and we have shown that we can generate a good return for our owners in both good and bad economic times. We intend to continue on this path.

We are optimistic about the future

Based on the continuing economic climate improvement and a positive trend in the travel market, Pandox's strong market position and portfolio which are benefitting from increased activity in the operator segment, as well as low market interest rates, we reiterate our outlook from the first quarter to grow cash earnings further 2015 compared with 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 second quarter 2015, Pandox's hotel property portfolio comprised 104 hotels with a total of 21,969 hotel rooms in eight countries, with a market value of more than MSEK 27,300. 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 8.9 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 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 earnings¹, with an average payout ratio over time of approximately 50 per cent. 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-value²) of between 45 and 60 percent, depending on the market environment and prevailing opportunities.

¹ Defined as EBITDA plus financial income less financial cost less 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

Growth outlook still positive

The global recovery is continuing its positive trend in a climate of low interest rates. However, there are still major differences in growth potential from region to region and country to country. The recovery is being helped by low interest rates and lower oil prices, particularly in mature economies such as the US. The economic outlook for the euro zone is better than it has been for a long time due to expansive monetary policy and a weak euro which are having a positive effect on consumption, among other things. Substantial structural problems remain however, and Greece's future in the EU is still uncertain. In the Nordic region, the Swedish economy is growing across a broad front and Denmark's economy is experiencing a stable and positive trend. Finland is still being negatively affected by weak economic demand, among other things, and Norway is facing an economic headwind due to a low oil price.

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
USA	7%	5%	8%	6%	8%	8%	9%	8%	7%
New York ¹	6%	4%	3%	-1%	5%	4%	1%	-4%	-2%
Montreal	-2%	6%	10%	5%	7%	17%	7%	8%	9%
Europe	5%	2%	6%	6%	4%	5%	7%	6%	6%
London ¹	2%	1%	3%	7%	1%	2%	4%	2%	-2%
Brussels	-2%	2%	3%	5%	4%	3%	1%	2%	8%
Berlin	9%	0%	5%	2%	1%	10%	5%	5%	15%
Stockholm	-5%	0%	2%	4%	0%	3%	1%	5%	-3%
Oslo	-3%	4%	1%	7%	-5%	3%	0%	2%	14%
Helsinki	4%	-5%	2%	2%	0%	4%	3%	-1%	-3%
Copenhagen	5%	6%	4%	13%	2%	3%	1%	8%	10%

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.

Strong trend in US hotel market continues

In the US RevPAR (revenue per available room) growth for the second quarter was 7 percent. The strong trend in the US market since 2011 is continuing and analysts are expecting RevPAR growth of 7 percent for both this year and 2016, partly due to anticipated limited new capacity in the country. This means double-digit growth in profitability in the industry, which has contributed to, among other things, increased interest in the hotel property sector and rapid development in the transaction market. A stronger dollar and increased new capacity resulted in a fall in RevPAR of 2 percent in New York during the quarter. A stronger dollar and an improved economic trend in the US are expected to have a positive effect on American international travel, which is important for key markets such as Canada and Europe.

Positive trend in Europe and the Nordic region

The hotel markets in Europe experienced a positive trend in general for the quarter with RevPAR of 6 percent. This growth is driven in relatively equal parts by higher occupancy and improved average prices. Cities with the strongest growth included Madrid, Dublin and Milan – all cities in so-called PIIGS countries. On the Nordic hotel market, Copenhagen continues to demonstrate good growth based on increased demand and improved average prices. Stockholm overall is on a par with the previous year after June; demand is increasing, while the average price is lagging, partly due to a segment shift towards a larger percentage of leisure travellers. Oslo's RevPAR increased by 14 percent in the second quarter, mainly as a result of June being a strong month. The Helsinki market is characterised by weak domestic consumption and fewer visitors from the Russian market, which resulted in a fall in RevPAR of 3 percent in the second quarter.

Financial development April–June 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.

Revenues

Revenue from Property Management amounted to MSEK 388.1 (380.2), an increase of 2.1 percent. This is due to a good underlying hotel market and a strong portfolio which more than compensated for the divestment of 15 investment properties in April last year and reclassification of Mr Chip Hotel in Kista and Radisson Blu Lillehammer Hotel to the Operating Properties segment in June 2015. Adjusted for currency effects and comparable units, revenue increased by 6.7 percent. The strong trend is driven by higher economic activity in the majority of our markets and increased demand for hotel rooms and services, new lease agreements with better terms and recently renovated hotels.

Revenue from Operator Activities amounted to MSEK 608.9 (447.8), an increase of 36.0 percent, including revenue from Grand Hotel Oslo for four months and revenue from the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel for one month. Adjusted for currency effects and comparable units, revenue increased by 8.6 percent and RevPAR by 9.6 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 997.0 (828.0), an increase of 20.4 percent. Adjusted for currency effects and comparable units, net sales increased by 7.8 percent.

Net operating income

Net operating income from Property Management, which corresponds to gross profit, amounted to MSEK 311.5 (308.3), an increase of 1.0 percent. Adjusted for currency effects and comparable units, net operating income increased by 6.3 percent. The increase is explained by better conditions on the hotel market, higher rent and renovated hotel properties increasing their market share. The basis for comparison for Property Management was affected by the divestment of 15 investment properties in April 2014 and the reclassifications described above.

Net operating income from Operator Activities, which corresponds to gross profit plus depreciation included in Operator Activities costs, amounted to MSEK 145.7 (117.5), an increase of 24.0 percent. Adjusted for currency effects and comparable units, net operating income increased by 24.5 percent. The increase is mainly explained by increased demand in the markets in general, renovated and repositioned hotels increasing their market share and reclassified operations contributing to gross profits.

Administration costs

Central administration costs amounted to MSEK –19.2 (–16.7). In general the increase reflects a strengthening of Group-wide functions.

EBITDA

EBITDA (gross earnings plus depreciation included in costs for Operator Activities, less central administration costs, excluding depreciation) amounted to MSEK 438.1 (409.2), an increase of 7.1 percent, which can be explained by improved underlying net operating income for both Property Management and Operator Activities.

Financial income and expenses

Financial expenses amounted to MSEK –114.9 (–142.8) a reduction of MSEK 27.9, which is explained by the repayment of interest-bearing liabilities after the divestment of 15 investment properties in April last year, and lower interest rates. Financial income amounted to MSEK 0.5 (1.4).

Profit before changes in value

Profit before changes in value amounted to MSEK 293.3 (240.4), an increase of 22.0 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 307.6 (98.1). 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 7.7 and are attributable to final settlement of the consideration for the divestment of Hilton London Docklands in April 2014.

Changes in value of derivatives amounted to MSEK 215.8 (-180.6), after an increase in market interest rates compared to the fixed rate on interest swaps.

Current and deferred tax

Current tax amounted to MSEK -5.2 (3.3). Current tax is low due to substantial deferred tax assets attributable to loss carry-forwards. The current tax is expected to remain low for the full year. The deferred tax expense amounted to MSEK -168.0 (85.2).

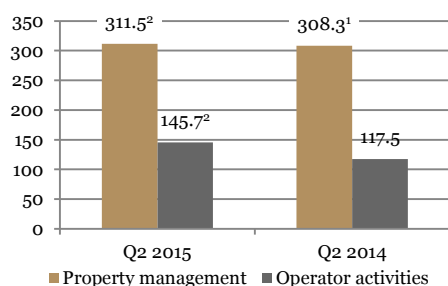
Profit for the period

Profit for the period amounted to MSEK 651.2 (537.1), which corresponds to SEK 4.34 (3.58) per share after full dilution.

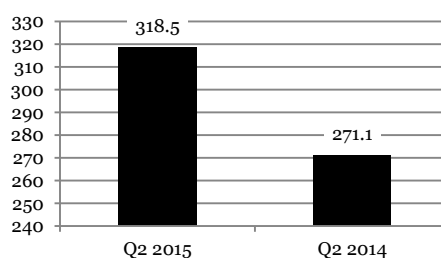
Cash earnings

Cash earnings amounted to MSEK 318.5 (271.1), an increase of 17.5 percent despite the divestment of 15 hotel properties in April 2014.

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.

² The figures are affected by the reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to Operating properties in June 2015.

Financial development January – June 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.

Revenues

Revenue from Property Management amounted to MSEK 720.0 (738.8). This represents a decrease of 2.5 percent resulting from the divestment of 15 hotel properties in April 2014, which affects the comparison period by four months, as well as the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel in June 2015. Adjusted for currency effects and comparable units, revenue increased by 5.5 percent.

Revenue from Operator Activities amounted to MSEK 975.6 (752.2), an increase of 29.7 percent, including revenue from Grand Hotel Oslo for four months and revenue from the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel for one month. Adjusted for currency effects and comparable units, revenue increased by 8.7 percent and RevPAR by 10.0 percent.

The Group's net sales amounted to MSEK 1,695.6 (1,491.0), an increase of 13.7 percent. Adjusted for 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 571.5 (586.3), a decrease of 2.5 percent which is explained by the divestment of 15 hotel properties in April 2014 as well as the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel in June 2015. Adjusted for currency effects and comparable units, net operating income increased by 5.6 percent, which reflects a good underlying earnings trend in the lease portfolio.

Net operating income from Operator Activities, which corresponds to gross profit plus depreciation included in Operator Activities costs, amounted to MSEK 196.2 (150.7), an increase of 30.2 percent. Adjusted for currency effects and comparable units, net operating income increased by 26.8 percent. The increase is mainly explained by increased demand in the markets in general, renovated and repositioned hotels increasing their market share and reclassified operations contributing to gross profits.

Administration costs

Central administration costs amounted to MSEK -40.5 (-31.8). The increase reflects a strengthening of Group-wide functions and one-time costs amounting to around MSEK 4 relating to Pandox's 20th anniversary.

EBITDA

EBITDA (gross profit plus depreciation included in costs for Operator Activities, less central administration costs, excluding depreciation) amounted to MSEK 727.5 (705.5), an increase of 3.1 percent, which can be 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.

Financial income and expenses

Financial expenses amounted to MSEK -229.5 (-287.7) a reduction of MSEK 58.2, 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. Financial income amounted to MSEK 1.2 (2.6).

Profit before changes in value

Profit before changes in value amounted to MSEK 436.7 (368.3), an increase of 18.6 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 670.7 (578.0). 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 7.7 and are explained by final settlement of the consideration for the divestment of Hilton London Docklands in April 2014.

Changes in value of derivatives amounted to MSEK 182.7 (-343.6), following an increase in market interest rates in the second quarter.

Current and deferred tax

Current tax amounted to MSEK -9.9 (-0.6). Current tax is low due to substantial deferred tax assets attributable to loss carry-forwards. The current tax is expected to remain low for the full year. Deferred tax expense amounted to MSEK -262.7 (-4.4).

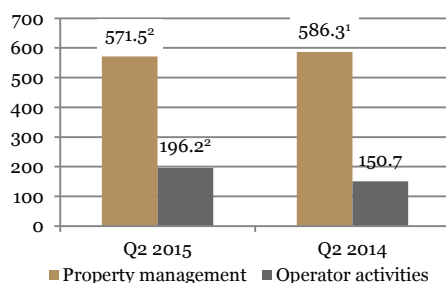
Profit for the period

Profit for the period amounted to MSEK 1,025.2 (884.4), which represents SEK 6.83 (5.92) per share after full dilution.

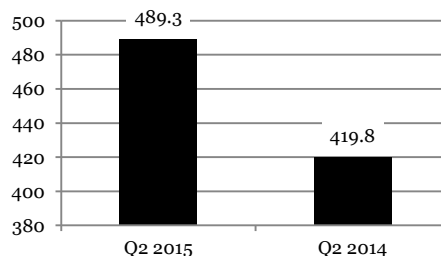
Cash earnings

Cash earnings amounted to MSEK 489.3 (419.8), an increase of 16.6 percent despite the divestment of 15 hotel properties in April 2014.

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.

² The figures are affected by the reclassification of Mr Chip Hotel and Radisson Blu Lillehammer Hotel to Operating Properties in June 2015.

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 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 second 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, which is reported under Operator activities.

Summary of segments

MSEK	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
Total gross profit	426.9	398.5	705.5	685.2	1 396.9
– whereof gross profit Property management	311.5	308.3	571.5	586.3	1 185.7
– whereof gross profit Operator activities	115.4	90.2	134.0	98.9	211.2
Net operating income Property management					
– Net operating income equals gross profit	311.5	308.3	571.5	586.3	1,185.7
Net operating income Operator activities					
– Gross profit	115.4	90.2	134.0	98.9	211.2
– Add: Depreciation included in costs, Operator activities ¹	30.3	27.3	62.2	51.8	109.0
– Net operating income Operator activities	145.7	117.5	196.2	150.7	320.2
Total net operating income	457.2	425.8	767.7	737.0	1,505.9
Central administration, excluding depreciation ¹	-19.1	-16.6	-40.2	-31.5	-81.4
EBITDA	438.1	409.2	727.5	705.5	1,424.5

¹ Total depreciation for Operator activities and central administration amounts to: MSEK 30.4 (Q2 2015), MSEK 27.3 (Q2 2014), MSEK 62.5 (Q1-Q2 2015), MSEK 52.0 (Q1-Q2 2014) and MSEK 109.6 (2014).

As of June 30, 2015, the market value of Pandox's total property portfolio amounted to MSEK 27,327 (26,504).

Property Management

Investment Properties: MSEK 21,100, representing 77 percent of total property market value

Net operating income Property management

MSEK	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
Rental income	371.9	366.5	690.8	710.9	1,417.8
Other property income	16.2	13.7	29.2	27.9	59.5
Costs, excluding property administration	-61.0	-56.7	-116.6	-120.9	-228.5
Net operating income, before property administration	327.1	323.5	603.3	618.0	1,248.8
Property administration	-15.6	-15.2	-31.8	-31.7	-63.1
Gross profit	311.5	308.3	571.5	586.3	1,185.7
Net operating income, after property administration	311.5	308.3	571.5	586.3	1,185.7

Rental income and other property income amounted to MSEK 388.1 (380.2) and net operating income amounted to MSEK 311.5 (308.3). Net operating income before property administration amounted to MSEK 327.1 (323.5).

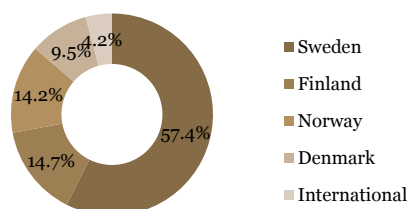
The comparison is affected by the divestment of 14 investment properties in the Nordic region to Fastighets AB Balder and Hilton London Docklands to H.I.G. Capital, and the reclassification of Urban House Copenhagen in April 2014. In addition, Mr Chip Hotel and Radisson Blu Lillehammer Hotel were reclassified to Operating Properties in June 2015.

Adjusted for currency effects and comparable units, total rental income increased by 7.7 percent as a result of underlying growth in the hotel market, new lease agreements with better terms and recently renovated hotels increasing their market share, particularly those under the joint development programme with Scandic (the Shark project).

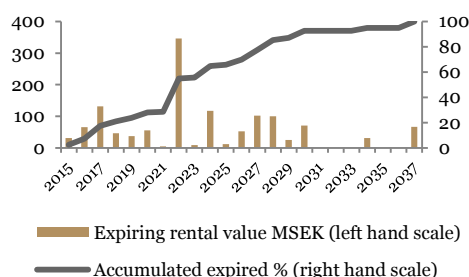
Reported net operating income after property administration increased by 1.0 percent. Adjusted for currency effects and comparable units, net operating income increased by 6.3 percent, mainly as a result of higher rental income.

Investment Properties comprises 87 properties which are recognised at market value. On 30 June 2015 Investment Properties had a weighted average unexpired lease term (WAULT) of 8.9 years (January 31, 2014: 9.0, March 31, 2015: 8.7). The increase compared with the first quarter is mainly explained by renewed and extended lease agreements with Elite Hotels for Park Avenue in Gothenburg and Stora Hotellet in Jönköping, as well as the reclassifications in the second quarter. The lease maturity profile has staggered expirations. In 2022 a relatively large number of leases will expire, most of them lease agreements from Norgani.

Rental income by geography (January - June 2015)



Lease maturity profile (June 30, 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 6,227, representing 23 percent of total property market value

Net operating income Operator activities

MSEK	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
Revenues	608.9	447.8	975.6	752.2	1,598.3
Costs	-493.5	-357.6	-841.6	-653.3	-1,387.1
Gross profit	115.4	90.2	134.0	98.9	211.2
Add: Depreciation included in costs	30.3	27.3	62.2	51.8	109.0
Net operating income	145.7	117.5	196.2	150.7	320.2

Revenue from Operator Activities amounted to MSEK 608.9 (447.8), an increase of 36.0 percent, and net operating income amounted to MSEK 145.7 (117.5), an increase of 24.0 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, is included for four months and Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel are included for one month. The revenue from Grand Hotel Oslo amounted to MSEK 87.6 (0).

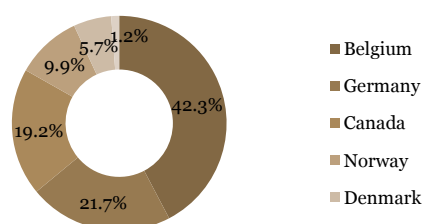
Adjusted for currency effects and comparable units, revenue increased by 8.6 percent. Adjusted for currency effects and comparable units, net operating income increased by 24.5 percent.

The increased revenue is explained by Grand Hotel Oslo, a stronger international hotel market and renovated hotels returning to market, while the net operating income was positively affected by a higher activity level, mainly due to increased demand and occupancy. The net operating income was also positively affected by productivity gains in hotel operations and a sustained strong trend for The Hotel Brussels, Radisson Blu Bremen, Radisson Blu Dortmund and First Copenhagen.

Adjusted for currency effects and comparable units, RevPAR increased by 9.6 percent, mainly due to improved occupancy but also due 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 losses.

Revenues by geography (January - June 2015)



Property portfolio

At the end of the period, Pandox's property portfolio comprised 104 (31 December, 2014: 104) hotel properties with 21,969 (December 31, 2014: 21,969) hotel rooms in eight countries. The company's main geographical focus, which represents approximately 77 per cent of the portfolio by market value, is the Nordic countries. Of the owned hotel properties, 87 are leased to third parties, meaning that approximately 77 per cent 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	12,684	46.4%	1.3
Norway	13	2,200	2,437	8.9%	1.1
Finland	13	2,913	3,011	11.0%	1.0
Denmark	7	1,405	1,985	7.3%	1.4
International	3	510	983	3.6%	1.9
Total Investment properties	87	16,742	21,100	77.2%	1.3
Operator activities Operating properties					
Sweden	1	150	169	0.6%	1.1
Norway ²	1	303	219	0.8%	0.7
Finland	1	151	43	0.2%	0.3
Denmark	2	440	586	2.1%	1.3
International	12	4,183	5,210	19.1%	1.2
Total Operating properties	17	5,227	6,227	22.8%	1.2
Total owned properties	104	21,969	27,327	100.0%	1.2

The majority of Pandox's tenant base consists of well-known hotel operators with strong hotel brands in each respective market. The tenants are both Nordic-oriented hotel operators, for instance 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 group) and Hilton.

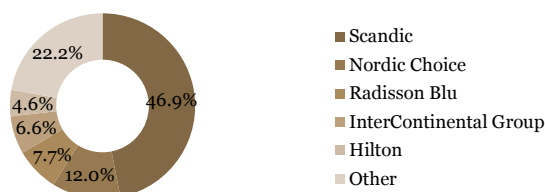
Pandox's portfolio by brand

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	605	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
Total	104	21,969	8

* 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 (June 30, 2015)



Pandox's own brands (June 30, 2015)



Change in property values

At the end of the period, the total market value of Pandox's property portfolio was MSEK 27,327 (26,504), of which MSEK 21,100 (20,843) was attributable to Investment properties and MSEK 6,227 (5,661) was attributable to Operating properties. The market value of Operating properties is reported for information purposes only.

In the second quarter two properties (Mr Chip Hotel and Radisson Blu Lillehammer Hotel) were reclassified from Investment Properties to Operating Properties for a total amount of MSEK 401.1.

Operating properties are recognised at cost less depreciations and any impairment. At the end of the period, the carrying amount of Operating properties was MSEK 5,070 (4,858). The increase is mainly a result of the reclassification of Mr Chip Hotel Kista and Radisson Blu Lillehammer Hotel.

Change in value Investment properties

	MSEK
Investment properties, beginning of the period (January 1, 2015)	20,843.3
+ Acquisitions	—
+ Investments	96.5
- Divestments ¹	-7.7
+/- Reclassifications	-401.1
+/- Unrealized changes in value	670.7
+/- Realized changes in value ¹	7.7
+/- Change in currency exchange rates	-109.7
Investment properties, end of period (June 30, 2015)	21,099.7

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

	MSEK
Operating properties, beginning of the period (January 1, 2015)	5,660.5
+ Acquisitions	—
+ Investments	69.2
- Divestments	—
+/- Reclassifications	401.1
+/- Unrealized changes in value	260.6
+/- Realized changes in value	—
+/- Change in currency exchange rates	-164.4
Operating properties, end of period (June 30, 2015)	6,227.0

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

Average valuation yield

At the end of the period, the average valuation yield on Investment properties amounted to 5.9 per cent (31 December, 2014: 6.1), and for Operating properties it was 7.5 per cent (31 December, 2014: 7.9).

Investments

During the period, investments excluding acquisitions amounted to MSEK 165.7 (290.9), of which MSEK 96.5 (222.4) for Investment properties and MSEK 69.2 (68.5) for Operating properties. The decrease in investments is mainly explained by the Shark project together with Scandic coming to an end, but also that several other larger projects have been completed during 2014.

At the end of the period investments had been approved for future projects in an amount corresponding to approximately MSEK 565. Ongoing major investment projects include Hilton Helsinki Strand, Quality Ekoxen Linköping, InterContinental Montreal and Radisson Blu Lillehammer.

No acquisitions or divestments were made during the period.

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 these 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 second 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 June 30, 2015, is shown below:

Sensitivity analysis (MSEK)

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0,5pp	-1,637 / +1,938
Change in currency exchange rates	+/- 1%	+/- 84
Net operating income	+/- 1%	+/- 196
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%	+/- 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%	-/+ 34
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 128
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 453

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 amounted to 46.9 per cent (48.7). Shareholders' equity amounted to MSEK 11,084.1 (10,401.5), and net asset value (NAV) as defined by EPRA was MSEK 14,884 (13,816). EPRA NAV per share was SEK 99.23 (92.11). Dividend per share in May 2015 was SEK 1.00. Liquid funds, including long-term committed credit facilities, amounted to MSEK 1,675.6 (1,901.2).

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 12,821.5 (12,908.1). The average interest rate period was 3.5 (3.8) years and the average interest rate was 3.3 (3.6) per cent, which corresponds to the interest rate level at the end of the period, including effects from interest-rate swaps. The average repayment period was 3.5 (4.6) years. The loans are secured by a combination of pledged mortgages in properties and pledge in shares.

Unutilised committed credit lines amounted to MSEK 1,412.4 (1,580.5).

In order to manage interest rate risk and increase the predictability of Pandox's revenues, interest rate derivatives, mainly interest swaps, are used. At the end of the period, Pandox had interest rate swaps amounting to MSEK 9,680.7, with approximately 67 percent of Pandox's loan portfolio hedged against interest rate movements for longer periods than one year.

Fixed rate period

(MSEK)	Interest maturity				Interest rate swaps		
	Loans	Interest swaps	Amount	Share	Volume	Share	Average interest swaps ¹
< 1 year	12,821.5	-8,580.8	4,240.7	33.1%	1,099.9	11.4%	3.4%
1-2 year	—	917.0	917.0	7.2%	917.0	9.5%	3.2%
2-3 year	—	981.7	981.7	7.7%	981.7	10.1%	3.9%
3-4 year	—	720.6	720.6	5.6%	720.6	7.4%	2.9%
4-5 year	—	1,089.2	1,089.2	8.5%	1,089.2	11.3%	3.1%
> 5 year	—	4,872.3	4,872.3	38.0%	4,872.3	50.3%	2.2%
Total/net/average	12,821.5	0.0	12,821.5	100.0%	9,680.7	100.0%	2.8%

¹ Excluding bank margins.

In order to reduce the currency exposure in foreign investment Pandox's main objective is to finance the applicable part of the investment in local currency. The equity part is normally not hedged as the strategy of Pandox 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
2015	1,103.3	535.6	1,131.3	239.2	232.6	748.6	3,990.7	31.1	4.8
2016	380	—	460.9	—	—	247.8	1,088.7	8.5	3.2
2017	200	—	248.9	—	219.8	182.6	851.3	6.6	3.4
2018	250	—	230.4	—	—	208.7	689.1	5.4	3.1
2019	125	—	115.2	—	—	—	240.2	1.9	2.4
2020 and later	3,600.0	642.5	1,719.0	—	—	—	5,961.5	46.5	2.4
Total	5,658.3	1,178.0	3,905.7	239.2	452.4	1,387.8	12,821.5	100.0	3.3
Share, %	44.1	9.2	30.5	1.9	3.5	10.8	100.0	—	—
Average interest rate, %	3.5	2.6	3.2	0.6	3.5	4.2	3.3	—	—
Average interest rate period, years	4.5	3.7	3.3	0.1	1.1	1.0	3.5	—	—
Property market value	12,852.5	2,570.6	7,733.3	734.6	780.2	2,655.6	27,326.8	—	—

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

As of June 30, 2015, the market value for Pandox's financial instruments amounted to MSEK -717.2 (-899.8), which is explained by a decrease in the market rates in relation to the fixed interest in the interest swap agreements. Rising market rates during the period led to revaluation which had an impact on profit before tax of MSEK 182.7 (-343.6).

Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity ²	Interest, loans ¹	Net interest, interest swaps, negative value ¹	Total
2015	1,110.3	18.8	31.6	50.4
2016	935.7	10.6	38.7	49.3
2017	219.8	3.2	34.2	37.4
2018	3,228.3	28.3	22.9	51.2
2019	5,995.6	86.8	9.2	96
2020 and later	1,331.8	18.3	157.5	175.8
Total	12,821.5	165.9	294.1	460.1

¹ Calculation based on ending balance as of June 30, 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.

Of loans maturing in 2015 in the amount of MSEK 1,110.3, loans amounting to MSEK 925.9 were refinanced for three years in July, i.e. after the end of the period. For remaining loans maturing in 2015 (MSEK 184.4) a refinancing process has begun and the current lenders have expressed an interest in remaining as lenders.

Deferred tax

At the end of the period, deferred tax assets amounted to MSEK 804.8 (923.4). These represent tax losses carried forward, which the company estimates can be utilised during the coming fiscal years, and temporary valuation differences on interest-rate derivatives.

The deferred tax liabilities amounted to MSEK 2,146.8 (1,993.0). The increase is primarily due to changes in value of Investment properties.

Pandox has no outstanding tax cases.

Other information

Important events during the period

Pandox is listed on the stock exchange

On 26 May 2015 the Board of Directors and owners of Pandox AB announced their intention to diversify the ownership through the sale of existing shares and to list the company's B shares on Nasdaq Stockholm.

The offering was aimed at the general public in Sweden and Swedish and international institutional investors. The share price for the offering was set at SEK 106 per share. The offering consisted of 60,000,000 B shares, of which 7,826,086 shares were in the form of an over-allotment option. The over-allotment option was exercised in its entirety on 2 July 2015. The total value of the offering, including the over-allotment option, was MSEK 6,360.

Trading in Pandox shares on Nasdaq Stockholm began on 18 June 2015 under the stock symbol PNDX B. On 30 June 2015 the last price paid for the B shares was SEK 110.50 and the market cap was MSEK 16,575.

As of 30 June 2015 Pandox had just over 4,200 shareholders. The ownership profile as of 30 June 2015 is presented below.

Owners	Number of A shares	Number of B shares	Capital %	Votes %	Date
SU-ES AB	74,628,750	14,628,750	59.5%	79.5%	2015-06-30
AMF Försäkring & Fonder		12,727,164	8.5%	4.2%	2015-06-30
Swedbank Robur fonder		10,500,000	7.0%	3.5%	2015-06-30
Länsförsäkringar Fondförvaltning		3,783,000	2.5%	1.3%	2015-06-30
SHB fonder		2,785,701	1.9%	0.9%	2015-06-30
Alecta		2,287,000	1.5%	0.8%	2015-06-30
Catella fonder		2,181,500	1.5%	0.7%	2015-06-30
Tredje AP-fonden		1,127,600	0.8%	0.4%	2015-06-30
AFA Försäkring		1,000,000	0.7%	0.3%	2015-06-30
Henderson Funds		995,000	0.7%	0.3%	2015-06-30
Blåklöckevägen 4 AS (Anders Nissen)	371,250	371,250	0.5%	0.5%	2015-06-30
Zenit Fond		700,000	0.5%	0.2%	2015-06-30
BlackRock Inc.		641,872	0.4%	0.2%	2015-06-30
Enter fonder		596,700	0.4%	0.2%	2015-06-30
Fidelity Funds		488,700	0.3%	0.2%	2015-06-30
Sum 15 owners	75,000,000	54,814,237	86.5%	93.3%	
Other foreign owners		12,684,268	8.5%	4.2%	
Other Swedish owners		7,501,495	5.0%	2.5%	
Total	75,000,000	75,000,000	100.0%	100.0%	

Source: Euroclear, Holdings

Important events after the period

Over-allotment option exercised

On 2 July it was announced that the over-allotment option for 7,826,086 B shares had been exercised, that no price stabilisation measures had been implemented since the listing and that a decision had been made to terminate the stabilisation period.

Mediation with Nordic Choice

On 3 July it was announced that Pandox and Tribe Invest AS (bankruptcy estate) had entered into a mediation agreement with Nordic Choice Hospitality Group AS in a dispute relating to a claim against a tenant that declared bankruptcy in 2013 for future rental payments under a long lease agreement.

Under the mediation agreement and the agreement with the bankruptcy estate, Pandox will collect compensation equivalent to at least MSEK 60. This will be recognised in Other income, Property Management, in the third quarter of 2015.

Pandox to assume operation of Quality Hotel Prince Philip

On 10 August Pandox announced that it will assume operation of Quality Hotel Prince Philip in Skärholmen, Sweden, as of 1 September 2015. The hotel has 208 rooms and is currently in the Investment Properties segment.

Outlook

Based on continued improvements in the general economic environment and a positive trend in the travel market, Pandox's strong market position and portfolio, which benefits 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 with 2014. This is supported by the development in the first six months 2015, where Pandox's cash earnings increased by MSEK 69.5 compared to the first six months 2014, despite the divestment of 15 hotel properties in April 2014.

Employees

As of 30 June 2015, Pandox had 1,697 (1,588) employees. Of the total employees, 1,670 (1,560) 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 in the period amounted to MSEK 32.5 (19.6), and the profit for the period amounted to MSEK 524.9 (778.3).

At the end of the period the Parent Company's shareholders' equity amounted to MSEK 2,795.1 (2,420.3) and interest bearing debt of MSEK 4,683.3 (4,591.9), of which MSEK 3,702.0 (3,654.8) 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 second quarter revenue from the asset management agreements amounted to MSEK 1.0 (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 second quarter rental payments for Grand Hotel Oslo amounted to MSEK 20.7 (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 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

Padox seeks to achieve the lowest possible financing costs while simultaneously limiting risks related to interest rates, foreign currencies and borrowings.

Padox seeks to manage the risk that changes in interest rate levels could negatively affect Padox's results. Padox'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. Padox seeks to achieve this objective through maintaining a loan portfolio with varying maturity dates and fixed interest periods.

Further, Padox has developed and implemented systems and procedures designed to support continuous monitoring and reporting of interest rate exposures. Padox enters into interest-rate swaps to obtain fixed interest periods.

Padox's balance sheet and income statement are exposed to changes in the value of the Swedish Krona, as certain of Padox's assets are denominated in foreign currencies. Padox seeks to hedge a part of this exposure through entering into loans in the local currency where Padox's assets are located.

Padox seeks to manage the risk that external financing may become more difficult to access. Padox aims to centralise, where possible, all Group borrowing in the Parent Company in order to gain flexibility and administrative benefits. Padox's objective is to enter into long-term framework agreements that would allow for borrowings with various maturities.

Risk factors

Padox's business and market are subject to certain risks which are completely or partly outside the control of the Company and which could affect Padox'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 Padox's assets is exposed to macroeconomic fluctuations and the liquidity in the property market could decline. (2) Padox is subject to risks in its business of repositioning and transforming hotel properties. (3) Padox's costs of maintaining, replacing and improving its existing properties could be higher than estimated. (4) Padox might be unable to identify and acquire suitable hotel properties. (5) Padox may from time to time carry out acquisitions of new hotel properties, all of which are subject to risks. (6) Padox may be unable to retain, and recruit, key personnel in the future. (7) Padox depends on third party operators' reputation, brand, ability to run their businesses successfully and financial condition. (8) Padox is exposed to environmental risks. (9) Padox is exposed to interest rate fluctuations. (10) Padox is exposed to the risk of being unable to refinance its facility agreements when they fall due. (11) Padox 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 Padox 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 Padox'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 Padox owned or operated hotels are business travelers, the Company's revenues have historically been greater in the second and fourth quarters than in the first and third quarters. The timing of holidays and major events can also impact the Company's quarterly results.

Company information

Padox AB (publ) is a Swedish limited liability company (corporate ID 556030-7885) with its registered office in Stockholm, Sweden. Padox 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 Padox 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

Q3 interim report July-September	November 5, 2015
Padox Hotel Market Day	November 24, 2015
Q4 interim report October-December and year-end report 2015	February 18, 2016

For more information about Padox and our financial calendar, please visit www.padox.se.

Presentation of interim report

Padox will present the interim report for institutional investors, analysts and media at Hilton Stockholm Slussen, 20 August at 09:00 CEST.

To follow the presentation on-line go to <http://media.fronto.com/cloud/padox/150820>. To participate in the telephone conference and ask questions, please call in using any number indicated below approximately 10 minutes before the start of the presentation. The presentation material will be made available at www.padox.se at 08:00 CEST.

SE: +46 (0)8 5052 0114
UK: +44 (0)207 1620 177
US: +1 334 323 6203
Access Code: 954521

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

Stockholm, 19 August, 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 20 August 2015 at 07:00 CEST.

Summary of financial reports

Condensed statement of profit and loss and other comprehensive income

MSEK	Note	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
Revenues						
Revenues Property management						
Rental income	1	371.9	366.5	690.8	710.9	1,417.8
Other property income		16.2	13.7	29.2	27.9	59.5
Revenue Operator activities	1	608.9	447.8	975.6	752.2	1,598.3
Total revenues		997.0	828.0	1,695.6	1,491.0	3,075.6
Costs						
Costs Property management	1	-76.6	-71.9	-148.5	-152.5	-291.6
Costs Operator activities	1	-493.5	-357.6	-841.6	-653.3	-1,387.1
Gross profit		426.9	398.5	705.5	685.2	1,396.9
- whereof gross profit Property management	1	311.5	308.3	571.5	586.3	1,185.7
- whereof gross profit Operator activities	1	115.4	90.2	134.0	98.9	211.2
Central administration		-19.2	-16.7	-40.5	-31.8	-82.0
Financial income		0.5	1.4	1.2	2.6	4.8
Financial expenses		-114.9	-142.8	-229.5	-287.7	-540.9
Profit before changes in value		293.3	240.4	436.7	368.3	778.8
Changes in value						
Properties, unrealized	1	307.6	98.1	670.7	578.0	906.3
Properties, realized	1	7.7	290.7	7.7	290.7	290.7
Derivatives, unrealized		215.8	-180.6	182.7	-343.6	-622.0
Profit before tax		824.4	448.6	1,297.8	893.4	1,353.8
Current tax		-5.2	3.3	-9.9	-0.6	-15.9
Deferred tax		-168.0	85.2	-262.7	-4.4	-85.2
Profit for the period		651.2	537.1	1,025.2	888.4	1,252.7
Other comprehensive income						
<i>Items that have been or may be classified to profit or loss</i>						
Translation differences foreign operations		-62.2	-94.8	-192.6	28.3	-2.7
Other comprehensive income for the period		-62.2	-94.8	-192.6	28.3	-2.7
Total comprehensive income for the period attributable to the shareholders of the parent company		589.0	442.3	832.6	916.7	1,250.0
Earnings per share, before and after dilution, SEK		4.34	3.58	6.83	5.92	8.35
Total earnings per share, before and after dilution, SEK		3.93	2.95	5.55	6.11	8.33

Condensed statement of financial position

MSEK	30-jun-15	30-jun-14	31-dec-14
ASSETS			
Non-current assets			
Operating properties ^{3,4}	4,652.3	3,966.9	4,135.1
Equipment and interiors ⁴	418.1	678.5	722.6
Investment properties ³	21,099.7	20,270.4	20,843.3
Deferred tax assets	804.8	905.2	923.4
Other non-current receivables	27.0	25.0	26.3
Total non-current assets	27,001.9	25,846.0	26,650.7
Current assets			
Inventories	14.7	9.2	10.8
Current tax assets	45.5	24.1	44.3
Trade account receivables	193.0	173.0	152.9
Prepaid expenses and accrued income	144.3	74.3	96.8
Other current receivables	17.8	59.8	10.5
Cash and cash equivalents	263.2	341.4	320.7
Total current assets	678.5	681.8	636.0
Total assets	27,680.4	26,527.8	27,286.7
EQUITY AND LIABILITIES			
Equity			
Share capital	375.0	375.0	375.0
Other paid-in capital	2,138.4	2,138.4	2,138.4
Reserves	-309.1	-85.5	-116.5
Retained earnings, including profit for the period	8,879.8	7,815.1	8,004.6
Equity attributable to the owners of the Parent Company	11,084.1	10,243.0	10,401.5
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities ¹	11,449.9	12,858.4	11,785.7
Derivatives ²	717.2	621.4	899.8
Provisions	35.5	53.8	53.8
Deferred tax liability	2,146.8	1,769.1	1,993.0
Total non-current liabilities	14,349.4	15,302.7	14,732.3
Current liabilities			
Provisions	18.3	12.0	12.0
Interest-bearing liabilities ¹	1,371.6	108.8	1,122.4
Tax liabilities	3.1	0.0	18.7
Trade accounts payable	192.7	113.0	189.3
Liabilities group companies	—	32.9	207.7
Other current liabilities	135.7	148.0	166.0
Accrued expenses and prepaid income	525.5	567.4	436.7
Total current liabilities	2,246.9	982.1	2,152.9
Total liabilities	16,596.3	16,284.8	16,885.2
Total equity and liabilities	27,680.4	26,527.8	27,286.7

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 and Radisson Lillehammer Hotel.

⁴ Of which MSEK 262 reclassification from equipment to Operating properties.

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	375.0	2,138.4	-113.8	8,029.2	10,428.8
Profit for the period	—	—	—	888.4	888.4
Other comprehensive income	—	—	28.3	—	28.3
Comprehensive income for the period	—	—	28.3	888.4	916.7
Dividend	—	—	—	-1,102.5	-1,102.5
Group contribution	—	—	—	—	—
Closing balance equity June 30, 2014	375.0	2,138.4	-85.5	7,815.1	10,243.0
Profit for the period	—	—	—	1,252.7	1,252.7
Other comprehensive income	—	—	-2.7	—	-2.7
Comprehensive income for the period	—	—	-2.7	1,252.7	1,250.0
Dividend	—	—	—	-1,102.5	-1,102.5
Group contribution	—	—	—	-174.8	-174.8
Closing balance December 31, 2014	375.0	2,138.4	-116.5	8,004.6	10,401.5
Opening balance equity January 1, 2015	375.0	2,138.4	-116.5	8,004.6	10,401.5
Profit for the period	—	—	—	1,025.2	1,025.2
Other comprehensive income	—	—	-192.6	—	-192.6
Comprehensive income for the period	—	—	-192.6	1,025.2	832.6
Dividend	—	—	—	-150.0	-150.0
Group contribution	—	—	—	—	—
Closing balance equity June 30, 2015	375.0	2,138.4	-309.1	8,879.8	11,084.1

Condensed statement of cash flow

MSEK	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
OPERATING ACTIVITIES					
Profit before tax	824.4	448.6	1,297.8	893.4	1,353.8
Reversal of depreciation	30.4	27.5	62.5	52.1	109.6
Changes in value, Investment properties, realized	-7.7	-290.7	-7.7	-290.7	-290.7
Changes in value, Investment properties, unrealized	-307.6	-98.1	-670.7	-578.0	-906.3
Changes in value, derivatives, unrealized	-215.8	180.6	-182.7	343.6	622.0
Taxes paid	-5.2	3.3	-9.9	-0.6	-7.3
Cash flow from operating activities before changes in working capital	318.5	271.2	489.3	419.8	881.1
Increase/decrease in operating assets	-112.0	-81.9	-100.2	-37.6	-12.5
Increase/decrease in operating liabilities	-159.4	-143.2	-192.0	-134.6	12.0
Change in working capital	-271.4	-225.1	-292.2	-172.2	-0.5
Cash flow from operating activities	47.1	46.1	197.1	247.6	880.6
INVESTING ACTIVITIES	0.0	0.0	0.0	0.0	0.0
Investments in properties and fixed assets	-79.5	-131.9	-165.7	-290.9	-527.5
Divestment of investment properties, net effect on liquidity	—	2,606.8	—	2,606.8	2,606.8
Acquisitions of subsidiaries	-7.6	—	-7.6	—	—
Acquisitions of financial assets	-0.5	—	-0.8	-1.1	-2.2
Divestment of financial assets	1.1	0.8	2.6	23.1	24.1
Cash flow from investing activities	-86.5	2,475.7	-171.5	2,337.9	2,101.2
FINANCING ACTIVITIES					
Group contribution to parent company's shareholders	—	—	—	—	-174.8
New loans	150.0	—	150.0	—	421.8
Amortization of debt	-71.6	-1,730.3	-79.6	-1,736.9	-2,386.9
Paid dividends	-150.0	-1,102.5	-150.0	-1,102.5	-1,102.5
Cash flow from financing activities	-71.6	-2,832.8	-79.6	-2,839.4	-3,242.4
Cash flow for the period	-111.0	-311.0	-54.0	-253.9	-260.6
Cash and cash equivalents at beginning of period	377.6	646.5	320.7	588.6	588.6
Exchange differences in cash and cash equivalents	-3.4	5.9	-3.5	6.7	-7.3
Cash and cash equivalents at end of period	263.2	341.4	263.2	341.4	320.7
Information regarding interest payments					
Interest received	0.5	1.4	1.2	2.6	4.8
Interest paid	-111.0	-140.2	-224.9	-283.4	-521.9
Information regarding cash and cash equivalents end of period					
Cash and cash equivalents consist of bank deposits	241.4	341.4	263.2	341.4	320.7

Certain definitions and key data

	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
Net operating income (MSEK)					
PROPERTY MANAGEMENT					
Investment properties					
Rental income	371.9	366.5	690.8	710.9	1,417.8
Other property income	16.2	13.7	29.2	27.9	59.5
Expenses, excluding property administration	-61.0	-56.7	-116.6	-120.9	-228.5
Net operating income, before property administration	327.1	323.5	603.3	618.0	1,248.8
Property administration	-15.6	-15.2	-31.8	-31.7	-63.1
Net operating income, after property administration, equals gross profit, Property management	311.5	308.3	571.5	586.3	1,185.7
OPERATOR ACTIVITIES					
Operating properties					
Revenue	608.9	447.8	975.6	752.2	1,598.3
Costs	-493.5	-357.6	-841.6	-653.3	-1,387.1
Gross profit	115.4	90.2	134.0	98.9	211.2
Add: Depreciation included in costs	30.3	27.3	62.2	51.8	109.0
Net operating income	145.7	117.5	196.2	150.7	320.2
EBITDA reconciliation (MSEK)					
Gross profit	426.9	398.5	705.5	685.2	1,396.9
Add: Depreciations included in costs, Operator activities	30.3	27.3	62.2	51.8	109.0
Less: Central administration, excluding depreciation	-19.1	-16.6	-40.2	-31.5	-81.4
EBITDA	438.1	409.2	727.5	705.5	1,424.5
Cash earnings (MSEK)					
EBITDA	438.1	409.2	727.5	705.5	1,424.5
Add: Financial income	0.5	1.4	1.2	2.6	4.8
Less: Financial cost	-114.9	-142.8	-229.5	-287.7	-540.9
Less: Current tax	-5.2	3.3	-9.9	-0.6	-15.9
Cash earnings	318.5	271.1	489.3	419.8	872.5
EPRA NAV (MSEK)					
Net asset value per financial statement, Group			11,084.1	10,243.0	10,401.5
Add: Revaluation of Operating properties			1,157.0	445.6	803.3
Add: Fair value of financial derivatives			717.2	621.4	899.8
Less: Deferred tax assets related to derivatives			-157.8	-136.7	-218.8
Add: Deferred tax liabilities related to properties			2,083.8	1,715.0	1,930.0
EPRA NAV			14,884.3	12,888.3	13,815.8

Key ratios

	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
Financial data					
Return on equity, in %	6.1	5.2	9.5	8.6	12.0
Equity to assets ratio, in %			40.0	38.6	38.1
Loan to value, in %			46.9	51.1	48.7
Interest coverage ratio	3.8	2.9	3.2	2.5	2.6
Average cost of debt, in %			-3.3	-3.7	-3.6
Net interest-bearing debt, MSEK			12,558	12,626	12,587
Investments, excluding acquisitions, MSEK	79.5	131.9	165.7	290.9	527.5
Per share data ¹					
Earnings per share, SEK	4.34	3.58	6.83	5.92	8.35
Cash earnings per share, SEK	2.12	1.81	3.26	2.80	5.82
Shareholders' equity per share, SEK			73.89	68.29	69.30
Net asset value (EPRA NAV) per share, SEK			99.23	85.92	92.11
Dividend per share, SEK ³					6.90
Weighted average number of shares outstanding, after dilution, thousands ¹	150,000	150,000	150,000	150,000	150,000
Property data					
Number of hotels, end of period ²			104	119	104
Number of rooms, end of period ²			21,969	24,780	21,969
WAULT, yrs			8.9	8.8	9.0
Total property market value, MSEK			27,327	25,362	26,504
Property market value Investment properties, MSEK			21,100	20,125	20,843
Property market value Operating properties, MSEK			6,227	5,091	5,660
RevPAR (Operating properties) for comparable units at constant exch rates, SEK	808	737	692	629	645

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 2014 is indicated proposed dividend and resolved extra dividend paid during 2014.

Condensed income statement for the Parent Company

MSEK	Q2 2015	Q2 2014	6m 2015	6m 2014	FY 2014
Administration cost	-29.5	-21.9	-56.2	-44.6	-95.6
Other income	22.2	10.3	36.2	24.2	55.6
Operating profit	-7.3	-11.6	-20.0	-20.4	-40.0
Financial income	5.2	7.0	9.4	13.8	105.5
Interest rate cost	-46.7	-56.2	-92.5	-114.0	-226.2
Received dividends	635.6	715.4	635.6	798.8	1,264.7
Write-down of value of shares in subsidiaries	—	—	—	—	-465.9
Other financial income and expenses	7.9	-26.2	-7.6	-36.1	-39.6
Profit after financial cost	594.7	628.4	524.9	642.1	598.5
Non-recurring income ¹	—	136.2	—	136.2	136.2
Appropriations	—	—	—	—	—
Profit before tax	594.7	764.6	524.9	778.3	734.7
Current tax	—	—	—	—	—
Deferred tax	—	—	—	—	—
Profit for the period	594.7	764.6	524.9	778.3	734.7

¹ Attributable primarily to the divestment of 14 Investment properties to Fastighets AB Balder in April 2014.

Condensed balance sheet for the Parent Company

MSEK	30-jun-15	30-jun-14	31-dec-14
Assets			
Tangible assets	0.6	1.2	0.9
Financial assets	10,232.6	11,302.1	10,769.8
Current assets	91.6	446.5	155.6
Total assets	10,324.8	11,749.8	10,926.3
Equity and liabilities			
Equity	2,795.1	2,443.3	2,420.3
Provisions	6.6	5.5	5.8
Non-current liabilities	3,702.1	4,580.7	3,654.8
Current liabilities	3,821.0	4,720.3	4,845.4
Total equity and liabilities	10,324.8	11,749.8	10,926.3

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 381.1 (377.7) and rental income from Nordic Choice Hotels amounted to MSEK 90.9 (92.2), corresponding to 57.2 (55.2) and 13.6 (13.5) per cent of total hotel rental income.

Q1-Q2 2015	Property management	Operator activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	720.0	—	—	720.0
Revenue Operating properties	0.0	975.6	—	975.6
Total revenues	720.0	975.6	—	1,695.6
Costs Investment properties	-148.5	0.0	—	-148.5
Costs Operating properties	0.0	-841.6	—	-841.6
Gross profit	571.5	134.0	—	705.5
- whereof gross profit Investment properties	571.5	—	—	571.5
- whereof gross profit Operating properties	—	134.0	—	134.0
Central administration	—	—	-40.5	-40.5
Financial income	—	—	1.2	1.2
Financial expenses	—	—	-229.5	-229.5
Profit before changes in value	571.5	134.0	-268.8	436.7
<i>Changes in value</i>				
Properties, unrealized	670.7	—	—	670.7
Properties, realized	7.7	—	—	7.7
Derivatives, unrealized	—	—	182.7	182.7
Profit before tax	1,249.9	134.0	-86.1	1,297.8
Current tax	—	—	-9.9	-9.9
Deferred tax	—	—	-262.7	-262.7
Profit for the period	1,249.9	134.0	-358.7	1,025.2

Q1-Q2 2015	Sweden	Denmark	Norway	Finland	International	Total
Geographical area						
Revenue						
- Property management	418.6	66.0	99.1	107.0	29.3	720.0
- Operator activities	1.6	56.0	96.0	11.1	810.9	975.6
Market value properties	12,852.6	2,570.6	2,655.6	3,054.0	6,194.1	27,326.9
Investments in properties	57.4	25.9	11.7	28.5	42.2	165.7

Note 1 cont.

Q2 2015	Property management	Operator activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	388.1	—	—	388.1
Revenue Operating properties	—	608.9	—	608.9
Total revenues	388.1	608.9	—	997.0
Costs Investment properties				
Costs Operating properties	-76.6	—	—	-76.6
	—	-493.5	—	-493.5
Gross profit	311.5	115.4	—	426.9
- whereof gross profit Investment properties	311.5	—	—	311.5
- whereof gross profit Operating properties	—	115.4	—	115.4
Central administration	—	—	-19.2	-19.2
Financial income	—	—	0.5	0.5
Financial expenses	—	—	-114.9	-114.9
Profit before changes in value	311.5	115.4	-133.6	293.3
<i>Changes in value</i>				
Properties, unrealized	307.6	—	—	307.6
Properties, realized	7.7	—	—	7.7
Derivatives, unrealized	—	—	215.8	215.8
Profit before tax	626.8	115.4	82.2	824.4
Current tax	—	—	-5.2	-5.2
Deferred tax	—	—	-168.0	-168.0
Profit for the period	626.8	115.4	-91.0	651.2

Q2 2015	Sweden	Denmark	Norway	Finland	International	Total
Geographical area						
Revenue						
- Property management	225.6	36.7	53.3	57.7	14.8	388.1
- Operator activities	1.6	36.8	96.0	6.2	468.3	608.9
Market value properties	12,852.6	2,570.6	2,655.6	3,054.0	6,194.1	27,326.9
Investments in properties	29.7	7.1	10.4	16.1	16.2	79.5

Q1-Q2 2014	Property management	Operator activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	738.8	—	—	738.8
Revenue Operating properties	—	752.2	—	752.2
Total revenues	738.8	752.2	—	1,491.0
Costs Investment properties				
Costs Operating properties	-152.5	—	—	-152.5
	—	-653.3	—	-653.3
Gross profit	586.3	98.9	—	685.2
- whereof gross profit Investment properties	586.3	—	—	586.3
- whereof gross profit Operating properties	—	98.9	—	98.9
Central administration	—	—	-31.8	-31.8
Financial income	—	—	2.6	2.6
Financial expenses	—	—	-287.7	-287.7
Profit before changes in value	586.3	98.9	-316.9	368.3
<i>Changes in value</i>				
Properties, unrealized	578.0	—	—	578.0
Properties, realized	290.7	—	—	290.7
Derivatives, unrealized	—	—	-343.6	-343.6
Profit before tax	1,455.0	98.9	-660.5	893.4
Current tax	—	—	-0.6	-0.6
Deferred tax	—	—	-4.4	-4.4
Profit for the period	1,455.0	98.9	-665.5	888.4

Q1-Q2 2014	Sweden	Denmark	Norway	Finland	International	Total
Geographical area						
Revenue						
- Property management	440.3	72.3	93.3	96.1	36.8	738.8
- Operator activities	—	40.7	—	12.3	699.2	752.2
Market value properties	11,989.0	2,381.6	2,733.5	2,993.6	5,264.1	25,361.8
Investments in properties	101.4	12.6	11.6	71.7	93.6	290.9

Q2 2014	Property management	Operator activities	Group and non-allocated items	Total
Revenue Investment properties				
Rental and other property income	380.2	—	—	380.2
Revenue Operating properties	—	447.8	—	447.8
Total revenues	380.2	447.8	—	828.0
Costs Investment properties	-71.9	—	—	-71.9
Costs Operating properties	—	-357.6	—	-357.6
Gross profit	308.3	90.2	—	398.5
- whereof gross profit Investment properties	308.3	—	—	308.3
- whereof gross profit Operating properties	—	90.2	—	90.2
Central administration	—	—	-16.7	-16.7
Financial income	—	—	1.4	1.4
Financial expenses	—	—	-142.8	-142.8
Profit before changes in value	308.3	90.2	-158.1	240.4
<i>Changes in value</i>				
Properties, unrealized	98.1	—	—	98.1
Properties, realized	290.7	—	—	290.7
Derivatives, unrealized	—	—	-180.6	-180.6
Profit before tax	697.1	90.2	-338.7	448.6
Current tax	—	—	3.3	3.3
Deferred tax	—	—	85.2	85.2
Profit for the period	697.1	90.2	-250.2	537.1

Q2 2014	Sweden	Denmark	Norway	Finland	International	Total
Geographical area						
Revenue						
- Property management	220.7	45.0	49.2	49.8	15.5	380.2
- Operator activities	—	28.0	—	6.6	413.2	447.8
Market value properties	11,989.0	2,381.6	2,733.5	2,993.6	5,264.1	25,361.8
Investments in properties	38.0	4.0	4.3	41.5	44.1	131.9

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

Return on equity, %

Profit or loss for the period, attributable to the shareholders of the Parent Company, as a per centage of average equity (shareholders' equity).

Equity to asset ratio, %

Reported shareholders' equity as a per centage of total assets at the end of the period.

Loan to value ratio, %

Interest-bearing liabilities as a per centage 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 per centage 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 per share, SEK

EBITDA plus financial income less financial expenses less current tax divided by the weighted average total number of shares outstanding. 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.

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

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.