
Interim report

January–September 2016



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Strong cash flow and high returns

Quarter July–September 2016

- Revenue from Property Management amounted to MSEK 479 (458). Adjusted for currency effects and comparable units, the increase was 7 percent.
- Net operating income from Property Management amounted to MSEK 409 (403). Adjusted for currency effects and comparable units, the increase was 9 percent.
- Net operating income from Operator Activities amounted to MSEK 130 (115). Adjusted for currency effects and comparable units, the increase was 5 percent.
- EBITDA amounted to MSEK 512 (495).
- Profit for the period amounted to MSEK 592 (425).
- Cash earnings amounted to MSEK 386 (328 adjusted for one-time gain and received tax compensation).

Interim period January–September 2016

- Revenue from Property Management amounted to MSEK 1,329 (1,178). Adjusted for currency effects and comparable units, the increase was 6 percent.
- Net operating income from Property Management amounted to MSEK 1,127 (974). Adjusted for currency effects and comparable units, the increase was 8 percent.
- Net operating income from Operator Activities amounted to MSEK 309 (312). Adjusted for currency effects and comparable units, the decrease was 6 percent.
- The negative effect on net operating income from Operator Activities attributable to the terrorist attack in Brussels is estimated at around MSEK 48 compared to the same period last year. The negative effect on net operating income for full-year 2016 is now estimated to amount to just over MSEK 40.
- EBITDA amounted to MSEK 1,353 (1,222).
- Profit for the period amounted to MSEK 1,442 (1,450).
- Cash earnings amounted to MSEK 975 (817 adjusted for one-time gain and received tax compensation).

Significant events after the end of the period

- Pandox acquired Hilton Grand Place Brussels on 10 October, for the equivalent of approximately MSEK 525.

Key figures (MSEK)*	Q3 2016	Q3 2015	Chg in %	9m 2016	9m 2015	Chg in %	FY 2015
Revenue Property management (Note 1,2)	479	458	5	1,329	1,178	13	1,543
Net operating income Property Management (Note 1,2)	409	403	1	1,127	974	16	1,280
Net operating income Operator Activities (Note 2)	130	115	13	309	312	-1	416
EBITDA (Note 1)	512	495	3	1,353	1,222	11	1,603
Profit for the period (Note 1,3)	592	425	39	1,442	1,450	-1	2,131
Earnings per share, SEK (Note 1,3,4,5)	3.93	2.83	39	9.56	9.67	-1	14.21
Cash earnings, MSEK (Note 1,3)	386	407	-5	975	896	9	1,130
Cash earnings per share, SEK (Note 1,3,4,5)	2.55	2.71	-6	6.45	5.97	8	7.53
Key data							
Net interest bearing debt, MSEK	—	—	—	15,047	12,225	23	15,376
Equity asset ratio, %	—	—	—	40.1	40.7	n.m.	38.6
Loan to value, %	—	—	—	47.0	46.4	n.m.	49.5
Interest cover ratio, times	4.5	4.7	n.m.	4.0	3.7	n.m.	3.6
Property market value, MSEK	—	—	—	33,098	27,712	19	31,437
EPRA NAV per share, SEK (Note 4)	—	—	—	120.53	104.45	15	107.71
WAULT (Investment Properties), years	—	—	—	13.4	8.7	n.m.	11.2
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	700	717	-2	648	684	-5	676

(Note 1) FY 2015 includes one-time revenue of MSEK 60 in Q3 relating to mediation with Nordic Hospitality Group AS. (Note 2) Reclassification of The Hub Hotel & Livingroom in June 2015, Lillehammer Hotel in June 2015, Best Western Plus Hotel Prince Philip in October 2015, Thon Hotel Fagernes in January 2016, Thon Hotel Sørlandet in May 2016 and Meetingpoint Hafjell in September 2016 to Operator Activities. (Note 3) FY 2015 includes received tax compensation of MSEK 19 in Q3 and extra tax cost of MSEK -29 in Q4. (Note 4) The total number of shares outstanding before and after dilution is 150,000,000. (Note 5) After non-controlling interest.

*For a complete set of definitions please see page 28.

CEO comment

Strong cash flow and high returns

For the third quarter, Pandox is reporting 19 percent growth in net asset value, measured as growth in EPRA NAV adjusted for dividends, at annual rate. The growth in cash earnings was strong and supported by good growth in net operating income from Property Management as well as improved profitability in Operator Activities. Net operating income from Property Management and from Operator Activities increased by 9 percent and 5 percent respectively when adjusted for currency effects and comparable units.

The driving forces behind the growth in Property Management were a continued good hotel market in Finland, Denmark and Germany, and also a recovery in Norway. Growth in Sweden was unchanged, which is explained by a very strong comparison period in 2015. Operator Activities are reporting increased profitability supported by good development particularly in Germany, Denmark and Canada, but continued to be dragged down by negative development in Belgium as a result of the terrorist attack at the end of March. The hotel market in Brussels has gradually improved, but this has been more drawn out than expected because of a weak conference and leisure market. The negative effect of the terrorist attacks in Brussels on net operating income from Operator Activities is now estimated at just over MSEK 40 for full-year 2016 compared to full-year 2015.

Pandox's key markets grew at a faster rate than Europe

RevPAR increased by 2 percent in Europe in the third quarter, but with considerable variation between countries. Demand from the leisure segment was strong during the summer months, but many travellers chose different Mediterranean destinations to those that they usually choose because of the security situation.

In general, Pandox's markets were favoured by many conventions and exhibitions, as well as good demand from both the business and the leisure segment during the year. Overall, new capacity was limited – which was also positive for both growth and profitability. This pattern is particularly clear in Copenhagen, which increased RevPAR by 18 percent in the third quarter, driven by a combination of high occupancy and increased average prices. Helsinki (+11 percent) continued its positive trend and Oslo (+9 percent) experienced an upturn following a couple of weak quarters. In Stockholm growth was unchanged because of negative growth in September. The reason for this is two large conventions that took place in September the previous year. Underlying market development in Stockholm is good. In Germany, which had an intensive year as regards exhibitions and conventions, growth was 4 percent. Montreal increased RevPAR by a full 16 percent in the quarter, supported by a strong summer and around 1,000 rooms in the city being taken out of operation for renovation.

Acquisition in Brussels creates strategic space

At the beginning of October Pandox completed its acquisition of Hilton Grand Place in Brussels. The hotel has 224 rooms and a strong location close to the Grand Place and the central station in Brussels. The acquisition is industrially correct and offers good potential. It is a good example of how Pandox utilises its collective knowledge of hotel properties, the hotel market and hotel operations and lays the foundations for long-term growth in both cash earnings and portfolio value. Hilton Grand Place strengthens Pandox's position in one of Europe's most important meeting markets, as well as providing greater strategic flexibility within Brussels.

Good prospects to increase cash earnings even in an environment of lower growth

Growth in Pandox's key markets in the year to date has been somewhat stronger than expected, which is due to good demand from all Pandox's guest segments. Compared with Europe as a whole, growth has been significantly higher.

It is still too early to have a definitive view on how the hotel market will develop in 2017. The hotel business cycle usually follows global economic development and is additionally affected by a number of specific growth factors, such as increased disposable income and a growing global middle class. The outlook for international tourism and regional travel is positive in the long term, but since Pandox's key markets are facing more challenging comparison quarters it is reasonable to assume that growth will be lower.

However, Pandox sees good opportunities to increase cash earnings even in an environment of lower growth. There are several reasons for this: (1) A high quality hotel property portfolio. (2) Significant pipeline with approved investments with good potential returns in existing portfolio. (3) Good prospects of improved profitability in Operator Activities. (4) Opportunities for supplementary acquisitions. Finally, I would like to remind people that Pandox's business model is tried and tested, and that we have shown that we can generate good returns even in periods of lower market growth.

18%

Growth in cash earnings¹

19%

Growth in net asset value annual rate²

¹Growth in Q3 2016 adjusted for one-time revenue of MSEK 60 and received tax compensation of MSEK 19 in Q3 2015.

²Measured as growth in EPRA NAV, with dividends added back at annual rate.

"In the third quarter, Pandox is reporting a increase in cash earnings in the third quarter, supported by good growth in net operating income from Property Management as well as improved profitability in Operator Activities."



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, which creates business opportunities across the hotel value chain.

Long leases with well-known tenants

At the end of the third quarter 2016, Pandox's hotel property portfolio, after combination of Excelsior and Mayfair in Copenhagen, comprised 112 hotels with a total of 24,265 hotel rooms in eight countries, with a market value of MSEK 33,098. 91 hotels 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 13.4 years. The remaining 21 hotels were owned and operated by Pandox.

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

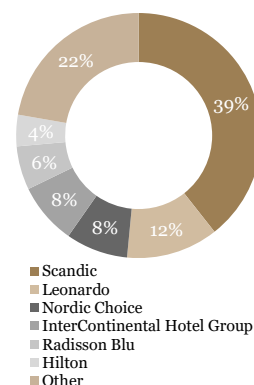
Pandox's value drivers

- 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.
- Organic growth from refurbishment and repositioning of hotels.
- Attractive yield and resilient cash flow generation.
- Active ownership, which creates value and 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 pay-out 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. For 2015 the dividend was SEK 3.80 per share representing slightly more than 50 percent of cash earnings.
- Capital structure – Pandox will target a debt ratio (loan-to-value²) between 45 and 60 percent, depending on the market environment and prevailing opportunities. By the end of the third quarter the loan-to-value ratio was 47.0 percent.

Rooms per brand
30 September, 2016



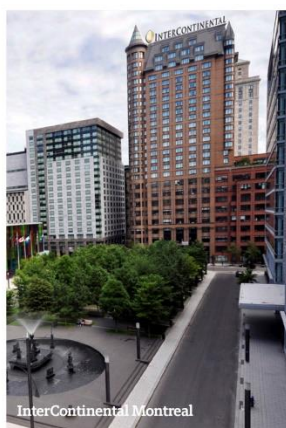
¹ Defined as EBITDA plus financial income less financial cost less current tax.

² Defined as interest bearing liabilities as a percentage of the properties' market value at the end of the period.

Value-adding business model



We own and lease
hotel properties



We own and
operate hotels



We manage hotel proper-
ties owned by others



Hotel market development July–September 2016

Stable market development, but with large underlying movements

The hotel markets in both North America and Europe generally developed well in the third quarter. Good demand was noted from the leisure segment during the summer months. In Europe, Spain and Portugal were among the countries favoured by strong incoming traffic from tourists who chose not to travel to countries such as Turkey and France in view of political uncertainty and the security situation. Overall, RevPAR (revenue per available room) increased in Europe by 2 percent in the third quarter, due to somewhat reduced occupancy and a 2 percent increase in average prices.

Strong growth in several important hotel markets

RevPAR development quarterly change (in local currency)

	FY 2013	FY 2014	FY 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016
USA	5%	8%	6%	6%	5%	3%	3%	3%
New York ¹	4%	3%	-2%	1%	-2%	-1%	-3%	-2%
Montreal	6%	10%	7%	5%	6%	5%	1%	16%
Europe	2%	6%	7%	10%	6%	3%	3%	2%
London ¹	1%	3%	2%	5%	1%	-4%	-3%	1%
Brussels	2%	3%	2%	13%	-10%	-8%	-29%	-26%
Berlin	0%	5%	8%	7%	7%	6%	0%	6%
Frankfurt	5%	-2%	9%	16%	1%	4%	3%	-9%
Stockholm	0%	2%	9%	23%	11%	4%	20%	0%
Oslo	4%	1%	8%	10%	7%	2%	0%	9%
Helsinki	-5%	2%	2%	6%	6%	6%	12%	11%
Copenhagen	6%	4%	11%	12%	14%	3%	15%	18%

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.

US at peak levels, strong development in Canada

In the US and Canada, RevPAR increased by 3 and 8 percent respectively in the third quarter. In the US, growth has entered a calmer phase as a result of lower growth in demand, while at the same time supply has increased after several years of relatively limited additional capacity. The US is close to the peak of the hotel cycle and growth is now being driven solely by higher average prices. Montreal had a strong third quarter (+16 percent), which is explained by both good demand and a positive average price trend during the summer. The market was also affected by around 1,000 available rooms in the city temporarily taken out of production.

Europe stable, exceptionally strong convention and exhibition calendar in Germany

The hotel markets in Europe as a whole developed in a positive direction in the quarter and RevPAR increased by 2 percent. However, growth continued to be negatively affected by weak development in France and Belgium, where the security situation impacted demand negatively – particularly in the leisure segment. Growth in the German market amounted to 4 percent for the quarter and to 5 percent for the period January to September. Conventions and exhibitions are important growth drivers for many cities in the German hotel market. 2016 has been exceptionally strong in this regard, which has made a significant impression on RevPAR. In Düsseldorf, where Pandox has three hotels, RevPAR increased by nearly 20 percent during the first nine months of the year.

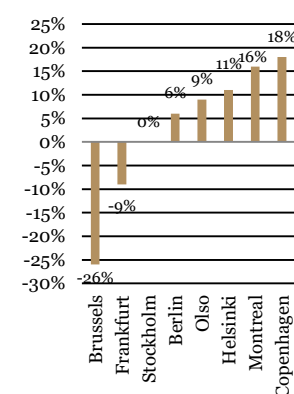
Strong quarter in the Nordics

With the exception of Stockholm, all the Nordic capitals demonstrated a high level of growth. Helsinki continued its positive trend, supported by good demand from the Asian market and a strong average price trend. Pandox expects the opening of two large new hotels in October 2016 to reduce growth in a short-term perspective. Oslo experienced an upturn following a couple of weak quarters, supported by increased domestic demand as well as a weaker Norwegian krona, resulting in increased demand from the international market. In Stockholm growth was negative in September, which resulted in unchanged RevPAR for the third quarter as a whole. The reason for this is two large conventions that took place in September the previous year. The underlying trend in Stockholm remains good. Copenhagen showed continued strength, supported by – among other things – a record-breaking year in terms of conventions and exhibitions. The RevPAR increase in Copenhagen in the third quarter is mainly explained by increased average prices.

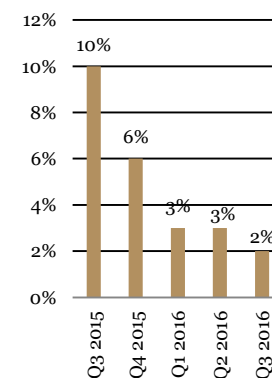
2%

RevPAR growth in Europe Q3

High growth in general
RevPAR growth Q3 2016



Europe remains stable
RevPAR growth by quarter



Financial development July–September 2016

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2015 for balance sheet items, unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 479 (458), an increase of 5 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 20 percent, driven by both acquired and organic growth in the lease portfolio. Adjusted for currency effects and comparable units, revenue increased by 7 percent.

Revenue from Operator Activities amounted to MSEK 561 (534), an increase of 5 percent. Adjusted for currency effects and comparable units, revenue and RevPAR each decreased by 2 percent.

The Group's net sales amounted to MSEK 1,040 (992). Adjusted for currency effects and comparable units, net sales increased by 2 percent.

Net operating income

Net operating income from Property Management amounted to MSEK 409 (403), an increase of 1 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 19 percent. Adjusted for currency effects and comparable units, net operating income increased by 9 percent, which is due to consistently good development in the hotel property portfolio.

Net operating income from Operator Activities amounted to MSEK 130 (115), an increase of 13 percent. Adjusted for currency effects and comparable units, net operating income increased by 5 percent.

Total net operating income amounted to MSEK 539 (518), an increase of 4 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 18 percent.

Administration costs

Central administration costs amounted to MSEK -27 (-23). The increase is mainly explained by costs for incentive schemes for senior executives and costs associated with being a listed company.

EBITDA

EBITDA amounted to MSEK 512 (495), an increase of 3 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 18 percent, driven by good development of net operating income from Property Management and improved profitability in Operator Activities.

Financial income and expenses

Financial expenses amounted to MSEK -114 (-106) and financial income to MSEK 0 (1).

Profit before changes in value

Profit before changes in value amounted to MSEK 363 (355), an increase of 2 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 23 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 369 (232). This remains explained by a combination of lower yield compression and thereby lower discount rates in the valuation of Investment Properties, and by improved underlying cash flows in Pandox's property portfolio.

Changes in the value of derivatives amounted to MSEK 24 (-73).

Current and deferred tax

Current tax amounted to MSEK -12 (17). The increase is explained by higher profits in Germany after the acquisition of 18 hotel properties. Received tax compensation of MSEK 19 is included in the third quarter 2015. Deferred tax expense amounted to MSEK -152 (-106),

Profit for the period

Profit for the period amounted to MSEK 592 (425) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 589 (425), which represents SEK 3.93 (2.83) per share after full dilution.

Cash earnings

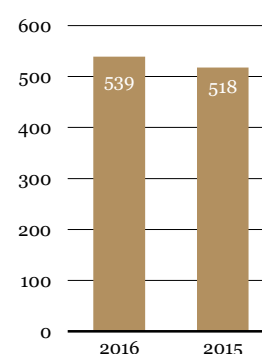
Cash earnings amounted to MSEK 386 (407), a decrease of 5 percent. Adjusted for one-time revenue of MSEK 60 and received tax compensation of MSEK 19 in the comparable period in 2015, the increase was 18 percent.

19%

**NOI increase
Property
Management Q3***

*Adjusted for one-time revenue of MSEK 60 in Q3 2015.

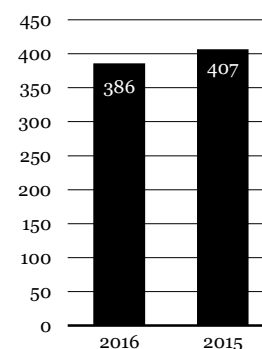
Total net operating
income, MSEK
(July–September)^{1,2}



¹18 hotel properties included from 1 January 2016.

²Includes one-time revenue of MSEK 60 in Q3 2015.

Cash earnings, MSEK
(July–September)^{1,2}



¹18 hotel properties in Germany are included from 1 January 2016.

²Includes one-time revenue of MSEK 60 and received tax compensation of MSEK 19 in Q3 2015.

Financial development January–September 2016

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2015 for balance sheet items, unless otherwise indicated.

Net sales

Revenue from Property Management amounted to MSEK 1,329 (1,178), an increase of 13 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 19 percent. Adjusted for currency effects and comparable units, revenue increased by 6 percent.

Revenue from Operator Activities amounted to MSEK 1,539 (1,510). Adjusted for currency effects and comparable units, revenue decreased by 4 percent and RevPAR by 5 percent.

The Group's net sales amounted to MSEK 2,868 (2,688) in total, an increase of 7 percent. Adjusted for currency effects and comparable units, the increase was 1 percent.

Net operating income

Net operating income from Property Management amounted to MSEK 1,127 (974), an increase of 16 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 23 percent. Adjusted for currency effects and comparable units, net operating income increased by 8 percent. The increase is explained by strong development in the majority of Pandox's lease portfolio, as well as lower expenses.

Net operating income from Operator Activities amounted to MSEK 309 (312), a decrease of 1 percent. Adjusted for currency effects and comparable units, net operating income increased by 6 percent. The negative effect of the terrorist attacks in Brussels on net operating income amounted to around MSEK 48 compared with the same period last year.

Total net operating income amounted to MSEK 1,436 (1,286), an increase of 12 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 17 percent.

Administration costs

Central administration costs amounted to MSEK -83 (-64). The increase is mainly explained by higher employee costs relating to the new functions required for listed companies, costs for incentive schemes for senior executives and some non-recurring costs for external consulting services that were incurred in the second quarter.

EBITDA

EBITDA amounted to MSEK 1,353 (1,222), an increase of 11 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, the increase was 16 percent, driven by higher net operating income from Property Management and somewhat improved profitability in Operator Activities.

Financial income and expenses

Financial expenses amounted to MSEK -341 (-335) and financial income to MSEK 1 (2).

Profit before changes in value

Profit before changes in value amounted to MSEK 905 (791), an increase of 14 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 888 (903). This remains explained by lower yield compression and thereby lower discount rates in the valuation of Investment Properties, and by improved underlying cash flows in Pandox's property portfolio. Realised changes in value for Investment Properties amounted to MSEK 159 (8) and are attributable to the divestment of eight hotel properties in Sweden, which was completed on 31 March 2016.

Changes in the value of derivatives amounted to MSEK -155 (110).

Current and deferred tax

Current tax amounted to MSEK -38 (7). The increase is explained by higher profits in Germany after the acquisition of 18 hotel properties. Received tax compensation of MSEK 19 is included in the comparable period for 2015. Deferred tax expense amounted to MSEK -317 (-369).

Profit for the period

Profit for the period amounted to MSEK 1,442 (1,450) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 1,434 (1,450), which represents SEK 9.56 (9.67) per share after full dilution.

Cash earnings

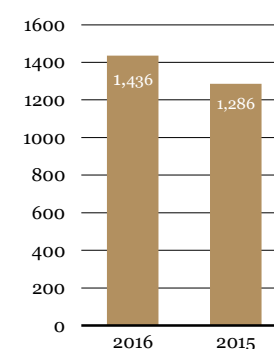
Cash earnings amounted to MSEK 975 (896), an increase of 9 percent. Adjusted for one-time revenue of MSEK 60 and received tax compensation of MSEK 19 in the comparable period in 2015, the increase was 19 percent.

23%

**NOI increase
Property
Management Q1-3***

*Adjusted for one-time revenue of MSEK 60 in Q3 2015.

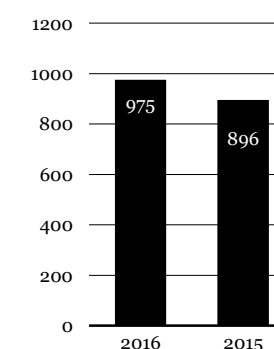
Total net operating
income, MSEK
(January–September)^{1,2}



¹18 hotel properties included from 1 January 2016.

²Includes one-time revenue of MSEK 60 in Q3 2015.

Cash earnings, MSEK
(January–September)^{1,2}



¹18 hotel properties in Germany are included from 1 January 2016.

²Includes one-time revenue of MSEK 60 and received tax compensation of MSEK 19 in Q3 2015.

Segment reporting

The analysis below refers to the period July-September 2016 compared with the period July-September 2015.

Summary of segments

MSEK	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
Total gross profit	504	483	1,328	1,188	1,559
– whereof gross profit Property Management	409	403	1,127	974	1,280
– whereof gross profit Operator Activities	95	80	201	214	279
Net operating income Property Management					
– Net operating income equals gross profit	409	403	1,127	974	1,280
Net operating income Operator Activities					
– Gross profit	95	80	201	214	279
– Add: Depreciation included in costs, Operator Activities ¹	35	35	108	98	137
– Net operating income Operator Activities	130	115	309	312	416
Total net operating income	539	518	1,436	1,286	1,696
Central administration, excluding depreciation ¹	-27	-23	-83	-64	-93
EBITDA	512	495	1,353	1,222	1,603

¹ Total depreciation for Operator Activities and central administration amounts to: MSEK 35 (Q3 2016), MSEK 35 (Q3 2015), MSEK 138 (FY 2015).

Property Management

Investment Properties: MSEK 25,792 representing 78 percent of total property market value

Net operating income Property Management

MSEK	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
Rental income	459	389	1,284	1,080	1,431
Other property income	20	69	45	98	112
Costs, excluding property administration	-50	-36	-144	-153	-197
Net operating income, before property administration	429	422	1,185	1,025	1,346
Property administration	-20	-19	-58	-51	-66
Gross profit	409	403	1,127	974	1,280
Net operating income, after property administration	409	403	1,127	974	1,280

Rental income and other property income amounted to MSEK 479 (458) and net operating income to MSEK 409 (403).

Adjusted for one-time revenue of MSEK 60 in the comparable period in 2015, rental income and net operating income increased by 20 percent and 19 percent respectively.

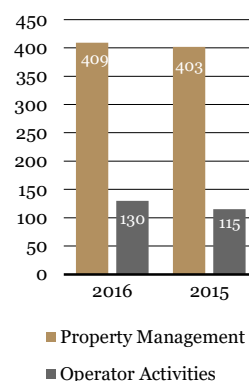
Adjusted for currency effects and comparable units, total rental income and net operating income increased by 7 percent and 9 percent respectively.

The development in comparable lease portfolio remained positive, driven by good growth in all Pandox's lease markets. In general, demand during the year and the period was driven by a high proportion of conventions and exhibitions and an active leisure segment. Overall, new capacity was relatively limited – which was also a positive factor. Denmark, Finland and Norway saw the highest rent growth in the quarter, while Sweden grew more slowly as a result of an exceptionally strong third quarter in 2015. Helsinki continued to be favoured by a high level of travel from Asia. Oslo also developed better than expected. Germany continued to perform strongly and the 18 hotel properties in Germany consolidated since the start of the year increased RevPAR by 9 percent in the nine-month period, as compared with around 5 percent for Germany as a whole.

On 30 September 2016 Investment Properties had a weighted average unexpired lease term (WAULT) of 13.4 years (31 December 2015: 11.2).

Revenue for the quarter from the eight external asset management agreements in Oslo amounted to MSEK 1 (1).

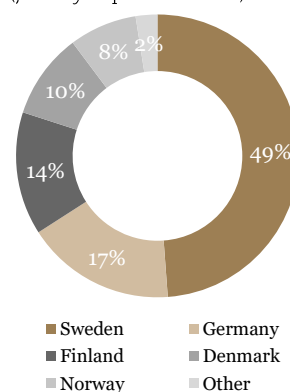
Net operating income
by segment, MSEK
(July-September)^{1,2}



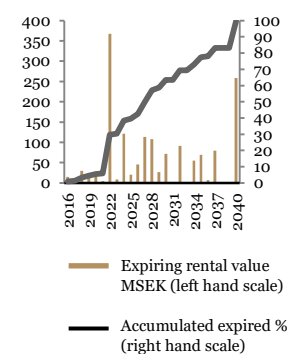
¹ 18 hotel properties included from 1 January 2016.

² Includes one-time revenue of MSEK 60 in Q3 2015.

Income by country
Property Management, %
(January-September 2016)



Lease maturity profile
(30 September 2016)



Operator Activities

Operating Properties: MSEK 7,306, representing 22 percent of total property market value

Net operating income Operator Activities

MSEK	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
Revenues	561	534	1,539	1,510	2,046
Costs	-466	-454	-1,338	-1,296	-1,767
Gross profit	95	80	201	214	279
Add: Depreciation included in costs	35	35	108	98	137
Net operating income	130	115	309	312	416

Revenue from Operator Activities amounted to MSEK 561 (534) and net operating income amounted to MSEK 130 (115), an increase of 5 percent and 13 percent respectively. The net operating margin improved to 23.2 (21.5) percent.

Adjusted for currency effects and comparable units, revenue decreased by 2 percent while net operating income increased by 5 percent.

The terrorist attacks in Brussels at the end of March had a negative impact on net operating income equivalent to around MSEK 13 for the quarter, compared with the same period last year. A recovery is under way in Brussels, but this has been more drawn out than expected. The negative effect of the terrorist attacks in Brussels on net operating income from Operator Activities is now estimated at just over MSEK 40 for full-year 2016 compared to full-year 2015.

Apart from Brussels, the Group's own hotels in Germany, Denmark and Canada performed well in their respective sub-markets. Recently reclassified hotels in Norway and Sweden also made a positive contribution to profits. The quarter saw the opening of the newly renovated The Hub Hotel & Livingroom in Kista just outside Stockholm, formerly Mr Chip Hotel, a hotel concept aimed at active business and leisure travellers.

Adjusted for currency effects and comparable units, RevPAR was decreased by 2 percent, which is entirely explained by development in Brussels. Pandox's hotel portfolio in Brussels is weighted towards the conference segment, which has seen a somewhat greater decrease in RevPAR than the market as a whole.

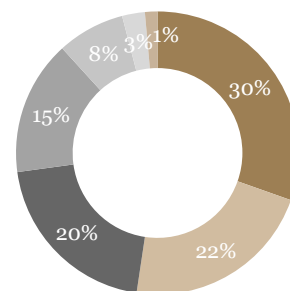
Revenues from Grand Hotel Oslo, which Pandox operates but where it does not own the property and thus has a lower operating margin, amounted to MSEK 48 (57) and net operating income was MSEK 0 (2). The hotel has seen a strong increase in guests since renovations were carried out.

Adjusted for Grand Hotel Oslo, the net operating margin for Operator Activities was 25.3 (23.7) percent.



The Hub Hotel & Livingroom, Kista (formerly Mr Chip Hotel)

Revenue by country
Operator Activities, %
(January–September 2016)



■ Belgium ■ Canada
■ Germany ■ Norway
■ Denmark ■ Sweden
■ Finland

Pandox's own brands
(30 September 2016)



The Hotel.
BRUSSELS



hotelbloom!
Brussels

HOTELLI KORPILAMPI



Property portfolio

Change in property values

At the end of the period Pandox's property portfolio had a total market value of MSEK 33,098 (31,437), of which Investment Properties accounted for MSEK 25,792 (25,062) and Operating Properties for MSEK 7,306 (6,375). The market value of Operating Properties is reported for information purposes only and is included in EPRA NAV. The takeover of operations and reclassification of Thon Hotel Fagernes was implemented 1 January 2016, Thon Hotel Sørlandet 28 May 2016 and Meetingpoint Hafjell 1 September 2016. Operating Properties are recognised at cost less depreciation and any impairment. At the end of the period the carrying amount of the Operating Properties portfolio was MSEK 5,831 (5,128). The increase is mainly a result of the reclassification of Thon Hotel Fagernes, Thon Hotel Sørlandet, Meetingpoint Hafjell and currency fluctuations.

Change in value Investment properties

	MSEK
Investment properties, beginning of the period (January 1, 2016)	25,062
+ Acquisitions	—
+ Investments	106
- Divestments ¹	-887
+/- Reclassifications	-295
+/- Unrealised changes in value	888
+/- Realised changes in value ¹	159
+/- Change in currency exchange rates	759
Investment properties, end of period (September 30, 2016)	25,792

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

	MSEK
Operating properties, market value beginning of the period (January 1, 2016)	6,375
+ Acquisitions	—
+ Investments	140
- Divestments	—
+/- Reclassifications	295
+/- Unrealised changes in value	91
+/- Realised changes in value	—
+/- Change in currency exchange rates	405
Operating properties, market value end of period (September 30, 2016)	7,306

¹ Refers to divestment of eight investment properties 31 March 2016.

Investments

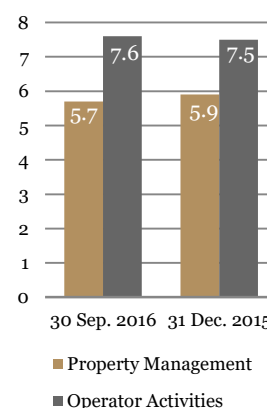
During the period January-September 2016, investments in the existing portfolio during the interim period, excluding acquisitions, amounted to MSEK 246 (234), of which MSEK 106 (134) in Investment Properties and MSEK 140 (100) in Operating Properties. At the end of the period, investments for future projects equivalent to around MSEK 995 were approved, of which major projects include Leonardo Wolfsburg City, Hotel Berlin, Berlin, Elite Park Avenue Gothenburg, Elite Stora Hotellet in Jönköping, Hyatt Regency Montreal, InterContinental Montreal, Lillehammer Hotel, Hilton Grand Place Brussels as well as the new investment programme with Scandic Hotels for 19 hotels in the Nordic region.

Sensitivity analysis (MSEK)

Financial effects of changes in certain key valuation parameters as of September 30, 2016:

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-2,083 / +2,484
Change in currency exchange rates	+/- 1%	+/- 128
Net operating income	+/- 1%	+/- 255
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%	+/- 18
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging of our portfolio, change in interest rates	+/- 1%	-/+ 68
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 155
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 347

Average valuation yield, % (30 September 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 and is included in EPRA NAV.

The valuation model consists of an accepted and proven cash flow model, where the future cash flows the hotel properties are expected to generate are discounted. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year and takes into consideration, among other things, developments in the underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximizing the hotel property's cash flow and return in the long term.

External valuations of all properties are carried out annually by independent property appraisers. The external appraisers complete a more in-depth inspection at least every three years or in conjunction with major changes to the properties. The external valuations provide an important reference point for Pandox's internal valuations.

In the third quarter Pandox had external valuations performed on a quarter of the properties in its portfolio. The external valuation results are in line with and confirm Pandox's internal valuations.

For an overview of the property portfolio by segment, geography and brand, please see page 25.

Financing

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2015 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 47.0 percent (49.5). Equity attributable to the Parent Company's shareholders amounted to MSEK 13,291 (12,092) and EPRA NAV (net asset value) was MSEK 18,079 (16,156). EPRA NAV per share was SEK 120.53 (107.71). Cash and cash equivalents plus unutilised long-term credit facilities, amounted to MSEK 2,801 (1,561).

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 15,547 (15,546). The average fixed rate period was 2.2 (2.6) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.7 (2.8) percent including effects of interest-rate swaps. The average repayment period was 2.8 (3.4) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Unutilised long-term credit facilities amounted to MSEK 2,301 (1,391).

In order to manage interest rate risk and increase the predictability of Pandox's earnings streams, interest rate derivatives, mainly interest rate swaps, are used. At the end of the period Pandox had interest rate swaps amounting to MSEK 8,001, of which approximately 47 percent of Pandox's loan portfolio was hedged against interest rate movements for periods longer than one year.

Interest maturity profile

(MSEK)	Interest maturity				Interest rate swaps		
	Loans	Interest swaps	Amount	Share	Volume	Share	Average interest swaps ¹
< 1 year	15,547	-7,240	8,307	53%	761	10%	3.5%
1-2 year	—	926	926	6%	926	12%	3.3%
2-3 year	—	246	246	2%	246	3%	2.2%
3-4 year	—	1,917	1,917	12%	1,917	24%	2.8%
4-5 year	—	1,000	1,000	6%	1,000	12%	2.4%
> 5 year	—	3,151	3,151	20%	3,151	39%	2.2%
Total/net/average	15,547	0	15,547	100%	8,001	100%	2.6%

¹ Excluding bank margin.

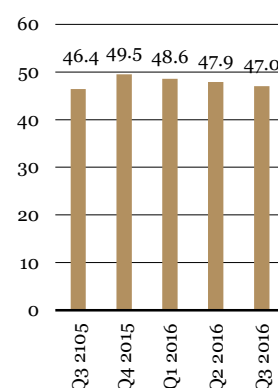
In order to reduce the currency exposure in foreign investment Pandox's main objective is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox strategy is to have a long investment perspective. Currency effects are largely in form of translation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

Interest maturity profile by currency

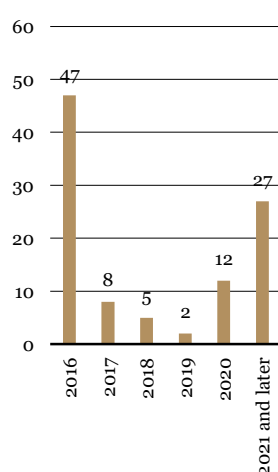
Year due (MSEK) ¹	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share %	Interest % ²
2016	581	549	4,672	216	229	1,003	7,250	47	2.9
2017	400	—	501	—	192	187	1,280	8	2.7
2018	250	—	241	—	—	213	704	5	3.1
2019	125	—	120	—	—	—	245	2	2.5
2020	900	155	862	—	—	—	1,917	12	2.7
2021 and later	2,700	517	934	—	—	—	4,151	27	2.3
Total	4,956	1,221	7,330	216	421	1,403	15,547	100	2.7
Share, %	31.9	7.9	47.1	1.4	2.7	9.0	100	—	—
Average interest rate, %	3.4	2.2	2.2	0.8	3.5	3.2	2.7	—	—
Average interest rate period, years	4.0	3.0	1.4	0.1	0.4	0.4	2.2	—	—
Property market value	13,293	2,939	12,109	744	907	3,106	33,098	—	—

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

Loan-to-value per quarter, %



Interest maturity per year, %



Pandox uses interest rate derivatives to achieve a desired interest maturity profile. The market value of the derivatives portfolio is measured on each closing date, with the change in value recognised in profit or loss. Upon maturing, the market value of a derivative contract is dissolved entirely and the change in value over time thus does not affect equity.

On 30 September 2016 the market value of Pandox's financial derivatives amounted to MSEK -852 (-703). The change is mainly explained by a decrease in the market interest rate relative to the fixed interest rate in the interest swap contract.

Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity ²	Interest, loans ¹	Net interest, interest swaps, negative value ¹	Total
2016	796	5	3	8
2017	242	3	29	31
2018	4,753	39	22	61
2019	6,092	84	7	91
2020	2,357	35	60	96
2021 and later	1,307	18	114	132
Total	15,547	184	234	418

¹ Calculation based on ending balance as of September 30, 2016 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.

² Excluding current amortisation.

The refinancing process for loans of MSEK 796 that mature in December 2016 is ongoing and will be completed in the fourth quarter 2016.

Deferred tax

At the end of the period deferred tax assets amounted to MSEK 772 (800). These represent tax loss carryforwards which the company expects to be able to use in upcoming fiscal years, and temporary measurement differences for interest rate derivatives.

Deferred tax liabilities amounted to MSEK 2,660 (2,281) and relate to temporary differences between fair value and the taxable value of Investment Properties, as well as temporary differences between acquisition cost and the taxable value of Operating Properties.

Other information

Press releases during the period

25 July 2016	Invitation to presentation of interim report January–June 2016.
18 August 2016	Interim report January–June 2016.
6 September 2016	Nomination committee for the AGM 2017.
21 September 2016	Pandox acquires Hilton Grand Place Brussels for MEUR 55.
22 September 2016	Invitation to Pandox Hotel Market Day 2016.

Press releases after the period

10 October 2016	Pandox has completed the acquisition of Hilton Grand Place Brussels.
17 October 2016	Invitation to presentation of interim report January–September 2016.
1 November 2016	Pandox appoints Karmen Bergholcs as General Counsel.

To read the full press releases, see www.pandox.se.

Significant events after the end of the period

Pandox acquired Hilton Grand Place Brussels for the equivalent of approximately MSEK 525, 10 October.

Employees

As of 30 September 2016, Pandox had the equivalent of 1,455 (1,470) full-time employees. Of the total number of employees, 1,423 (1,444) are employed in the Operator Activities segment and 32 (26) in the Property Management segment and in central administration.

Parent Company

Activities in the Pandox's property owning companies are administered by staff employed by the Parent Company, Pandox AB (publ). The costs of these services are invoiced to Pandox's subsidiaries. Invoicing during the period January–September amounted to MSEK 45 (41), and the profit for the period amounted to MSEK 188 (477).

At the end of the period the Parent Company's shareholders' equity amounted to MSEK 2,459 (2,841) and interest bearing debt of MSEK 5,124 (5,810), of which MSEK 4,250 (4,087) 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 administration cost and interest relating to receivables and liabilities. All related party transactions are entered into on market terms.

Pandox has entered into nine asset management agreements, regarding eight hotels located in Oslo and the Pelican Bay Lucaya resort in the Grand Bahama Island, which are owned by Eiendomsspar AS, subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. During the third quarter revenue from the asset management agreements amounted to MSEK 1 (1), and revenue from Pelican Bay Lucaya amounted to MSEK 0.1 (0.3).

As of March 1, 2015, Pandox operates Grand Hotel Oslo under a long-term lease agreement with the property owner Eiendomsspar AS. During the third quarter rental payments for Grand Hotel Oslo amounted to MSEK 13 (15).

Alternative performance measurements

Pandox applies the European Securities and Market Authority's (ESMA) guidelines for Alternative Performance Measurements. The guidelines aim at making alternative Performance Measurements in financial reports more understandable, trustworthy and comparable and thereby enhance their usability. According to these guidelines, an Alternative Performance Measurement is a financial key ratio of past or future earnings development, financial position, financial result or cash flows which are not defined or mentioned in current legislation for financial reporting; IFRS and the Swedish Annual Accounts Act. The guidelines are mandatory for financial reports published after 3 July, 2016. Reconciliations of Alternative Performance Measurements are available on pages 21–22.

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 rates on a certain part of its debt portfolio.

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.

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 travellers, 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 reg. no. 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

Interim Report, Q3, July–September 2016	10 November 2016
Pandox Hotel Market Day	22 November 2016
Year-End Report 2016	16 February 2017
Interim Report, Q1, January–March 2017	4 May 2017

More information about Pandox and our 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, 10 November 09:00 CET.

To follow the presentation online go to <http://media.fronto.com/cloud/pandox/161110>. 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.

SE: +46 (0)8 503 36 434
UK LocalCall: 08444933800
US LocalCall: 16315107498
Conference ID: 96559464

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

Contact persons

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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, 9 November, 2016

Christian Ringnes
Chairman

Leiv Askvig
Board member

Olaf Gauslå
Board member

Bengt Kjell
Board member

Ann-Sofi Danielsson
Board member

Helene Sundt
Board member

Mats Wäppling
Board member

Anders Nissen
Chief Executive Officer

This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 CET on 10 November 2016.

Review report

To the Board of Directors of Pandox AB (publ).

Corporate reg. no. 556030-7885

Introduction

We have reviewed the summary interim financial information (interim report) of Pandox AB (publ) as of 30 September 2016 and the nine-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report, based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 9 November, 2016

Per Gustafsson
Authorized Public Accountant

Willard Möller
Authorized Public Accountant

Summary of financial reports

Condensed consolidated statement of comprehensive income

MSEK	Note	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
Revenues Property Management						
Rental income	2	459	389	1,284	1,080	1,431
Other property income		20	69	45	98	112
Revenue Operator Activities	2	561	534	1,539	1,510	2,046
Total revenues		1,040	992	2,868	2,688	3,589
Costs Property Management	2	-70	-55	-202	-204	-263
Costs Operator Activities	2	-466	-454	-1,338	-1,296	-1,767
Gross profit		504	483	1,328	1,188	1,559
- whereof gross profit Property Management	2	409	403	1,127	974	1,280
- whereof gross profit Operator Activities	2	95	80	201	214	279
Central administration		-27	-23	-83	-64	-94
Financial income		0	1	1	2	3
Financial expenses		-114	-106	-341	-335	-441
Profit before changes in value		363	355	905	791	1,027
Changes in value						
Properties, unrealised	2	369	232	888	903	1,387
Properties, realised	2	—	—	159	8	12
Derivatives, unrealised		24	-73	-155	110	203
Profit before tax		756	514	1,797	1,812	2,629
Current tax		-12	17	-38	7	-35
Deferred tax		-152	-106	-317	-369	-463
Profit for the period		592	425	1,442	1,450	2,131
Other comprehensive income						
Items that have been or may be classified to profit or loss						
Translation differences foreign operations		108	37	341	-156	-287
Translation differences realisation of foreign operations		—	—	—	—	-4
Other comprehensive income for the period		108	37	341	-156	-291
Total comprehensive income for the period		700	462	1,783	1,294	1,840
Profit for the period attributable to the shareholders of the parent company		589	425	1,434	1,450	2,131
Profit for the period attributable to non-controlling interests		3	—	8	—	—
Total comprehensive income for the period attributable to the shareholders of the parent company		694	462	1,769	1,294	1,840
Total comprehensive income for the period attributable to non-controlling interests		6	—	14	—	—
Earnings per share, before and after dilution, SEK		3.93	2.83	9.56	9.67	14.21

Condensed consolidated statement of financial position

MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
ASSETS			
Non-current assets			
Operating properties	5,490	4,693	4,747
Equipment and interiors	341	407	381
Investment properties	25,792	21,187	24,335
Deferred tax assets	772	865	800
Other non-current receivables	21	25	25
Total non-current assets	32,416	27,177	30,288
Current assets			
Inventories	17	16	14
Current tax assets	18	50	64
Trade account receivables	236	239	173
Prepaid expenses and accrued income	245	118	109
Other current receivables	15	13	70
Cash and cash equivalents	500	636	170
Assets held for sale	—	151	732
Total current assets	1,031	1,223	1,332
Total assets	33,447	28,400	31,620
EQUITY AND LIABILITIES			
Equity			
Share capital	375	375	375
Other paid-in capital	2,138	2,138	2,138
Reserves	-73	-273	-408
Retained earnings, including profit for the period	10,851	9,306	9,987
Equity attributable to the owners of the Parent Company	13,291	11,546	12,092
Non-controlling interests	137	—	123
Sum equity	13,428	11,546	12,215
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities ¹	14,281	12,409	13,720
Derivatives ²	852	790	703
Provisions	88	37	56
Deferred tax liability	2,660	2,310	2,281
Total non-current liabilities	17,881	15,546	16,760
Current liabilities			
Provisions	4	18	12
Interest-bearing liabilities ¹	1,266	452	1,826
Tax liabilities	10	—	2
Current liabilities	166	171	212
Other current liabilities	177	129	99
Accrued expenses and prepaid income	515	523	482
Debt related to assets held for sale	—	15	12
Total current liabilities	2,138	1,308	2,645
Total liabilities	20,019	16,854	19,405
Total equity and liabilities	33,447	28,400	31,620

¹The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values.²The 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.

Condensed consolidated statement of changes in equity

Attributable to the owners of the parent company							
MSEK	Share capital	Other paid in capital	Translation reserves	Retained earnings, incl profit for the period	Total	Non-controlling interests	Total equity
Opening balance equity January 1, 2015	375	2,138	-117	8,006	10,402	—	10,402
Profit for the period, Q1-3 2015	—	—	—	1,450	1,450	—	1,450
Other comprehensive income, Q1-3 2015	—	—	-156	—	-156	—	-156
Dividend, May 2015	—	—	—	-150	-150	—	-150
Closing balance equity September 30, 2015	375	2,138	-273	9,306	11,546	—	11,546
Profit for the period, Q4 2015	—	—	—	681	681	—	681
Other comprehensive income, Q4 2015	—	—	-135	—	-135	—	-135
Change in non-controlling interests	—	—	—	—	—	123	123
Closing balance equity December 31, 2015	375	2,138	-408	9,987	12,092	123	12,215
Opening balance equity January 1, 2016	375	2,138	-408	9,987	12,092	123	12,215
Profit for the period, Q1-3 2016	—	—	—	1,434	1,434	8	1,442
Other comprehensive income, Q1-3 2016	—	—	335	—	335	6	341
Dividend, May 2016	—	—	—	-570	-570	—	-570
Closing balance equity September 30, 2016	375	2,138	-73	10,851	13,291	137	13,428

Condensed consolidated statement of cash flow

MSEK	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
OPERATING ACTIVITIES					
Profit before tax	756	514	1,797	1,812	2,629
Reversal of depreciation	35	35	108	98	137
Changes in value, Investment properties, realised	—	—	-159	-8	-12
Changes in value, Investment properties, unrealised	-369	-232	-888	-903	-1,387
Changes in value, derivatives, unrealised	-24	73	155	-110	-203
Other items not included in the cash flow	7	—	19	—	12
Taxes paid	-1	17	-10	7	-6
Cash flow from operating activities before changes in working capital	404	407	1,022	896	1,170
Increase/decrease in operating assets	-103	-21	-150	-121	-119
Increase/decrease in operating liabilities	26	22	25	-169	-187
Change in working capital	-77	1	-125	-290	-306
Cash flow from operating activities	327	408	897	606	864
INVESTING ACTIVITIES					
Investments in properties and fixed assets	-89	-68	-246	-234	-392
Divestment of subsidiaries, net effect on liquidity	—	—	843	—	124
Acquisitions of subsidiaries, net effect on liquidity	—	—	—	-8	-3,720
Acquisitions of financial assets	-1	—	-8	-1	-1
Divestment of financial assets	—	—	12	3	3
Cash flow from investing activities	-90	-68	601	-240	-3,986
FINANCING ACTIVITIES					
New loans	0	—	1,469	203	3,899
Amortization of debt	-109	53	-2,084	-99	-887
Acquisition of non-controlling interest	—	-19	—	—	123
Paid dividends	—	—	-570	-150	-150
Cash flow from financing activities	-109	34	-1,185	-46	2,985
Cash flow for the period	128	374	313	320	-137
Cash and cash equivalents at beginning of period	365	263	170	321	321
Exchange differences in cash and cash equivalents	7	-1	17	-5	-14
Cash and cash equivalents at end of period	500	636	500	636	170
Information regarding interest payments					
Interest received	0	1	1	2	3
Interest paid	-109	-104	-329	-329	-430
Information regarding cash and cash equivalents end of period	500	636	500	636	170
Cash and cash equivalents consist of bank deposits.					

Key ratios

RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS (MSEK)	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
Return on shareholders' equity, %					
Shareholders' equity attributable to the shareholders of the parent company, opening balance	—	—	11,546	10,473	10,402
Shareholders' equity attributable to the shareholders of the parent company, closing balance	—	—	13,291	11,546	12,092
Average shareholders' equity attributable to the shareholders of the parent company	—	—	12,419	11,010	11,247
Profit for the period	—	—	2,115	1,574	2,131
Return on shareholders' equity, %	—	—	17.0%	14.3%	18.9%
Equity to assets ratio, %					
Sum equity	—	—	13,428	11,546	12,215
Total assets	—	—	33,447	28,400	31,620
Equity to assets ratio, %	—	—	40.1%	40.7%	38.6%
Loan to value ratio, %					
Non-current interest bearing liabilities	—	—	14,281	12,409	13,720
Current interest bearing liabilities	—	—	1,266	452	1,826
Market value properties	—	—	33,098	27,712	31,437
Loan to value, %	—	—	47.0%	46.4%	49.5%
Interest cover ratio, times					
Profit before changes in value	363	355	905	791	1,027
Financial expenses	114	106	341	335	441
Depreciation	35	35	108	98	137
Interest cover ratio, times	4.5	4.7	4.0	3.7	3.6
Average interest on debt end of period, %					
Average interest expenses	—	—	418	411	428
Non-current interest bearing liabilities	—	—	14,281	12,409	13,720
Current interest bearing liabilities	—	—	1,266	452	1,826
Average interest on debt, end of period, %	—	—	2.7%	3.2%	2.8%
<i>See page 11-12 for a complete reconciliation</i>					
Net interest-bearing debt					
Non-current interest bearing liabilities	—	—	14,281	12,409	13,720
Current interest bearing liabilities	—	—	1,266	452	1,826
Cash and cash equivalents	—	—	-500	-636	-170
Net interest-bearing debt	—	—	15,047	12,225	15,376
Investments, excl. acquisitions	89	68	246	234	392
Net operating income, Property Management					
Rental income	459	389	1,284	1,080	1,431
Other property income	20	69	45	98	112
Costs, excl. property administration	-50	-36	-144	-153	-197
Net operating income, before property administration	429	422	1,185	1,025	1,346
Property administration	-20	-19	-58	-51	-66
Net operating profit, Property Management	409	403	1,127	974	1,280
Net operating profit, Operator Activities					
Revenues Operator Activities	561	534	1,539	1,510	2,046
Costs Operator Activities	-466	-454	-1,338	-1,296	-1,767
Gross profit	95	80	201	214	279
Add: Depreciation included in costs	35	35	108	98	137
Net operating profit, Operator Activities	130	115	309	312	416
EBITDA					
Gross profit from respective operating segment	504	483	1,328	1,188	1,559
Add: Depreciation included in costs Operator Activities	35	35	108	98	137
Less: Central administration, excluding depreciation	-27	-23	-83	-64	-93
EBITDA	512	495	1,353	1,222	1,603
Cash earnings					
EBITDA	512	495	1,353	1,222	1,603
Add: Financial income	0	1	1	2	3
Less: Financial cost	-114	-106	-341	-335	-441
Less: Current tax	-12	17	-38	7	-35
Cash earnings	386	407	975	896	1,130
EPRA NAV					
Equity attributable to the shareholders of the parent company	—	—	13,291	11,546	12,092
Add: Revaluation of Operating Properties	—	—	1,474	1,275	1,248
Add: Fair value of financial derivatives	—	—	852	790	703
Less: Deferred tax assets related to derivatives	—	—	-198	-190	-168
Add: Deferred tax liabilities related to properties	—	—	2,660	2,247	2,281
EPRA NAV	—	—	18,079	15,668	16,156
Growth in EPRA NAV, annual rate, %					
EPRA NAV attributable to the shareholders of the parent company, opening balance	—	—	15,668	13,449	13,816
EPRA NAV attributable to the shareholders of the parent company, opening balance	—	—	18,079	15,668	16,156
Dividend added back, current year	—	—	570	150	150
Growth in EPRA NAV, annual rate, %	—	—	19.0%	17.6%	18.0%

Key figures not defined according to IFRS

A number of the financial descriptions and measures in this interim report provide information about development and status of financial and per share measurements that are not defined in accordance with the IFRS (International Financial Reporting Standards). Adjoining alternative financial measurements provides useful supplementary information to investors and management, as they facilitate evaluation of company performance. Since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Hence, these financial measures should not be seen as a substitute for measures defined according to the IFRS. Unless otherwise stated, the table to the left presents measures, along with their reconciliation, which are not defined according to the IFRS. The definitions of these measures appear on page 28.

Key ratios continued

CONTINUED RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS PER SHARE ¹	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
Total comprehensive income per share, SEK					
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	694	462	1,769	1,294	1,840
Total comprehensive income per share, SEK	4.62	3.08	11.80	8.63	12.27
Cash earnings per share, SEK					
Cash earnings attributable to the shareholders of the parent company, MSEK	383	407	967	896	1,130
Cash earnings per share, SEK	2.55	2.71	6.45	5.97	7.53
Shareholders' equity per share, SEK					
Shareholders' equity attributable to the shareholders of the parent company, MSEK	—	—	13,291	11,546	12,092
Shareholders' equity per share, SEK	—	—	88.61	76.97	80.61
Net asset value (EPRA NAV) per share, SEK					
EPRA NAV, MSEK	—	—	18,079	15,668	16,156
Net asset value (EPRA NAV) per share, SEK	—	—	120.53	104.45	107.71
Dividend per share, SEK					
Dividend, MSEK	—	—	570	150	150
Dividend per share, SEK	—	—	3.80	1.00	1.00
Weighted average number of shares outstanding, after dilution, thousands	150,000	150,000	150,000	150,000	150,000
PROPERTY RELATED KEY FIGURES					
Number of hotels, end of period ²	—	—	112	104	121
Number of rooms, end of period ²	—	—	24,265	21,971	25,190
WAULT, years	—	—	13.4	8.7	11.2
Total market value properties, MSEK	—	—	33,098	27,712	31,437
Market value Investment properties	—	—	25,792	21,337	25,062
Market value Operating properties	—	—	7,306	6,375	6,375
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	700	717	648	684	676

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.

Quarterly data

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MSEK)

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Revenue Property Management								
Rental income	459	451	374	351	389	372	319	343
Other property income	20	13	12	14	69	16	13	16
Revenue Operator Activities	561	536	442	536	534	609	367	445
Total revenues	1,040	1,000	828	901	992	997	699	804
Costs Property Management	-70	-66	-66	-59	-55	-76	-72	-70
Costs Operator Activities	-466	-448	-424	-471	-454	-494	-348	-400
Gross profit	504	486	338	371	483	427	279	334
Central administration	-27	-32	-24	-30	-23	-19	-21	-29
Financial net	-114	-112	-114	-105	-105	-115	-114	-132
Profit before value changes	363	342	200	236	355	293	144	173
Changes in value								
Properties, unrealised	369	319	200	484	232	307	363	151
Properties, realised	—	—	159	4	—	8	—	—
Derivatives, unrealised	24	-55	-124	93	-73	216	-33	-168
Profit before tax	756	606	435	817	514	824	474	156
Current tax	-12	-25	-1	-42	17	-5	-5	-16
Deferred tax	-152	-107	-58	-94	-106	-168	-95	-16
Profit for the period	592	474	376	681	425	651	374	124
Other comprehensive income	108	103	131	-135	37	-62	-130	-21
Total comprehensive income for the period	700	577	507	546	462	589	244	103

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MSEK)

	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015	31 Mar 2015	31 Dec 2014
ASSETS								
Properties incl equipment and interiors	31,623	30,710	29,998	29,463	26,287	26,170	25,941	25,701
Other non-current receivables	21	20	20	25	25	27	28	26
Deferred tax assets	772	802	829	800	865	805	898	924
Current assets	531	428	345	1,162	587	415	254	315
Cash and cash equivalents	500	365	820	170	636	263	378	321
Total assets	33,447	32,325	32,012	31,620	28,400	27,680	27,499	27,287
EQUITY AND LIABILITIES								
Equity	13,428	12,728	12,722	12,215	11,546	11,084	10,646	10,402
Deferred tax liability	2,660	2,421	2,274	2,281	2,310	2,147	2,074	1,993
Interest-bearing liabilities	15,547	15,388	15,219	15,546	12,861	12,822	12,821	12,907
Non interest-bearing liabilities	1,812	1,788	1,797	1,578	1,683	1,627	1,958	1,985
Total equity and liabilities	33,447	32,325	32,012	31,620	28,400	27,680	27,499	27,287

KEY RATIOS

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
NOI, Property Management, MSEK	409	398	320	306	403	312	260	289
NOI, Operator Activities, MSEK	130	125	54	104	115	146	51	81
EBITDA, MSEK	512	491	350	381	495	439	290	341
Earnings per share, SEK	3.93	3.14	2.49	4.54	2.83	4.34	2.49	0.83
Cash earnings, MSEK	386	354	235	234	407	319	171	193
Cash earnings per share, SEK	2.55	2.34	1.57	1.56	2.71	2.13	1.14	1.29
RevPAR (Operator Activities) for comparable units at comparable exchange rates, %	-2	-12	1	0	7	10	11	—
	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015	31 Mar 2015	31 Dec 2014
Net interest-bearing debt, MSEK	15,047	15,023	14,399	15,376	12,225	12,559	12,444	12,587
Equity to assets ratio, %	40.1	39.4	39.7	38.6	40.7	40	38.7	38.1
Loan to value, %	47.0	47.9	48.6	49.5	46.4	46.9	47.5	48.7
Interest coverage ratio, times	4.0	3.7	3.1	3.6	3.7	3.2	2.5	2.6
Total market value properties, MSEK	33,098	32,124	31,322	31,437	27,712	27,327	26,996	26,504
EPRA NAV per share, SEK	120.53	114.03	112.16	107.71	104.45	99.23	96.25	92.11
WALUT (Property Management), years	13.4	13.3	11.3	11.2	8.7	8.9	8.7	9.0

Condensed income statement for the Parent Company

MSEK	Q3 2016	Q3 2015	9m 2016	9m 2015	FY 2015
Net sales	8	5	45	41	56
Administration cost	-36	-30	-111	-89	-123
Other income	—	—	—	—	9
Operating profit	-28	-25	-66	-48	-58
Profit from participations in Group companies	0	30	361	669	669
Other interest income and similar profit/loss items	22	4	53	13	65
Other interest expense and similar profit/loss items	-62	-57	-160	-157	-211
Profit after financial items	-68	-48	188	477	465
Year-end appropriations	—	—	—	—	106
Profit before tax	-68	-48	188	477	571
Current tax	—	—	—	—	—
Profit for the period	-68	-48	188	477	571

Condensed balance sheet for the Parent Company

MSEK	30 Sep 2016	30 Sep 2015	31 Dec 2015
ASSETS			
Non-current assets	0	1	0
Financial assets	11,500	10,138	11,775
Current assets	200	272	112
Total assets	11,700	10,411	11,887
EQUITY AND LIABILITIES			
Equity	2,459	2,747	2,841
Provisions	48	7	30
Non-current liabilities	4,250	4,381	4,087
Current liabilities	4,943	3,276	4,929
Total equity and liabilities	11,700	10,411	11,887

Property portfolio overview

At the end of the period, Pandox's property portfolio comprised 112 (31 December, 2015: 121) hotel properties with 24,265 (31 December, 2015: 25,190) hotel rooms in eight countries. Pandox's main geographical focus, which represents approximately 68 percent of the portfolio by market value, is the Nordics. Of the owned hotel properties, 91 are leased to third parties, which mean that approximately 78 percent of the portfolio market value is covered by external leases. These are reported in the Property Management segment. The remaining 21 hotels are owned and operated by Pandox and are reported in the Operator Activities segment.

Portfolio overview by segment and geography

Property Management <i>Investment properties</i>	No. of hotels	No. of rooms	Market value (MSEK)	Market value in % of total	Value per room (MSEK)
Sweden	42	8,597	12,983	39%	1.5
Norway	10	1,641	2,445	7%	1.5
Finland	13	2,911	3,258	10%	1.1
Denmark	6	1,402	2,243	7%	1.6
Belgium	1	100	101	0%	1.0
Germany	18	3,415	4,018	12%	1.2
Switzerland	1	206	744	2%	3.6
Total Investment properties	91	18,272	25,792	78%	1.4

Operator Activities <i>Operating properties</i>	No. of hotels	No. of rooms	Market value (MSEK)	Market value in % of total	Value per room (MSEK)
Sweden	2	358	310	1%	0.9
Norway	4	861	661	2%	0.8
Finland	1	151	43	0%	0.3
Denmark	2	440	696	2%	1.6
Belgium	6	1,934	2,742	8%	1.4
Germany	4	1,285	1,947	6%	1.5
Canada	2	964	907	3%	0.9
Total Operating properties	21	5,993	7,306	22%	1.2

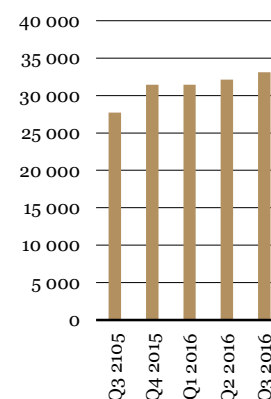
Total owned properties	112	24,265	33,098	100%	1.4
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The majority of Pandox's tenant base consists of well-known hotel operators with strong hotel brands in their respective markets. The tenants are both Nordic-oriented hotel operators, such as Scandic (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	44	9,450	SE, NO, FI, DK, BE
Leonardo	16	2,921	DE
Nordic Choice Hotels	12	1,956	SE, NO
Radisson Blu	6	1,390	SE, NO, CH, DE
Hilton	4	1,001	SE, FI, BE
Holiday Inn	4	963	BE, DE
First Hotels	3	618	SE, DK
Crowne Plaza	2	616	BE
Hyatt	1	607	CAN
Best Western	4	563	SE, FI
Elite	2	452	SE
InterContinental	1	357	CAN
Thon Hotels	2	348	NO
Rantasipi	1	135	FI
Independent brands	10	2,888	SE, NO, FI, DK, BE, DE
Total	112	24,265	8

Market value properties
per quarter, MSEK



Notes

Note 1 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. Disclosures according to IAS 34.16A are, apart from in the financial reports and their corresponding notes, available also in other parts of the interim report. The accounting principles applied correspond to those described in Pandox's annual report for 2015.

Note 2 Operating segments

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015	Q1-3 2016	Q1-3 2015
Revenue Property Management								
Rental and other property income	1,329	1,178	—	—	—	—	1,329	1,178
Revenue Operator Activities	—	—	1,539	1,510	—	—	1,539	1,510
Total revenues	1,329	1,178	1,539	1,510	—	—	2,868	2,688
Costs Property Management	-202	-204	—	—	—	—	-202	-204
Costs Operator Activities	—	—	-1,338	-1,296	—	—	-1,338	-1,296
Gross profit	1,127	974	201	214	—	—	1,328	1,188
Central administration	—	—	—	—	-83	-64	-83	-64
Financial income	—	—	—	—	1	2	1	2
Financial expenses	—	—	—	—	-341	-335	-341	-335
Profit before changes in value	1,127	974	201	214	-423	-397	905	791
<i>Changes in value</i>								
Properties, unrealised	888	903	—	—	—	—	888	903
Properties, realised	159	8	—	—	—	—	159	8
Derivatives, unrealised	—	—	—	—	-155	110	-155	110
Profit before tax	2,174	1,885	201	214	-578	-287	1,797	1,812
Current tax	—	—	—	—	-38	7	-38	7
Deferred tax	—	—	—	—	-317	-369	-317	-369
Profit for the period	2,174	1,885	201	214	-933	-649	1,442	1,450

Q1-Q3 2016

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	649	130	103	187	227	4	29	1,329
- Operator Activities	40	119	237	22	315	468	338	1,539
Market value properties	13,293	2,939	3,106	3,301	5,965	2,843	1,651	33,098
Investments in properties	103	27	32	5	23	26	30	246
Acquisitions of properties	—	—	—	—	—	—	—	—
Realised value change properties	159	—	—	—	—	—	—	159

Q1-Q3 2015

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	660	108	203	165	—	13	29	1,178
- Operator Activities	7	99	179	17	293	577	338	1,510
Market value properties	13,060	2,620	2,588	3,111	1,855	2,969	1,509	27,712
Investments in properties	84	28	28	38	3	31	22	234
Acquisitions of properties	—	—	—	—	—	—	—	—
Realised value change properties	—	—	—	—	—	—	—	—

Explanation to note 2

Pandox's operating 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 both segments. 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. Scandic Hotels and Leonardo Hotels are tenants who account for more than 10 percent of revenues each.

Note 2 Operating segments continued

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Revenue Property Management								
Rental and other property income	479	458	—	—	—	—	479	458
Revenue Operator Activities	—	—	561	534	—	—	561	534
Total revenues	479	458	561	534	—	—	1,040	992
Costs Property Management	-70	-55	—	—	—	—	-70	-55
Costs Operator Activities	—	—	-466	-454	—	—	-466	-454
Gross profit	409	403	95	80	—	—	504	483
Central administration	—	—	—	—	-27	-23	-27	-23
Financial income	—	—	—	—	0	1	0	1
Financial expenses	—	—	—	—	-114	-106	-114	-106
Profit before changes in value	409	403	95	80	-141	-128	363	355
<i>Changes in value</i>								
Properties, unrealised	369	232	—	—	—	—	369	232
Properties, realised	—	—	—	—	—	—	—	—
Derivatives, unrealised	—	—	—	—	24	-73	24	-73
Profit before tax	778	635	95	80	-117	-201	756	514
Current tax	—	—	—	—	-12	17	-12	17
Deferred tax	—	—	—	—	-152	-106	-152	-106
Profit for the period	778	635	95	80	-281	-290	592	425

Q3 2016

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	229	52	32	77	81	1	7	479
- Operator Activities	13	50	109	9	113	127	140	561
Market value properties	13,293	2,939	3,106	3,301	5,965	2,843	1,651	33,098
Investments in properties	40	4	15	4	3	15	8	89
Acquisitions of properties	—	—	—	—	—	—	—	—
Realised value change properties	—	—	—	—	—	—	—	—

Q3 2015

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	241	42	104	58	—	10	3	458
- Operator Activities	5	43	83	6	106	165	126	534
Market value properties	13,060	2,620	2,588	3,111	1,855	2,969	1,509	27,712
Investments in properties	27	2	16	9	2	7	5	68
Acquisitions of properties	—	—	—	—	—	—	—	—
Realised value change properties	—	—	—	—	—	—	—	—

Definitions

FINANCIAL INFORMATION

Average interest on debt, %

Average interest expenses based on interest rate maturity in respective currency as a percentage of interest-bearing debt.

Cash earnings, MSEK

EBITDA plus financial income less financial cost less current tax.

EBITDA, MSEK

Total net operating income less central administration (excluding depreciation).

Equity/assets ratio, %

Recognised equity as a percentage of total assets.

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 including depreciation of Operator Activities.

Growth adjusted for currency effects and comparable units

Growth measure that excludes effects of acquisitions, sales and reclassifications as well as exchange rate changes.

Growth in EPRA NAV (net asset value growth), annual rate, %

Accumulated percentage change in EPRA NAV, with dividends added back, for the immediately preceding 12-month period.

Interest coverage ratio, %

Profit before changes in value plus financial expense and depreciation, divided by financial expense.

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

Loan-to-value ratio, %

Interest-bearing liabilities as a percentage of the properties' market value at the end of the period.

Net interest-bearing debt, MSEK

Interest-bearing liabilities less cash and cash equivalents and short-term investments that are equivalent to cash and cash equivalents.

Net operating income, Property Management, MSEK

Net operating income corresponds to gross profit for Property Management.

Net operating income, Operator Activities, MSEK

Gross profit for Operator Activities plus depreciation included in costs for Operator Activities.

Net operating margin, Operator Activities, %

Net operating income for Operator Activities in relation to total revenue from Operator Activities.

Return on equity, %

Profit or loss rolling twelve months as a percentage of average equity attributable to the shareholders of the Parent Company. At interim reports, the return is also calculated on a rolling twelve month basis. Average shareholders' equity is calculated as the sum of opening and closing balance divided by two.

Rounding off

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

PER SHARE

Cash earnings per share, SEK

EBITDA plus financial income less financial expense less current tax, after non-controlling interest, divided by the weighted average number of shares outstanding.

Dividend per share, SEK

Proposed/approved dividend for the year divided by the weighted average number of outstanding shares after dilution at the end of the period.

Earnings per share, SEK

Profit for the period attributable to the Parent Company's shareholders divided by the weighted average number of shares outstanding.

Equity per share, SEK

Equity attributable to the Parent Company's shareholders, divided by the number of shares outstanding at the end of the period.

Net asset value (EPRA NAV) per share, SEK

Recognised equity, attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax asset derivatives, deferred tax liabilities related to the properties and revaluation of Operating Properties, divided by the total number of shares outstanding after dilution at the end of the period.

Total comprehensive income per share, SEK

Total comprehensive income attributable to the Parent Company's shareholders divided by the weighted average number of share outstanding after dilution at the end of the period.

Weighted average number of shares before dilution, thousands

The weighted average number of outstanding shares taking into account changes in the number of shares outstanding, before dilution, during the period.

Weighted average number of shares after dilution, thousands

The weighted average number of outstanding shares taking into account changes in the number of shares outstanding, after dilution, during the period.

PROPERTY INFORMATION

Market value properties, MSEK

Market value of Investment Properties plus market value of Operating Properties.

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.

RevPAR for Operating Properties (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 hotel properties that have been owned during the entire current period and the comparative period. Constant exchange rate is defined as the exchange rate for the current period, and the comparative period is recalculated based on that rate.

WAULT (Investment Properties)

Average lease term remaining to expiry, across the property portfolio, weighted by contracted rental income.



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