
Year-end report

January–December 2016



Year-end report

January–December 2016

Strong end to a strong year

Quarter October–December 2016

- Revenue from Property Management amounted to MSEK 458 (365). Adjusted for currency effects and comparable units, the increase was 6 percent.
- Net operating income from Property Management amounted to MSEK 368 (306). Adjusted for currency effects and comparable units, the increase was 2 percent.
- Net operating income from Operator Activities amounted to MSEK 130 (104). Adjusted for currency effects and comparable units, the increase was 10 percent.
- EBITDA amounted to MSEK 464 (381).
- Profit for the period amounted to MSEK 772 (681).
- Cash earnings amounted to MSEK 314 (263 adjusted for extra tax cost).
- Earnings per share before and after dilution amounted to SEK 5.08 (4.54).
- A directed share issue raised MSEK 1,012 before transaction costs.

Period January–December 2016

- Revenue from Property Management amounted to MSEK 1,787 (1,543). Adjusted for currency effects and comparable units, the increase was 6 percent.
- Net operating income from Property Management amounted to MSEK 1,495 (1,280). Adjusted for currency effects and comparable units, the increase was 7 percent.
- Net operating income from Operator Activities amounted to MSEK 439 (416). Adjusted for currency effects and comparable units, the decrease was 1 percent.
- EBITDA amounted to MSEK 1,817 (1,603).
- Profit for the period amounted to MSEK 2,214 (2,131).
- Cash earnings amounted to MSEK 1,289 (1,080 adjusted for non-recurring items net).
- Earnings per share before and after dilution amounted to SEK 14.65 (14.21).
- The Board of Directors is proposing a dividend of SEK 4.10 (3.80) per share, total MSEK 646 (570).

Significant events after the end of the period

- Pandox signed twenty-year lease agreements for seven operations hotels in the Nordics with Scandic Hotels Group and ended its operator agreement for Grand Hotel Oslo.

Key figures (MSEK)*	Q4 2016	Q4 2015	Chg in %	FY 2016	FY 2015	Chg in %
Revenue Property management (Note 1,2)	458	365	25	1,787	1,543	16
Net operating income Property Management (Note 1,2)	368	306	20	1,495	1,280	17
Net operating income Operator Activities (Note 2)	130	104	25	439	416	6
EBITDA (Note 1)	464	381	22	1,817	1,603	13
Profit for the period (Note 1,3)	772	681	13	2,214	2,131	4
Earnings per share, SEK (Note 1,3,4,5)	5.08	4.54	12	14.65	14.21	3
Cash earnings, MSEK (Note 1,3)	314	234	34	1,289	1,130	14
Cash earnings per share, SEK (Note 1,3,4,5)	2.05	1.56	31	8.49	7.53	13
Key data						
Net interest bearing debt, MSEK	—	—	—	18,324	15,376	19
Equity asset ratio, %	—	—	—	39.7	38.6	n.m.
Loan to value, %	—	—	—	49.3	49.5	n.m.
Interest cover ratio, times	4.0	3.6	n.m.	4.0	3.6	n.m.
Property market value, MSEK	—	—	—	38,233	31,437	22
EPRA NAV per share, SEK (Note 4)	—	—	—	126.24	107.71	17
WAULT (Investment Properties), years	—	—	—	13.9	11.2	n.m.
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	660	660	0	657	684	-4

(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) Based on weighted number of shares before and after dilution of 151,059,782 for Q4 2016 and 150,266,393 for full year 2016. For information about previous years see page 22. (Note 5) After non-controlling interest.

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

CEO comment

Strong end to a strong year

Pandox is reporting record strong results for 2016 with growth in cash earnings and net asset value of 19 and 20 percent respectively. The drivers of this increase were a strong underlying hotel market, successful acquisitions, good return on joint investments with partners, and high efficiency and profitability.

Net operating income from Property Management increased by 7 percent during the year adjusted for currency effects and comparable units, which is explained by a consistently strong hotel market in Denmark, Finland, Germany and Sweden as well as stabilisation in Norway.

Net operating income from Operator Activities declined by 1 percent during the year, with strong development in Germany, Denmark and Canada largely compensating for a weak market in Belgium. The hotel market in Brussels improved gradually during the second half of 2016 and profitability strengthened in the fourth quarter. The negative effect on net operating income in Operator Activities relating to the terrorist attacks in Brussels amounted to around MSEK 40 for the full year 2016, compared with the full year 2015.

Higher than expected growth in Pandox's key markets

RevPAR increased by 3 percent in Europe in the fourth quarter and 2 percent for the full year 2016, mainly bolstered by an active leisure segment. The hotel market strengthened further in the fourth quarter resulting in increased average prices. All in all, growth in Pandox's key markets during the year was higher than expected, boosting profitability in the industry and therefore also improving opportunities for value growth in the property portfolio.

Pandox's growth in the fourth quarter was still being driven by conferences and trade fairs as well as balanced demand from both the business and leisure segments. Copenhagen was the single strongest market driven by a combination of high occupancy and increased average prices. Montreal also benefitted from good demand with high occupancy and increased average prices, partly due to a major competitor having closed for renovation. Stockholm and Berlin showed good underlying growth. Growth in Oslo and Helsinki remained unchanged. In Helsinki the opening of two new hotels had a dampening effect. Growth in Germany in total was a good four percent.

Acquisitions, leases and new share issue ensure high flexibility

Pandox ended 2016 moving at a fast pace. In November we acquired seven hotel properties in Europe for around MSEK 4,100 from Invesco Real Estate and we entered into a twenty-year revenue-based lease for Urban House Copenhagen with MEININGER. In December we completed a share issue which added just over MSEK 1,000 to Pandox's cash position. Furthermore, we also started 2017 by signing an agreement with Scandic Hotels Group for new, twenty-year revenue-based leases for seven hotel properties in the Nordic region in Operator Activities.

All of these activities are entirely in line with Pandox's strategy and are proof of the skills and resolve of our people, as well as the confidence our stakeholders have in us. After the acquisitions and the lease signings, the Property Management business segment will increase its share of the total portfolio value from around 78 percent to around 84 percent which, combined with proceeds from the new share issue, will guarantee high financial and strategic flexibility.

Pandox's Board of Directors is proposing the dividend is increased to SEK 4.10 (3.80) per share for 2016.

Good prospects to increase cash earnings continue in 2017

The market outlook for hotels normally follows global economic development and is also 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 on a long-term positive trajectory. The World Tourism Organization (UNWTO) is expecting growth for 2017 of 3-4 percent globally and 2-3 percent for Europe which, in an historical perspective, represents good growth. Pandox's key markets are expected to see stable positive demand in 2017, but since these markets are facing more challenging comparable quarters, we are planning for lower growth compared with 2016.

Having said that, we do see good prospects for increasing our cash earnings also in 2017. This is based on (1) an expectation of an economy with conditions for higher business activity, (2) the hotel market remaining robust with good profitability, (3) development of recently acquired hotels and a significant pipeline of approved investments with good return potential in the existing portfolio and (4) a sustained high business momentum driven through a larger and more profitable hotel property portfolio than ever before.

Pandox has the experience, the game plan and the people. This, combined with good financial and strategic flexibility, means conditions are good for continued profitable growth.

19%

**Growth in
cash earnings
2016¹**

20%

**Growth in
net asset value
2016²**

¹Adjusted for one-time items of MSEK 50 net 2015.

²Measured as growth in EPRA NAV, with dividends added back and proceeds from new share issue deducted.

"Pandox is reporting growth in cash earnings and net asset value of 19 and 20 percent respectively. The drivers of this increase were a strong underlying hotel market, successful acquisitions, good return on joint investments with partners, and high efficiency and profitability."



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 fourth quarter 2016, Pandox's hotel property portfolio comprised 120 hotels with a total of 26,240 hotel rooms in ten countries, with a market value of MSEK 38,233. 98 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) was 13.9 years. The remaining 22 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.

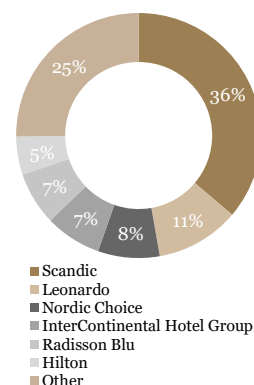
Pandox's value drivers

- 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 2016 a dividend of MSEK 646 (SEK 4.10 per share) is proposed, compared with MSEK 570 (SEK 3.80 per share) in 2015, corresponding to 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 fourth quarter the loan-to-value ratio was 49.3 (49.5) percent.

Rooms per brand
31 December, 2016



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

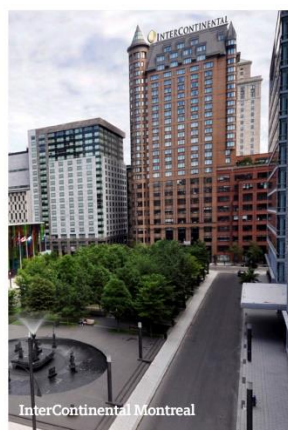
² Defined as interest bearing liabilities as a percentage of the properties' market value at the end of the period.

Value-adding business model



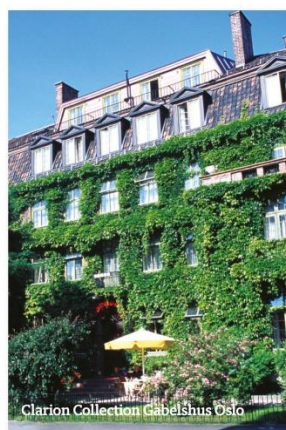
Scandic Grand Marina, Helsinki

We own and lease
hotel properties



InterContinental Montreal

We own and
operate hotels



Clarion Collection Gabelshus Oslo

We manage hotel proper-
ties owned by others



Hotel market development October–December 2016

Strong underlying hotel market

Demand in the international tourist market increased by close to 4 percent in 2016 according to the UNWTO. It was the seventh consecutive year of growth and it illustrates the underlying strength of the tourism market despite security challenges. The UNWTO's outlook remains positive, with expected growth in 2017 of 3-4 percent globally and 2-3 percent for Europe.

The hotel markets in North America and Europe developed well in general in the fourth quarter. Both of the markets are high up in the hotel business cycle, with growth driven mainly by improved average prices. Altogether, RevPAR (revenue per available room) increased both in Europe and the US by 3 percent in the fourth quarter.

Sustained growth in important hotel markets

RevPAR development quarterly change (in local currency)

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

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

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

Increased average prices drive growth in the US and Canada

In the US and Canada, RevPAR increased by 3 and 6 percent respectively in the fourth quarter, driven mainly by higher average prices. The hotel business cycle has reached a more balanced phase in the US in which supply and demand are growing at the same pace after several years of demand deficit. Montreal had a strong fourth quarter (+10 percent) explained by good demand from, for example, the US and Asian inbound markets and positive average price development. The closure of a large hotel for renovation also had a positive impact.

Europe positive on the whole

The hotel markets in Europe as a whole developed positively in the fourth quarter and RevPAR increased by 3 percent as a result of stable growth in demand and improved average prices. Certain European countries benefitted from a change in the security situation. Spain and Portugal had record numbers for 2016, while Turkey lost one third of its RevPAR compared to 2015. The rate of decline in Brussels and Paris slowed significantly in the fourth quarter and positive growth should be possible towards the end of the first half of 2017. London experienced a small upswing in the fourth quarter, partly due to a weaker currency. Development in Germany remained strong and RevPAR increased by 4 percent in the quarter and 5 percent for the full year.

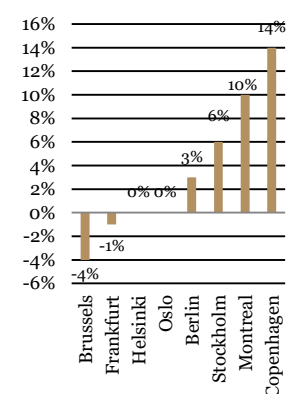
Strong quarter in the Nordics

RevPAR growth in Oslo and Helsinki remained unchanged during the quarter. In Helsinki the opening of two new hotels with a combined 700 or so rooms had a dampening effect and this is likely to continue in the short term. Growth in RevPAR for 2016 as a whole in Helsinki was good, at 7 percent, mainly driven by improved average prices. Copenhagen ended an already strong year with growth of 14 percent in the fourth quarter. Several factors explain this strong development, including a record strong year for conferences and trade fairs and limited addition of new hotels. Development was similar in many German cities such as Düsseldorf, Hannover and Hamburg. Stockholm enjoyed continued strong development, with RevPAR growth of 6 percent in the fourth quarter. Demand increased in Stockholm for the seventh consecutive year at the same time as average prices increased by 5 percent for the year as a whole.

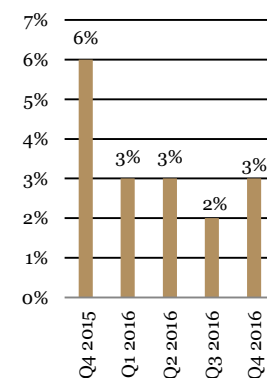
3%

RevPAR growth in Europe Q4

Good growth in key markets
RevPAR growth Q4 2016



Europe grows at a stable pace
RevPAR growth by quarter



Financial development October–December 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 458 (365), an increase of 25 percent, still driven by a combination of acquired and organic growth in the lease portfolio. Adjusted for currency effects and comparable units, revenue increased by 6 percent.

Revenue from Operator Activities amounted to MSEK 619 (536), an increase of 15 percent. Adjusted for currency effects and comparable units, revenue and RevPAR were unchanged.

The Group's net sales amounted to MSEK 1,077 (901). Adjusted for currency effects and comparable units, revenue increased by 2 percent. The seven hotels acquired in Europe were consolidated on 19 December 2016.

Net operating income

Net operating income from Property Management amounted to MSEK 368 (306), an increase of 20 percent. Adjusted for currency effects and comparable units, net operating income increased by 2 percent.

Net operating income from Operator Activities amounted to MSEK 130 (104), an increase of 25 percent, bolstered mainly by improved results in Brussels compared with the previous year. Adjusted for currency effects and comparable units, net operating income increased by 10 percent.

Total net operating income amounted to MSEK 498 (410), an increase of 21 percent.

Administration costs

Central administration costs amounted to MSEK -34 (-30). The increase is mainly explained by costs associated with being a listed company as well as some project-related costs.

EBITDA

EBITDA amounted to MSEK 464 (381), an increase of 22 percent, driven by good net operating income development for Property Management and improved profitability for Operator Activities.

Financial income and expense

Financial expense amounted to MSEK -116 (-106) and financial income to MSEK 0 (1).

Profit before changes in value

Profit before changes in value amounted to MSEK 309 (236), an increase of 31 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 413 (484) and are mainly explained by improved underlying cash flows in Pandox's property portfolio.

Unrealised changes in value of derivatives amounted to MSEK 116 (93).

Current and deferred tax

Current tax amounted to MSEK -34 (-42), which adjusted for an extra tax cost of MSEK -29 in the fourth quarter 2015, constitutes an increase primarily explained by increased profit in Germany after past acquisitions, as well as some accruals. Deferred tax expense amounted to MSEK -32 (-94).

Profit for the period

Profit for the period amounted to MSEK 772 (681) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 767 (681), which represents SEK 5.08 (4.54) per share before and after full dilution.

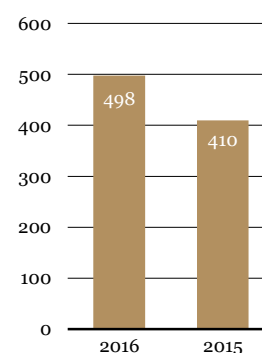
Cash earnings

Cash earnings amounted to MSEK 314 (234), an increase of 34 percent. Adjusted for the extra tax expense of MSEK -29 in the comparable period 2015, the increase was 19 percent.

21%

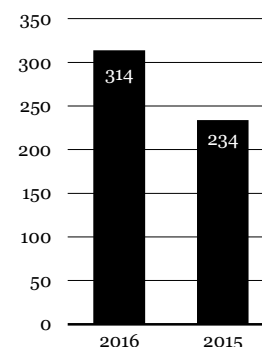
**NOI increase
Property
Management Q4**

Total net operating income, MSEK (October–December)¹



¹Includes Hilton Grand Place Brussels from 10 October 2016 and seven hotel properties in Europe from 19 December 2016.

Cash earnings, MSEK (October–December)^{1,2}



¹Hilton Grand Place Brussels is included from 10 October 2016 and seven hotel properties in Europe from 19 December 2016.

²Includes extra tax cost of MSEK -29 Q4 2015.

Financial development January–December 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 1,787 (1,543), an increase of 16 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 20 percent. Adjusted for currency effects and comparable units, revenue increased by 6 percent.

Revenue from Operator Activities amounted to MSEK 2,158 (2,046). Adjusted for currency effects and comparable units, revenue decreased by 3 percent and RevPAR by 4 percent.

The Group's net sales amounted to MSEK 3,945 (3,589), an increase of 10 percent. Adjusted for currency effects and comparable units, the increase was 1 percent.

The seven hotels acquired in Europe were consolidated on 19 December 2016.

Net operating income

Net operating income from Property Management amounted to MSEK 1,495 (1,280), an increase of 17 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 23 percent. Adjusted for currency effects and comparable units, net operating income increased by 7 percent.

Net operating income from Operator Activities amounted to MSEK 439 (416), an increase of 6 percent. Adjusted for currency effects and comparable units, net operating income decreased by 1 percent. The negative effect of the terrorist attacks in Brussels on net operating income amounted to around MSEK 40 compared with the same period the previous year.

Total net operating income amounted to MSEK 1,934 (1,696), an increase of 14 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 18 percent.

Administration costs

Central administration costs amounted to MSEK -117 (-94). 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 projects that were incurred in the second and fourth quarters.

EBITDA

EBITDA amounted to MSEK 1,817 (1,603), an increase of 13 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 18 percent, driven by higher net operating income from Property Management and Operator Activities.

Financial income and expense

Financial expense amounted to MSEK -457 (-441) and financial income amounted to MSEK 1 (3).

Profit before changes in value

Profit before changes in value amounted to MSEK 1,214 (1,027), an increase of 18 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 1,301 (1,387), still 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 (12), explained by the divestment of eight hotel properties in Sweden completed on 31 March 2016.

Unrealised changes in value of derivatives amounted to MSEK -39 (203).

Current and deferred tax

Current tax amounted to MSEK -72 (-35). The increase is mainly explained by increased profit in Germany after acquisitions were made there. Tax compensation received of MSEK 19 and an extra tax expense of MSEK -29 are included in the comparable period 2015. Deferred tax expense amounted to MSEK -349 (-463).

Profit for the period

Profit for the period amounted to MSEK 2,214 (2,131) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 2,201 (2,131), which represents SEK 14.65 (14.21) per share before and after full dilution.

Cash earnings

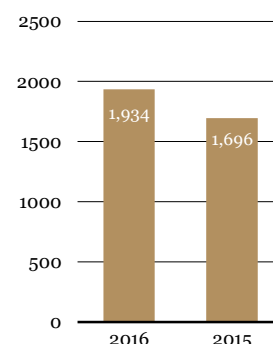
Cash earnings amounted to MSEK 1,289 (1,130), an increase of 14 percent. Adjusted for one-time revenue of MSEK 60, tax compensation received of MSEK 19 and an extra tax expense of MSEK -29 in the comparable period 2015, the increase was 19 percent.

18%

Increase total NOI 2016*

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

Total net operating income, MSEK
(January–December)^{1,2,3}

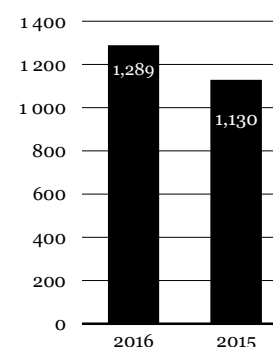


¹ 18 hotel properties included from 1 January 2016, Hilton Grand Place Brussels from 10 October 2016 and seven hotel properties from 19 December 2016.

² Eight hotel properties in Sweden divested 31 March 2016.

³ Includes one-time revenue of MSEK 60 in Q3 2015.

Cash earnings, MSEK
(January–December)^{1,2,3}



¹ 18 hotel properties included from 1 January 2016, Hilton Grand Place Brussels from 10 October 2016 and seven hotel properties from 19 December 2016.

² Eight hotel properties in Sweden divested 31 March 2016.

³ Includes one-time revenue of MSEK 60 in Q3 2015, tax compensation of MSEK 19 in Q3 2015 and extra tax cost of MSEK -29 in Q4 2016.

Segment reporting

Summary of segments

MSEK	Q4 2016	Q4 2015	FY 2016	FY 2015
Total gross profit	459	371	1,787	1,559
– whereof gross profit Property Management	368	306	1,495	1,280
– whereof gross profit Operator Activities	91	65	292	279
Net operating income Property Management				
– Net operating income equals gross profit	368	306	1,495	1,280
Net operating income Operator Activities				
– Gross profit	91	65	292	279
– Add: Depreciation included in costs, Operator Activities	39	39	147	137
– Net operating income Operator Activities	130	104	439	416
Total net operating income	498	410	1,934	1,696
Central administration, excluding depreciation	-34	-29	-117	-93
EBITDA	464	381	1,817	1,603

Property Management

Investment Properties: MSEK 30,163 representing 79 percent of total property market value

Net operating income Property Management

MSEK	Q4 2016	Q4 2015	FY 2016	FY 2015
Rental income	433	351	1,717	1,431
Other property income	25	14	70	112
Costs, excluding property administration	-68	-44	-212	-197
Net operating income, before property administration	390	321	1,575	1,346
Property administration	-22	-15	-80	-66
Gross profit	368	306	1,495	1,280
Net operating income, after property administration	368	306	1,495	1,280

Comment to the period October-December 2016

Rental income and other property income amounted to MSEK 458 (365) and net operating income to MSEK 368 (306), an increase of 25 and 20 percent respectively.

Adjusted for currency effects and comparable units, total rental income and net operating income increased by 6 and 2 percent respectively.

The seven hotels acquired in Europe were consolidated on 19 December 2016.

Development in the comparable lease portfolio remained positive, bolstered by stable demand and increased average prices. Demand remained driven by a high percentage of conferences and trade fairs and an active leisure segment. Germany, Denmark and Sweden saw the highest rental growth for the quarter. Individual cities with particularly strong development were Copenhagen, Stockholm and Düsseldorf. Helsinki continued to benefit from a high level of travel from Asia, but RevPAR growth slowed due to an increase in the supply of rooms when two new hotels were opened.

Most regional cities in Sweden and Finland – such as Jönköping, Karlstad, Kuopio and Jyväskylä – also developed well.

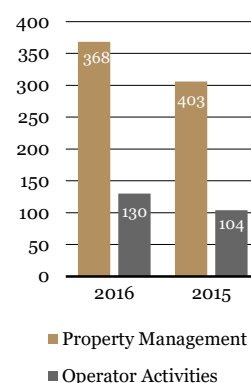
Germany ended the year strong and the 18 hotel properties acquired there previously increased RevPAR by around 9 percent in 2016, which can be compared with around 5 percent for Germany as a whole.

In the fourth quarter Pandox has secured operations of Best Western Pilotti with 112 rooms. The agreement for future operation of the hotel was signed with a new operator which will take over in spring 2017.

On 31 December 2016 the Investment Properties had a weighted average unexpired lease term (WAULT) of 13.9 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 (October-December)^{1,2,3}

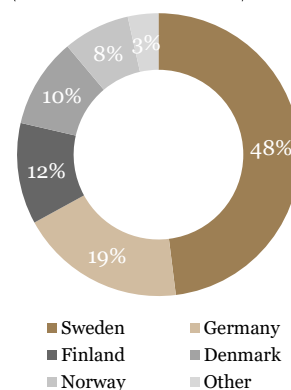


¹ 18 hotel properties included from 1 January 2016 and seven hotel properties in Europe from 19 December 2016 in Property Management.

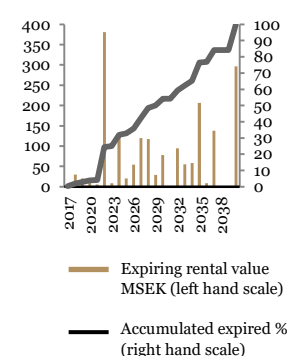
² Eight hotel properties in Sweden divested 31 March 2016 in Property Management.

³ Includes Hilton Grand Place Brussels from 10 October 2016 in Operator Activities.

Income by country Property Management (October-December 2016)



Lease maturity profile (31 December 2016)



Operator Activities

Operating Properties: MSEK 8,070, representing 21 percent of total property market value

Net operating income Operator Activities

MSEK	Q4 2016	Q4 2015	FY 2016	FY 2015
Revenues	619	536	2,158	2,046
Costs	-528	-471	-1,866	-1,767
Gross profit	91	65	292	279
Add: Depreciation included in costs	39	39	147	137
Net operating income	130	104	439	416

Comment to the period October-December 2016

Revenue from Operator Activities amounted to MSEK 619 (536) and net operating income to MSEK 130 (104), an increase of 15 and 25 percent respectively. The net operating margin was 21.0 (19.5) percent.

Adjusted for currency effects and comparable units, revenue was unchanged, while net operating income increased by 10 percent. The improvement is mainly explained by the recovery in Brussels and a weaker development in the fourth quarter 2015 when demand was negatively affected by the Belgian authorities' terror response. Some tax relief also benefitted the hotel market in Brussels.

The negative effect on net operating income from Operator Activities related to the terrorist attack in Brussels amounted to around MSEK 40 for the full year 2016 compared with the full year 2015.

Germany, Canada and Denmark recorded stable, positive growth and some profitability improvement was noted for the hotels in Norway and Sweden, which are in the process of being repositioned.

Adjusted for currency effects and comparable units, RevPAR was unchanged.

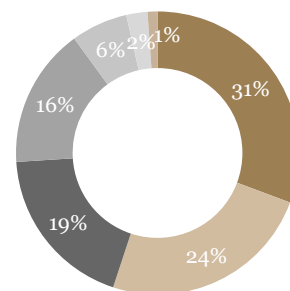
Revenue from Grand Hotel Oslo, which Pandox operates without owning the property and at lower operating margin, amounted to MSEK 54 (50) and net operating income to MSEK -3 (-5).

Adjusted for Grand Hotel Oslo, the net operating margin for Operator Activities was 23.5 (22.4) percent.



Hilton Grand Place Brussels, Belgium

Revenue by country Operator Activities (October-December 2016)



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

Pandox's own brands (31 December 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 38,233 (31,437), of which Investment Properties accounted for MSEK 30,163 (25,062) and Operating Properties for MSEK 8,070 (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 6,415 (5,128). The increase is mainly a result of the acquisition of Hilton Grand Place Brussels, reclassifications and currency fluctuations.

Change in value Investment properties

	MSEK
Investment properties, beginning of the period (January 1, 2016)	25,062
+ Acquisitions ¹	3,970
+ Investments	173
- Divestments ²	-887
+/- Reclassifications	-295
+/- Unrealised changes in value	1,301
+/- Realised changes in value ²	159
+/- Change in currency exchange rates	680
Investment properties, end of period (December 31, 2016)	30,163

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 ³	526
+ Investments	260
- Divestments	—
+/- Reclassifications	295
+/- Unrealised changes in value	225
+/- Realised changes in value	—
+/- Change in currency exchange rates	389
Operating properties, market value end of period (December 31, 2016)	8,070

¹ Refers to acquisition of seven investment properties in Europe 19 December 2016.

² Refers to divestment of eight investment properties 31 March 2016.

³ Refers to acquisition of Hilton Grand Place Brussels 10 October 2016.

Investments

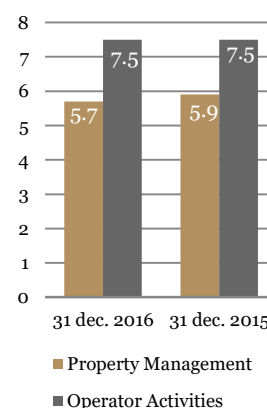
During the period January-December 2016, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 433 (392), of which MSEK 173 (220) in Investment Properties and MSEK 260 (172) in Operating Properties. At the end of the period, investments for future projects equivalent to around MSEK 1,035 were approved, of which major projects include Hyatt Regency Montreal, Hotel Berlin, Berlin, Leonardo Wolfsburg City, Hilton Grand Place Brussels, Elite Park Avenue Gothenburg, Elite Stora Hotellet in Jönköping, InterContinental Montreal, Meetingpoint Hafjell 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 December 31, 2016:

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-2,439 / +2,910
Change in currency exchange rates	+/- 1%	+/- 169
Net operating income	+/- 1%	+/- 271
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 15
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%	-/+ 72
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 188
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 509

Average valuation yield, % (31 December 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 fourth quarter Pandox had external valuations performed on a quarter of the properties in its portfolio. The external valuation results are in line with and confirm Pandox's internal valuations.

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 49.3 percent (49.5). Equity attributable to the Parent Company's shareholders amounted to MSEK 15,081 (12,092) and EPRA NAV (net asset value) was MSEK 19,883 (16,156). EPRA NAV per share was SEK 126.24 (107.71). Cash and cash equivalents plus unutilised long-term credit facilities, amounted to MSEK 2,232 (1,561).

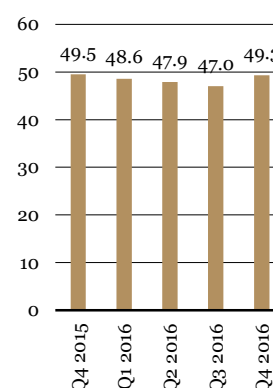
Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 18,831 (15,546). Unutilised long-term credit facilities amounted to MSEK 1,715 (1,391).

The average fixed rate period was 2.8 (2.6) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.6 (2.8) percent including effects of interest-rate swaps. The average repayment period was 3.0 (3.4) years. The loans are secured by a combination of mortgage collateral and pledged shares.

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. In the fourth quarter of 2016 Pandox increased the average fixed interest period and the average repayment period. At the end of the period Pandox had interest rate swaps amounting to MSEK 11,342 and around 56 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year. This is an increase compared with the third quarter 2016.

Loan-to-value per quarter, %



Interest maturity profile

(MSEK)	Interest maturity				Interest rate swaps		
	Loans	Interest swaps	Amount	Share	Volume	Share	Average interest swaps ¹
< 1 year	18,831	-10,500	8,330	44%	841	7%	3.8%
1-2 year	—	700	700	4%	700	6%	3.1%
2-3 year	—	1,451	1,451	8%	1,451	13%	1.1%
3-4 year	—	1,911	1,911	10%	1,911	17%	2.7%
4-5 year	—	2,637	2,637	14%	2,637	23%	1.4%
> 5 year	—	3,802	3,802	20%	3,802	34%	1.7%
Total/net/average	18,831	0	18,831	100%	11,342	100%	2.0%

¹ Excluding bank margin.

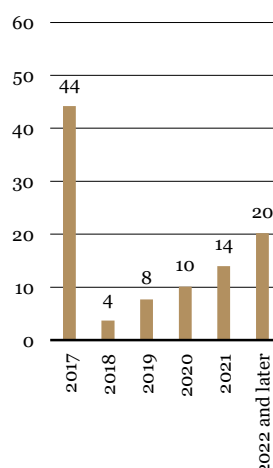
In order to reduce the currency exposure in foreign investment Pandox's main objective is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox strategy is to have a long investment perspective. Currency effects are largely in form of translation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

Interest maturity profile by currency

Year due (MSEK) ¹	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share %	Interest % ²
2017	981	542	5,612	217	434	545	8,330	44	3.6
2018	250	—	239	—	—	211	700	4	3.1
2019	125	—	694	—	—	632	1,451	8	0.9
2020	900	154	856	—	—	—	1,911	10	2.7
2021	1,250	0	1,387	—	—	—	2,637	14	1.4
2022 and later	1,450	515	1,837	—	—	—	3,802	20	1.7
Total	4,956	1,211	10,625	217	434	1,388	18,831	100	2.6
Share, %	26.3	6.4	56.4	1.2	2.3	7.4	100	—	—
Average interest rate, %	3.5	2.2	2.1	0.8	3.5	3.3	2.6	—	—
Average interest rate period, years	3.8	2.9	2.6	0.1	0.3	1.6	2.8	—	—
Property market value	13,620	3,129	16,647	763	1,025	3,050	38,233	—	—

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

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 31 December 2016 the market value of Pandox's financial derivatives amounted to MSEK -736 (-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 ¹ swaps, negative value	Net interest, interest ¹ swaps, positive value	Total
2017	248	3	30		33
2018	5,239	43	21		64
2019	6,054	86	8		94
2020	3,137	46	61		106
2021	4,154	66	47	-1	112
2022 and later	0	0	80		80
Total	18,831	243	247	-1	489

¹ Calculation based on ending balance as of December 31, 2016 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.

² Excluding current amortisation.

In the fourth quarter loans of MSEK 796 maturing in December 2016 were refinanced with an extended amount and a four-year duration.

Deferred tax

At the end of the period deferred tax assets amounted to MSEK 748 (800). These represent the book value of 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 2,582 (2,281) and relate to temporary differences between fair value and the taxable value of Investment Properties, as well as temporary differences between the book value and the taxable value of Operating Properties.

Other information

Press releases during the period

10 October 2016	Pandox has completed the acquisition of Hilton Grand Place Brussels.
1 November 2016	Pandox appoints Karmen Bergholcs as General Counsel.
18 November 2016	Pandox acquires hotel portfolio in Europe for approximately MSEK 4,100.
9 December 2016	Pandox completes a directed share issue, raising around MSEK 1,012 before transactions costs.
19 December 2016	Pandox has completed the acquisition of a hotel portfolio in Europe.

Important press releases after the period

9 January 2017	Pandox appoints Martin Creydt to Head of Property Management Intl.
18 January 2017	Pandox signs lease agreements for seven operations hotels in the Nordics.

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

Significant events after the end of the period

Pandox signed twenty-year lease agreements for seven operations hotels in the Nordics with Scandic Hotels Group and ended its operator agreement for Grand Hotel Oslo.

Employees

As of 31 December 2016, Pandox had the equivalent of 1,477 (1,359) full-time employees. Of the total number of employees, 1,443 (1,329) are employed in the Operator Activities segment and 34 (30) 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-December 2016 amounted to MSEK 65 (56), and the profit for the period amounted to MSEK 438 (571).

At the end of the period the Parent Company's shareholders' equity amounted to MSEK 3,712 (2,841) and interest bearing debt of MSEK 5,085 (5,810), of which MSEK 4,997 (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.

In the acquisition announced earlier of seven hotel properties in Europe (press release from 18 November 2016), the completed transaction resulted in Eiendomsspar AS increasing its minority holding in Radisson Blu Cologne from 5.1 to 9.9 percent. A temporary minority holding of 5.1 percent for the two hotel properties in Austria will be divested in the first quarter of 2017.

Pandox has entered into asset management agreements regarding eight hotels located in Oslo and the Pelican Bay Lucaya resort in the Grand Bahama Island, which are owned by Eiendomsspar AS, subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. During the fourth quarter revenue from the asset management agreements amounted to MSEK 1 (1), and revenue from Pelican Bay Lucaya amounted to MSEK 0.4 (0.4).

Pandox operates Grand Hotel Oslo under a lease agreement with the property owner Eiendomsspar AS. During the fourth quarter rental payments for Grand Hotel Oslo amounted to MSEK 13 (12). As communicated earlier the agreement will be cancelled in the second quarter of 2017.

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 82,499,999 B shares. For the full year 2016, the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 75,266,393 B shares. For the fourth quarter 2016, the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 76,059,782 B shares.

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's objective is to enter into long-term framework agreements. Pandox aims to centralise, where possible, all Group borrowing in the Parent Company in order to gain flexibility and administrative benefits.

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.

Annual General Meeting 2017

The Annual General Meeting (AGM) for Pandox AB (publ) will take place at 10.00 CET on 29 March 2017 at Hilton Stockholm Slussen, Guldgränd 8, 104 65 Stockholm, Sweden. Shareholders wishing to participate in the 2017 AGM must be listed in the register of shareholders maintained by Euroclear Sweden AB no later than Thursday, 23 March 2017 and must register with Pandox to participate in the AGM no later than 23 March 2017 (before 16.00 CET). Notice to attend the AGM will be published no later than four weeks before the AGM and will be available at www.pandox.se. In connection herewith Pandox will also make the Annual Report and other relevant documents available. The Annual Report will be published no later than three weeks before the AGM. The notice to attend will list the agenda items to be addressed at the AGM and information about how to register to participate.

Changes in executive management

Pandox's increased size and geographical diversity, with the addition of several countries where the Group has operations and partners, requires a proactive and dynamic organisation. With this in view, Pandox's organisational structure and the composition and areas of responsibility of executive management have been more clearly defined.

A decision was taken to increase executive management as of 16 February 2017 to include Erik Hvesser, Senior Vice President, Director of Property Management Nordics and Helge Krogsbøl, Senior Vice President, Director of Operations Nordics and Germany.

In connection with this change, responsibility for sustainability will be transferred to Liia Nõu, Senior Executive Vice President and CFO. Camilla Weiner remains in a strategic advisory role but will not be part of the executive management.

After these changes, Pandox's executive management will consist of the following individuals:

Anders Nissen	CEO
Liia Nõu	Senior Executive Vice President and CFO
Erik Hvesser (new)	Senior Vice President, Director of Property Management Nordics
Martin Creydt	Senior Vice President, Director of Property Management International
Aldert Schaaphok	Senior Vice President, Director of Operations International
Helge Krogsbøl (new)	Senior Vice President, Director of Operations Nordics and Germany
Lars Häggström	Senior Executive Vice President, Asset Management & Development
Jonas Törner	Senior Vice President, Business Intelligence
Karmen Bergholcs	General Counsel
Anders Berg	Director of Communications and IR

Financial calendar

Year-end report 2016	16 February 2017
Annual general meeting 2017	29 March 2017
Interim report, Q1, January–March 2017	4 May 2017
Capital market day in Stockholm	9 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, 16 February 09:00 CET.

To follow the presentation online go to <http://media.fronto.com/cloud/pandox/170216>. 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: 51368715

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

Contact persons

For further information, please contact:

Anders Nissen

CEO
+46 (0) 708 46 02 02

Liia Nõu

CFO
+46 (0) 702 37 44 04

Anders Berg

Head of Communications and IR
+46 (0) 760 95 19 40

Board of Directors' assurance

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

Stockholm, 15 February, 2017

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 16 February 2017.

Summary of financial reports

Condensed consolidated statement of comprehensive income

MSEK	Note	Q4 2016	Q4 2015	FY 2016	FY 2015
Revenues Property Management					
Rental income	2	433	351	1,717	1,431
Other property income		25	14	70	112
Revenue Operator Activities	2	619	536	2,158	2,046
Total revenues		1,077	901	3,945	3,589
Costs Property Management	2	-90	-59	-292	-263
Costs Operator Activities	2	-528	-471	-1,866	-1,767
Gross profit		459	371	1,787	1,559
- whereof gross profit Property Management	2	368	306	1,495	1,280
- whereof gross profit Operator Activities	2	91	65	292	279
Central administration		-34	-30	-117	-94
Financial income		0	1	1	3
Financial expenses		-116	-106	-457	-441
Profit before changes in value		309	236	1,214	1,027
Changes in value					
Properties, unrealised	2	413	484	1,301	1,387
Properties, realised	2	—	4	159	12
Derivatives, unrealised		116	93	-39	203
Profit before tax		838	817	2,635	2,629
Current tax		-34	-42	-72	-35
Deferred tax		-32	-94	-349	-463
Profit for the period		772	681	2,214	2,131
Other comprehensive income					
Items that have been or may be classified to profit or loss					
Translation differences foreign operations		18	-131	359	-287
Translation differences realisation of foreign operations		—	-4	—	-4
Other comprehensive income for the period		18	-135	359	-291
Total comprehensive income for the period		790	546	2,573	1,840
Profit for the period attributable to the shareholders of the parent company		767	681	2,201	2,131
Profit for the period attributable to non-controlling interests		5	—	13	—
Total comprehensive income for the period attributable to the shareholders of the parent company		787	546	2,556	1840
Total comprehensive income for the period attributable to non-controlling interests		3	—	17	—
Earnings per share, before and after dilution, SEK		5.08	4.54	14.65	14.21

Condensed consolidated statement of financial position

MSEK	31 Dec 2016	31 Dec 2015
ASSETS		
Non-current assets		
Operating properties	5,984	4,747
Equipment and interiors	431	381
Investment properties	30,163	24,335
Deferred tax assets	748	800
Derivatives ²	1	—
Other non-current receivables	22	25
Total non-current assets	37,349	30,288
Current assets		
Inventories	16	14
Current tax assets	11	64
Trade account receivables	249	173
Prepaid expenses and accrued income	262	109
Other current receivables	25	70
Cash and cash equivalents	517	170
Assets held for sale	—	732
Total current assets	1,080	1,332
Total assets	38,429	31,620
EQUITY AND LIABILITIES		
Equity		
Share capital	394	375
Other paid-in capital	3,122	2,138
Reserves	-53	-408
Retained earnings, including profit for the period	11,618	9,987
Equity attributable to the owners of the Parent Company	15,081	12,092
Non-controlling interests	177	123
Sum equity	15,258	12,215
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities ¹	18,304	13,720
Derivatives ²	736	703
Provisions	100	56
Deferred tax liability	2,582	2,281
Total non-current liabilities	21,722	16,760
Current liabilities		
Provisions	3	12
Interest-bearing liabilities ¹	537	1,826
Tax liabilities	44	2
Current liabilities	202	212
Other current liabilities	209	99
Accrued expenses and prepaid income	454	482
Debt related to assets held for sale	—	12
Total current liabilities	1,449	2,645
Total liabilities	23,171	19,405
Total equity and liabilities	38,429	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 2015	—	—	—	2,131	2,131	—	2,131
Other comprehensive income 2015	—	—	-291	—	-291	—	-291
Dividend	—	—	—	-150	-150	—	-150
Change in non-controlling interests ¹	—	—	—	—	—	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 2016	—	—	—	2,201	2,201	13	2,214
Other comprehensive income 2016	—	—	355	—	355	4	359
New share issue 2016 ²	19	984	—	—	1,003	—	1,003
Dividend	—	—	—	-570	-570	-8	-578
Change in non-controlling interests ¹	—	—	—	—	—	45	45
Closing balance equity December 31, 2015	394	3,122	-53	11,618	15,081	177	15,258

¹ Via acquisitions. ² After transaction cost.

Condensed consolidated statement of cash flow

MSEK	Q4 2016	Q4 2015	FY 2016	FY 2015
OPERATING ACTIVITIES				
Profit before tax	838	817	2,635	2,629
Reversal of depreciation	39	39	147	137
Changes in value, Investment properties, realised	—	-4	-159	-12
Changes in value, Investment properties, unrealised	-413	-484	-1,301	-1,387
Changes in value, derivatives, unrealised	-116	-93	39	-203
Other items not included in the cash flow	16	12	35	12
Taxes paid	-62	-13	-72	-6
Cash flow from operating activities before changes in working capital	302	274	1,324	1,170
Increase/decrease in operating assets	-29	2	-179	-119
Increase/decrease in operating liabilities	25	-18	50	-187
Change in working capital	-4	-16	-129	-306
Cash flow from operating activities	298	258	1,195	864
INVESTING ACTIVITIES				
Investments in properties and fixed assets	-187	-158	-433	-392
Divestment of subsidiaries, net effect on liquidity	—	124	843	124
Acquisitions of subsidiaries, net effect on liquidity	-4,477	-3,712	-4,477	-3,720
Acquisitions of financial assets	-1	—	-9	-1
Divestment of financial assets	—	—	12	3
Cash flow from investing activities	-4,665	-3,746	-4,064	-3,986
FINANCING ACTIVITIES				
New share issue	1,012	—	1,012	—
Transaction cost	-9	—	-9	—
New loans	3,381	3,696	4,850	3,899
Amortization of debt	-44	-788	-2,128	-887
Acquisition of non-controlling interest	45	123	45	123
Paid dividends	—	—	-570	-150
Cash flow from financing activities	4,385	3,031	3,200	2,985
Cash flow for the period	18	-457	331	-137
Cash and cash equivalents at beginning of period	500	636	170	321
Exchange differences in cash and cash equivalents	-1	-9	16	-14
Cash and cash equivalents at end of period	517	170	517	170
Information regarding interest payments				
Interest received	0	1	1	3
Interest paid	-111	-101	-440	-430
Information regarding cash and cash equivalents end of period	517	170	517	170
Cash and cash equivalents consist of bank deposits.				

Condensed income statement for the Parent Company

MSEK	Q4 2016	Q4 2015	FY 2016	FY 2015
Net sales	20	24	65	56
Administration cost	-47	-37	-158	-123
Other income	—	—	—	9
Operating profit	-27	-13	-93	-58
Profit from participations in Group companies	-61	3	300	669
Other interest income and similar profit/loss items	56	48	112	65
Other interest expense and similar profit/loss items	-22	-50	-185	-211
Profit after financial items	-54	-12	134	465
Year-end appropriations	304	106	304	106
Profit before tax	250	94	438	571
Current tax	—	—	—	—
Profit for the period	250	94	438	571

Condensed balance sheet for the Parent Company

MSEK	31 Dec 2016	31 Dec 2015
ASSETS		
Non-current assets	0	0
Financial assets	12,717	11,775
Current assets	217	112
Total assets	12,934	11,887
EQUITY AND LIABILITIES		
Equity	3,712	2,841
Provisions	57	30
Non-current liabilities	4,997	4,087
Current liabilities	4,168	4,929
Total equity and liabilities	12,934	11,887

Key ratios

RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS (MSEK)		Q4 2016	Q4 2015	FY 2016	FY 2015
3	Return on shareholders' equity, %				
	Shareholders' equity attributable to the shareholders of the parent company, opening balance	—	—	12,092	10,402
	Shareholders' equity attributable to the shareholders of the parent company, closing balance	—	—	15,081	12,092
	Average shareholders' equity attributable to the shareholders of the parent company	—	—	13,586	11,247
	Profit for the period attributable to the shareholders of the parent company	—	—	2,201	2,131
	Return on shareholders' equity, %	—	—	16.2%	18.9%
1	Equity to assets ratio, %				
	Sum equity	—	—	15,258	12,215
	Total assets	—	—	38,429	31,620
	Equity to assets ratio, %	—	—	39.7%	38.6%
	Loan to value ratio, %				
	Non-current interest bearing liabilities	—	—	18,304	13,720
	Current interest bearing liabilities	—	—	537	1,826
	Market value properties	—	—	38,233	31,437
	Loan to value, %	—	—	49.3%	49.5%
	Interest cover ratio, times				
	Profit before changes in value	309	236	1,214	1,027
	Financial expenses	116	106	457	441
	Depreciation	39	39	147	137
	Interest cover ratio, times	4.0	3.6	4.0	3.6
	Average interest on debt end of period, %				
	Average interest expenses	—	—	489	428
	Non-current interest bearing liabilities	—	—	18,304	13,720
	Current interest bearing liabilities	—	—	537	1,826
	Average interest on debt, end of period, %	—	—	2.6%	2.8%
	See page 11-12 for a complete reconciliation				
	Net interest-bearing debt				
	Non-current interest bearing liabilities	—	—	18,304	13,720
	Current interest bearing liabilities	—	—	537	1,826
	Cash and cash equivalents	—	—	-517	-170
	Net interest-bearing debt	—	—	18,324	15,376
	Investments, excl. acquisitions	187	158	433	392
2	Net operating income, Property Management				
	Rental income	433	351	1,717	1,431
	Other property income	25	14	70	112
	Costs, excl. property administration	-68	-44	-212	-197
	Net operating income, before property administration	390	321	1,575	1,346
	Property administration	-22	-15	-80	-66
	Net operating profit, Property Management	368	306	1,495	1,280
	Net operating profit, Operator Activities				
	Revenues Operator Activities	619	536	2,158	2,046
	Costs Operator Activities	-528	-471	-1,866	-1,767
	Gross profit	91	65	292	279
	Add: Depreciation included in costs	39	39	147	137
	Net operating profit, Operator Activities	130	104	439	416
	EBITDA				
	Gross profit from respective operating segment	459	371	1,787	1,559
	Add: Depreciation included in costs Operator Activities	39	39	147	137
	Less: Central administration, excluding depreciation	-34	-29	-117	-93
	EBITDA	464	381	1,817	1,603
	Cash earnings				
	EBITDA	464	381	1,817	1,603
	Add: Financial income	0	1	1	3
	Less: Financial cost	-116	-106	-457	-441
	Less: Current tax	-34	-42	-72	-35
	Cash earnings	314	234	1,289	1,130
3	EPRA NAV				
	Equity attributable to the shareholders of the parent company	—	—	15,081	12,092
	Add: Revaluation of Operating Properties	—	—	1,655	1,248
	Add: Fair value of financial derivatives	—	—	736	703
	Less: Deferred tax assets related to derivatives	—	—	-171	-168
	Add: Deferred tax liabilities related to properties	—	—	2,582	2,281
	EPRA NAV	—	—	19,883	16,156
	Growth in EPRA NAV, annual rate, %				
	EPRA NAV attributable to the shareholders of the parent company, opening balance	—	—	16,156	13,816
	EPRA NAV attributable to the shareholders of the parent company, opening balance	—	—	19,883	16,156
	Dividend added back, current year	—	—	570	150
	Excluding proceeds from new share issue	—	—	-1,003	—
	Growth in EPRA NAV, %	—	—	20.4%	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.

Financial risk

Pandox owns, manages and develops hotel properties and operates hotels. The level of risk-taking is expressed in a loan-to-value ratio of between 45 and 60 percent, depending on market development and the opportunities that exist. In addition to the loan-to-value ratio, equity/assets ratio, interest cover ratio, average cost of debt and interest-bearing net debt are other relevant measurements of Pandox's financial risk.

Growth and profitability

Pandox's overall goal is to increase cash flow and property value and thereby enable Pandox to have the resources for investments to support the Group's continued expansion. Since Pandox both owns and operates hotel properties, multiple indicators are needed to measure the Company's performance in relation to goals in this regard. Growth in cash earnings is Pandox's primary focus and this is also the basis for the dividend paid annually to the shareholders, i.e. 40-60 percent of cash earnings with an average dividend share of 50 percent over time. Measuring net operating income creates transparency and comparability between the Company's two operating segments and with other property companies. EBITDA measures Pandox's total operational profitability in a uniform way.

Net asset value (EPRA NAV) and equity

Net asset value (EPRA NAV) is the collective capital Pandox manages on behalf of its shareholders. Pandox measures long-term net asset value based on the balance sheet adjusted for items that will not yield any payments in the near future, such as derivatives and tax liabilities. The market value of Operating Properties is included in the calculation. Return on equity is used to supplement growth in EPRA NAV.

Key ratios continued

CONTINUED RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS PER SHARE ¹	Q4 2016	Q4 2015	FY 2016	FY 2015
Total comprehensive income per share, SEK				
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	787	546	2,556	1,840
Weighted average number of share, before and after dilution	151,059,782	150,000,000	150,266,393	150,000,000
Total comprehensive income per share, SEK	5.21	3.64	17.01	12.26
Cash earnings per share, SEK				
Cash earnings attributable to the shareholders of the parent company, MSEK	309	234	1,276	1,130
Cash earnings per share, SEK	151,059,782	150,000,000	150,266,393	150,000,000
	2.05	1.56	8.49	7.53
Shareholders' equity per share, SEK				
Shareholders' equity attributable to the shareholders of the parent company, MSEK	—	—	15,081	12,092
Number of shares at the end of the period	—	—	157,499,999	150,000,000
Shareholders' equity per share, SEK	—	—	95.75	80.61
Net asset value (EPRA NAV) per share, SEK				
EPRA NAV, MSEK	—	—	19,883	16,156
Number of shares at the end of the period	—	—	157,499,999	150,000,000
Net asset value (EPRA NAV) per share, SEK	—	—	126.24	107.71
Dividend per share, SEK				
Dividend, MSEK	—	—	646	570
Number of shares at dividend	—	—	157,499,999	150,000,000
Dividend per share, SEK ³	—	—	4.10	3.80
Weighted average number of shares outstanding, after dilution, thousands	151,059,782	150,000,000	150,266,393	150,000,000
Number of shares at end of period	157,499,999	150,000,000	157,499,999	150,000,000
PROPERTY RELATED KEY FIGURES				
Number of hotels, end of period ²	—	—	120	121
Number of rooms, end of period ²	—	—	26,240	25,190
WAULT, years	—	—	13.9	11.2
Total market value properties, MSEK	—	—	38,233	31,437
Market value Investment properties	—	—	30,163	25,062
Market value Operating properties	—	—	8,070	6,375
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	660	660	657	684

¹ Retrospectively adjusted for share split in May 2015. Total number of outstanding shares after split amount to 157,499,999, of which 75,000,000 A shares and 82,499,999 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 2016 proposed dividend and for 2015 actual dividend is indicated.

Quarterly data

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MSEK)

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue Property Management								
Rental income	433	459	451	374	351	389	372	319
Other property income	25	20	13	12	14	69	16	13
Revenue Operator Activities	619	561	536	442	536	534	609	367
Total revenues	1,077	1,040	1,000	828	901	992	997	699
Costs Property Management	-90	-70	-66	-66	-59	-55	-76	-72
Costs Operator Activities	-528	-466	-448	-424	-471	-454	-494	-348
Gross profit	459	504	486	338	371	483	427	279
Central administration	-34	-27	-32	-24	-30	-23	-19	-21
Financial net	-116	-114	-112	-114	-105	-105	-115	-114
Profit before value changes	309	363	342	200	236	355	293	144
Changes in value								
Properties, unrealised	413	369	319	200	484	232	307	363
Properties, realised	—	—	—	159	4	—	8	—
Derivatives, unrealised	116	24	-55	-124	93	-73	216	-33
Profit before tax	838	756	606	435	817	514	824	474
Current tax	-34	-12	-25	-1	-42	17	-5	-5
Deferred tax	-32	-152	-107	-58	-94	-106	-168	-95
Profit for the period	772	592	474	376	681	425	651	374
Other comprehensive income	18	108	103	131	-135	37	-62	-130
Total comprehensive income for the period	790	700	577	507	546	462	589	244

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MSEK)

	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015	31 Mar 2015
ASSETS								
Properties incl equipment and interiors	36,578	31,623	30,710	29,998	29,463	26,287	26,170	25,941
Other non-current receivables	23	21	20	20	25	25	27	28
Deferred tax assets	748	772	802	829	800	865	805	898
Current assets	563	531	428	345	1,162	587	415	254
Cash and cash equivalents	517	500	365	820	170	636	263	378
Total assets	38,429	33,447	32,325	32,012	31,620	28,400	27,680	27,499
EQUITY AND LIABILITIES								
Equity	15,258	13,428	12,728	12,722	12,215	11,546	11,084	10,646
Deferred tax liability	2,582	2,660	2,421	2,274	2,281	2,310	2,147	2,074
Interest-bearing liabilities	18,841	15,547	15,388	15,219	15,546	12,861	12,822	12,821
Non interest-bearing liabilities	1,748	1,812	1,788	1,797	1,578	1,683	1,627	1,958
Total equity and liabilities	38,429	33,447	32,325	32,012	31,620	28,400	27,680	27,499

KEY RATIOS

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
NOI, Property Management, MSEK	368	409	398	320	306	403	312	260
NOI, Operator Activities, MSEK	130	130	125	54	104	115	146	51
EBITDA, MSEK	464	512	491	350	381	495	439	290
Earnings per share before and after dilution, SEK	5.08	3.93	3.14	2.49	4.54	2.83	4.34	2.49
Cash earnings, MSEK	314	386	354	235	234	407	319	171
Cash earnings per share before and after dilution, SEK	2.05	2.55	2.34	1.57	1.56	2.71	2.13	1.14

RevPAR growth (Operator Activities) for comparable units and constant currency.

-4	-2	-12	1	0	7	10	11
----	----	-----	---	---	---	----	----

	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015	31 Mar 2015
Net interest-bearing debt, MSEK	18,324	15,047	15,023	14,399	15,376	12,225	12,559	12,444
Equity to assets ratio, %	39.7	40.1	39.4	39.7	38.6	40.7	40.0	38.7
Loan to value, %	49.3	47.0	47.9	48.6	49.5	46.4	46.9	47.5
Interest coverage ratio, times	4.0	4.0	3.7	3.1	3.6	3.7	3.2	2.5
Market value properties, MSEK	38,233	33,098	32,124	31,322	31,437	27,712	27,327	26,996
EPRA NAV per share, SEK	126.24	120.53	114.03	112.16	107.71	104.45	99.23	96.25
WAULT (Property Management), yrs	13.9	13.4	13.3	11.3	11.2	8.7	8.9	8.7

Property portfolio overview

At the end of the period, Pandox's property portfolio comprised 120 (31 December, 2015: 121) hotel properties with 26,240 (31 December, 2015: 25,190) hotel rooms in ten countries. Pandox's main geographical focus, which represents approximately 60 percent of the portfolio by market value, is the Nordics. Of the owned hotel properties, 98 are leased to third parties, which mean that approximately 79 percent of the portfolio market value is covered by external leases.

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	13,311	35%	1.5
Norway	10	1,641	2,379	6%	1.4
Finland	13	2,919	3,246	8%	1.1
Denmark	6	1,402	2,395	6%	1.7
Belgium	1	100	100	0%	1.0
The Netherlands	1	189	945	2%	5.0
Germany	22	4,331	5,751	15%	1.3
Austria	2	639	1,273	3%	2.0
Switzerland	1	206	763	2%	3.7
Total Investment properties	98	20,024	30,163	79%	1.5

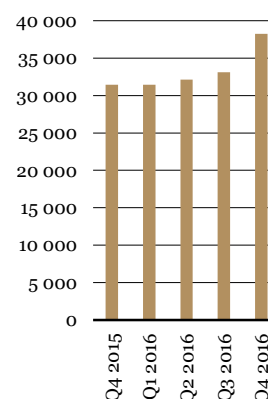
Operator Activities <i>Operating properties</i>	No. of hotels	No. of rooms	Market value (MSEK)	Market value in % of total	Value per room (MSEK)
Sweden	2	357	309	1%	0.9
Norway	4	861	671	2%	0.8
Finland	1	151	43	0%	0.3
Denmark	2	440	734	2%	1.7
Belgium	7	2,158	3,251	9%	1.5
Germany	4	1,285	2,037	5%	1.6
Canada	2	964	1,025	3%	1.1
Total Operating properties	22	6,216	8,070	21%	1.3

Total owned properties	120	26,240	38,233	100%	1.5
-------------------------------	------------	---------------	---------------	-------------	------------

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), Hilton and NH.

Brand	No. of hotels	No. of rooms	Countries
Scandic	44	9,458	SE, NO, FI, DK, BE
Leonardo	16	2,921	DE
Nordic Choice Hotels	12	1,956	SE, NO
Radisson Blu	7	1,783	SE, NO, CH, DE
Hilton	5	1,225	SE, FI, BE
NH	5	1,162	DE, AU
Holiday Inn	4	963	BE, DE
First Hotels	3	618	DK
Crowne Plaza	2	616	BE
Hyatt	1	607	CAN
Best Western	2	311	SE, FI
Elite	2	452	SE
InterContinental	1	357	CAN
Thon Hotels	2	348	NO
Rantasipi	1	135	FI
Independent brands	13	3,328	SE, NO, FI, DK, BE, DE
Total	120	26,240	10

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	
	Q1-4 2016	Q1-4 2015	Q1-4 2016	Q1-4 2015	Q1-4 2016	Q1-4 2015	Q1-4 2016	Q1-4 2015
Revenue Property Management								
Rental and other property income	1,787	1,543	—	—	—	—	1,787	1,543
Revenue Operator Activities	—	—	2,158	2,046	—	—	2,158	2,046
Total revenues	1,787	1,543	2,158	2,046	—	—	3,945	3,589
Costs Property Management	-292	-263	—	—	—	—	-292	-263
Costs Operator Activities	—	—	-1,866	-1,767	—	—	-1,866	-1,767
Gross profit	1,495	1,280	292	279	—	—	1,787	1,559
Central administration	—	—	—	—	-117	-94	-117	-94
Financial income	—	—	—	—	1	3	1	3
Financial expenses	—	—	—	—	-457	-441	-457	-441
Profit before changes in value	1,495	1,280	292	279	-573	-532	1,214	1,027
<i>Changes in value</i>								
Properties, unrealised	1,301	1,387	—	—	—	—	1,301	1,387
Properties, realised	159	12	—	—	—	—	159	12
Derivatives, unrealised	—	—	—	—	-39	203	-39	203
Profit before tax	2,955	2,679	292	279	-612	-329	2,635	2,629
Current tax	—	—	—	—	-72	-35	-72	-35
Deferred tax	—	—	—	—	-349	-463	-349	-463
Profit for the period	2,955	2,679	292	279	-1,033	-827	2,214	2,131

Q1-Q4 2016

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	869	177	138	240	314	5	44	1,787
- Operator Activities	55	159	336	29	432	658	489	2,158
Market value properties	13,620	3,129	3,050	3,289	7,788	3,351	4,006	38,233
Investments in properties	148	31	80	9	47	50	68	433
Acquisitions of properties	—	—	—	—	1,752	526	2,218	4,496
Realised value change properties	159	—	—	—	—	—	—	159

Q1-Q4 2015

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	882	142	242	221	—	17	39	1,543
- Operator Activities	22	134	248	23	404	770	445	2,046
Market value properties	13,463	2,608	2,611	3,020	5,491	2,772	1,472	31,437
Investments in properties	117	58	52	53	16	63	33	392
Acquisitions of properties	—	—	—	—	3,665	—	—	3,665
Realised value change properties	—	—	—	—	—	12	—	12

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	
	Q4 2016	Q4 2015	Q4 2016	Q4 2015	Q4 2016	Q4 2015	Q4 2016	Q4 2015
Revenue Property Management								
Rental and other property income	458	365	—	—	—	—	458	365
Revenue Operator Activities	—	—	619	536	—	—	619	536
Total revenues	458	365	619	536	—	—	1,077	901
Costs Property Management	-90	-59	—	—	—	—	-90	-59
Costs Operator Activities	—	—	-528	-471	—	—	-528	-471
Gross profit	368	306	91	65	—	—	459	371
Central administration	—	—	—	—	-34	-30	-34	-30
Financial income	—	—	—	—	0	1	0	1
Financial expenses	—	—	—	—	-116	-106	-116	-106
Profit before changes in value	368	306	91	65	-150	-135	309	236
<i>Changes in value</i>								
Properties, unrealised	413	484	—	—	—	—	413	484
Properties, realised	—	4	—	—	—	—	—	4
Derivatives, unrealised	—	—	—	—	116	93	116	93
Profit before tax	781	794	91	65	-34	-42	838	817
Current tax	—	—	—	—	-34	-42	-34	-42
Deferred tax	—	—	—	—	-32	-94	-32	-94
Profit for the period	781	794	91	65	-100	-178	772	681

Q4 2016

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	220	47	35	53	87	1	15	458
- Operator Activities	15	40	99	7	117	190	151	619
Market value properties	13,620	3,129	3,050	3,289	7,788	3,351	4,006	38,233
Investments in properties	45	4	48	4	24	24	38	187
Acquisitions of properties	—	—	—	—	1,752	526	2,218	4,496
Realised value change properties	—	—	—	—	—	—	—	—

Q4 2015

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	222	34	39	56	—	4	10	365
- Operator Activities	15	35	69	6	111	193	107	536
Market value properties	13,463	2,608	2,611	3,020	5,491	2,772	1,472	31,437
Investments in properties	33	30	24	15	13	32	11	158
Acquisitions of properties	—	—	—	—	3,665	—	—	3,665
Realised value change properties	—	—	—	—	—	12	—	12

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 shareholders' equity, %

Profit or loss attributable to the shareholders of the Parent Company rolling twelve months as a percentage of average equity attributable to the shareholders of the Parent Company for the same period of time. 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 and operated 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.



Padox AB (publ) | Corp. reg. no. 556030-7885
Postal address | Padox AB | Box 15 | 101 20 Stockholm, Sweden
Street address | Vasagatan 11 | 9th floor | Stockholm, Sweden
Tel. +46 (0)8 506 205 50 | www.padox.com

