Interim report

January–March 2017

Interim report

January–March 2017

Good growth and high dynamics

Quarter January-March 2017

- Revenue from Property Management amounted to MSEK 474 (386). Adjusted for currency effects and comparable units, the increase was 9 percent.
- Net operating income from Property Management amounted to MSEK 396 (320). Adjusted for currency effects and comparable units, the increase was 8 percent.
- Net operating income from Operator Activities amounted to MSEK 82 (54). Adjusted for currency effects and comparable units, the increase was 14 percent.
- EBITDA amounted to MSEK 450 (350).
- Profit for the period amounted to MSEK 527 (376).
- Cash earnings amounted to MSEK 290 (235).
- Earnings per share amounted to SEK 3.31 (2.49).
- EPRA NAV per share amounted to SEK 125.67 (129.77 taking into account provision for dividend of SEK 4.10).

Significant events during and after the end of the period

- Pandox signed lease agreements for seven operator hotels in the Nordics with Scandic Hotels Group.
- Pandox announced its intention to acquire Silken Berlaymont in Brussels for the equivalent of around MSEK 315.

Key figures (MSEK)*	Q1 2017	Q1 2016	*Chg in %*	FY 2016
Revenue Property management (Note 1,2)	474	386	*23*	1,787
Net operating income Property Management (Note 1,2)	396	320	*24*	1,495
Net operating income Operator Activities (Note 1,2)	82	54	*52*	439
EBITDA	450	350	*29*	1,817
Profit for the period	527	376	*40*	2,214
Earnings per share, SEK (Note 3,4)	3.31	2.49	*33*	14.65
Cash earnings, MSEK	290	235	*23*	1,289
Cash earnings per share, SEK (Note 3,4)	1.81	1.55	*16*	8.49
Key data				
Net interest bearing debt, MSEK	18,084	14,399	*26*	18,324
Loan to value net, %	46.8	46.0	*n.m.*	47.9
Interest cover ratio, times	3.4	3.1	*n.m.*	4.0
Market value Properties, MSEK	38,630	31,322	*23*	38,233
EPRA NAV per share, SEK (Note 4)	125.67	112.17	*12*	126.24
WAULT (Investment Properties), years	13.6	11.3	*n.m.*	13.9
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	565	541	*4*	638

(Note 1)Reclassification of Meininger Copenhagen 1 January 2017 to Property Management. (Note 2) Reclassification of Thon Hotel Fagernes 1 January 2016, Thon Hotel Sørlandet 28 May 2016 and Meetingpoint Hafjell 1 September 2016 to Operator Activities.
(Note 3) Based on weighted number of shares 157,499,999 for Q1 2017. For information about previous years see page 21.
(Note 4) After non-controlling interest and provision for unpaid dividend of SEK 4.10 per share.

**For a complete set of definitions please see page 25.*

CEO comment

Good growth and high dynamics

Pandox is reporting a strong quarter with growth in cash earnings and net asset value of 23 and 16 percent respectively. The drivers behind the increase were a continuing good underlying hotel market with good growth in both large cities and regional hubs, as well as a positive calendar effect relating to the Easter holiday.

Pandox maintained a fast business pace with a focus on recently acquired hotels and implementing established business plans.

Adjusted for currency effects and comparable units, rental income and net operating income increased by 9 and 8 percent respectively. This was driven by good development throughout the lease portfolio.

The Easter holiday (in April instead of March as in the previous year) had a positive impact on growth in rental income and net operating income of 3-4 percentage points.

Adjusted for currency effects and comparable units, net operating income from Operator Activities increased by 14 percent, supported mainly by an improved hotel market in Brussels. Pandox's hotel portfolio in Brussels benefitted in particular from increased demand in the meeting segment.

Broad-based demand and a positive Easter effect

The hotel market strengthened in the quarter due to a well-balanced increase in both occupancy and average prices. RevPAR in Europe increased by 7 percent driven by strong demand in both the business and leisure segments as well as a positive calendar effect.

Demand in Pandox's portfolio was driven by congresses and trade fairs as well as balanced demand from both the business and leisure segments. Growth was divided equality between cities with international and domestic demand. Larger cities with particularly strong growth were Oslo, Montreal, Copenhagen and Stockholm. Many German and Nordic regional cities in the lease portfolio also developed well, which reflected an improved economic development and increased hotel market demand at the regional level.

After the end of the period Stockholm was hit by a terror attack. Pandox would like to express deep sympathy to the people who were affected. Due to the relatively limited scope of the incident however, it is not expected to have any significant effect on Stockholm's hotel market.

Operations taken over pave the way for new profitable leases

In January Pandox signed an agreement with Scandic Hotels Group for new, 20-year revenue-based leases for seven hotel properties in the Nordic region currently in Operator Activities and an agreement to transfer the operation of Grand Hotel Oslo. The takeover process is proceeding according to plan. Four of the hotels were taken over by Scandic in April, two are expected to be transferred at the beginning of May and the remaining two at the beginning of June. The agreements confirm Pandox's business model of active ownership where the Company, by taking over operations and investments, lays the foundation for new profitable leases.

In April Pandox announced its intention to acquire Silken Berlaymont in Brussels for the equivalent of around MSEK 315. The acquisition is industrially sound and based on an attractive valuation. The hotel has 212 rooms and is positioned in a market segment that has good average prices and stable, high occupancy during week days. The hotel product is underperforming and offers good improvement potential supported, among other things, by its strong position close to the European Commission with good public transit both to the city and the airport. The hotel property adds value to Pandox's already strong hotel portfolio in Brussels and reinforces the Company's position as the leading hotel property owner in the city.

Continued good prospects to increase cash earnings in 2017

Development in the first quarter indicates increased activity in all of Pandox's markets. Growth was reinforced by a positive calendar effect, which will be neutralised in the second quarter.

Based on previous acquisitions and anticipated organic growth driven by markets and profitable investments in existing portfolios, the prospects are good.

23%

Growth in cash earnings

16%

Growth in net asset value[1]

[1]Measured as growth in EPRA NAV, with reserved dividends added back and proceeds from new share issue deducted.

"Pandox is reporting growth in cash earnings and net asset value of 23 percent and 16 percent respectively. The drivers behind the increase were a good underlying hotel market with good growth in both large cities and regional hubs, as well as a positive calendar effect."

Anders Nissen, CEO

A property company specialised in hotels

Pandox is an active owner with a business model focused on long-term revenue-based lease agreements with the market's best hotel operators. If these conditions are not in place Pandox has long experience of managing hotel operations itself. Pandox's specialist expertise and efficient management systems create opportunities to conduct business across the whole hotel value chain.

A strategy that creates value

Pandox's vision

"To be a world-leading hotel property company with expertise in active ownership, hotel property management and development, as well as hotel operation."

Overall objectives

"With support from specialist expertise and effective management systems increase cash flow and property value – hotel property by hotel property – and thereby make room for investments that support Pandox's continued expansion."

Strategy and business model

1
Focus on hotel properties

2
Large hotel properties in good locations

3
Long-term revenue-based leases with the best hotel operators

4
A high quality hotel property portfolio

5
Geographical diversification reduces fluctuations

6
Operator Activities reduce risk and create opportunities

Organisation and execution

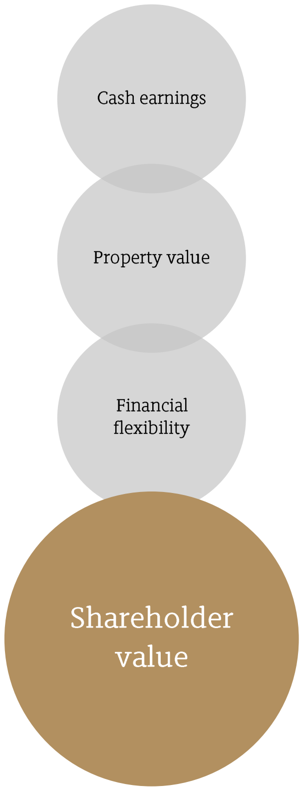
Property Management	Operator Activities	Asset management
"We own and lease hotel properties"	"We own and operate hotel properties"	"We manage hotel properties owned by others"
99 hotels corresponding to 80 procent of portfolio market value.	21 hotels corresponding to 20 procent av portfolio market value.	10 hotels including Grand Hotel Oslo.
Weighted unexpired lease term (WAULT) 13.6 years.		

Key facts

- 120 hotels
- 26,238 rooms
- 10 countries
- MSEK 38,630 in portfolio value

Value drivers

Pandox creates shareholder value over time by increasing cash flow and property value.



Financial targets

Pandox is aiming for a dividend pay-out ratio of 40-60 percent of cash earnings[1)], with an average dividend pay-out ratio over time of around 50 percent, and a loan-to-value ratio net[2)] of 45-60 percent.

For 2016 the dividend was SEK 4.10 per share, corresponding to 50 percent of cash earnings. At the end of the period the loan-to-value ratio was 46.8 percent.

1) Defined as EBITDA plus financial income minus financial expense minus current tax.
2) Defined as interest-bearing liabilities minus liquid funds in relation to the market value of the properties at the end of the period.

Hotel market development January-March 2017

The Easter effect strengthened a good underlying demand

Despite global macroeconomic development marked by political and geopolitical turbulence, particularly in countries like the US, the UK, France and Turkey, the global tourism market remains strong. According to UNWTO, international arrivals increased globally by 4 percent and in Europe by 2 percent in 2016. The outlook remains positive, with expected growth in 2017 of 3-4 percent globally and 2-3 percent for Europe.

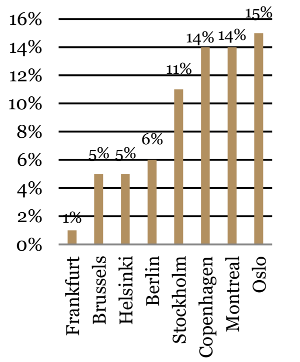
Up to now the security situation in individual destinations has not curbed total demand appreciably in the international tourism market. Instead travellers are seeking other destinations that are perceived as safer.

The hotel markets in North America and Europe developed well in general in the first quarter. A positive calendar effect due to the the Easter holiday (in April instead of March as in the previous year) contributed further to already strong underlying demand.

7%

RevPAR growth in Europe Q1

Easter effect boosted already solid underlying growth
RevPAR growth Q1 2017



Sustained growth in all key markets

RevPAR development quarterly change (in local currency)

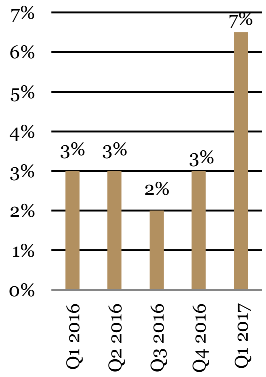
	FY 2014	FY 2015	FY 2016	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
USA	*8%*	*6%*	*3%*	*3%*	*3%*	*3%*	*3%*	*3%*
New York [1]	3%	-2%	-2%	-1%	-3%	-2%	1%	-1%
Montreal	10%	7%	9%	5%	1%	16%	10%	14%
Europe	*6%*	*7%*	*2%*	*3%*	*3%*	*2%*	*3%*	*7%*
London [1]	3%	2%	-1%	-4%	-3%	1%	2%	11%
Brussels	3%	2%	-18%	-8%	-29%	-26%	-4%	5%
Berlin	5%	8%	4%	6%	0%	6%	3%	6%
Frankfurt	-2%	9%	-2%	4%	3%	-9%	-1%	1%
Stockholm	2%	9%	8%	4%	20%	0%	6%	11%
Oslo	1%	8%	3%	2%	0%	9%	0%	15%
Helsinki	2%	2%	7%	6%	12%	11%	0%	5%
Copenhagen	4%	11%	13%	3%	15%	18%	14%	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.

Stable in both the US and Canada

In the US and Canada RevPAR (revenue per available room) increased in the first quarter by 3 and 6 percent respectively. In the US supply increased on a par with demand and occupancy increased by just over 1 percentage point. Demand also had a dampening effect on the average price, which increased by just under 3 percent in the first quarter. Canada was impacted by a strong US dollar, which had a positive impact on demand. RevPAR in Montreal increased by 14 percent in the first quarter as a result of good demand from, i.a., the US, a strong economy regionally and some capacity limitations due to renovations.

Very good growth in Europe
RevPAR growth by quarter



Strong growth in Europe

The hotel markets in Europe as a whole developed well in the first quarter and the RevPAR increase was very strong, at 7 percent, as a result of both growing demand and improved average prices. The figures include a certain positive calendar effect from the dates of Easter, but the underlying trend was good. The hotel markets in Spain, Portugal and Ireland developed very well, in line with a continuing economic recovery. In Paris and Brussels RevPAR increased by 16 and 5 percent respectively, supported by a sustained recovery after the security events last year. On the German market – an important market for Pandox – most cities experienced good growth. In total, RevPAR increased in Germany by 8 percent.

Broad-based growth in the Nordic region and Germany

The Nordic region continued to benefit from a good economic situation, and growth conditions also improved in Finland. The calendar effect of the Easter holiday also had a positive effect on growth. RevPAR in Stockholm increased by 11 percent in the first quarter despite a relatively large increase in capacity in the period (around 5 percent). RevPAR growth in Oslo and Copenhagen amounted to 15 and 14 percent respectively. In Oslo growth was mainly driven by demand in combination with the closure of two large hotels due to renovation, while growth in Copenhagen was evenly distributed between demand and average prices. Demand in Helsinki continued to improve, RevPAR increased by 5 percent and the new capacity of around 700 rooms has up to now been well absorbed.

Financial development January-March 2017

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2016 for balance sheet items unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 474 (386), an increase of 23 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 9 percent.

Revenue from Operator Activities amounted to MSEK 521 (442), an increase of 18 percent. Adjusted for currency effects and comparable units, revenue and RevPAR each increased by 4 percent.

The Group's net sales amounted to MSEK 995 (828). Adjusted for currency effects and comparable units, revenue increased by 6 percent.

A positive calendar effect due to the dates of the Easter holiday (in April instead of March as in the previous year) contributed further to already strong underlying demand.

Net operating income

Net operating income from Property Management amounted to MSEK 396 (320), an increase of 24 percent. Adjusted for currency effects and comparable units, net operating income increased by 8 percent.

Net operating income from Operator Activities amounted to MSEK 82 (54), an increase of 52 percent, supported mainly by improved results in Brussels compared with the previous year. Adjusted for currency effects and comparable units, net operating income increased by 14 percent.

Total net operating income amounted to MSEK 478 (374), an increase of 28 percent.

Administration costs

Central administration costs amounted to MSEK -28 (-24). The increase is mainly explained by the Company's geographical expansion.

EBITDA

EBITDA amounted to MSEK 450 (350), an increase of 29 percent, driven by improved net operating income for both Property Management and Operator Activities.

Financial income and expenses

Financial expenses amounted to MSEK -131 (-114), which is mainly explained by increased interest-bearing liabilities after acquisitions carried out and hedging costs. Financial income amounted to MSEK 1 (0).

Profit before changes in value

Profit before changes in value amounted to MSEK 280 (200), an increase of 40 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 308 (200) and is explained by a combination of improved underlying cash flows in Pandox's property portfolio and a somewhat lower valuation yield requirement. Realised changes in value for Investment Properties amounted to 0 (159).

Unrealised changes in the value of derivatives amounted to MSEK 77 (-124).

Current and deferred tax

Current tax amounted to MSEK -30 (-1). The increase is mainly explained by positive results after acquisitions in Germany, Austria and the Netherlands, as well as allocation effects in the comparable period. Deferred tax expense amounted to MSEK -108 (-58).

Profit for the period

Profit for the period amounted to MSEK 527 (376) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 522 (374), which is equivalent to SEK 3.31 (2.49) per share.

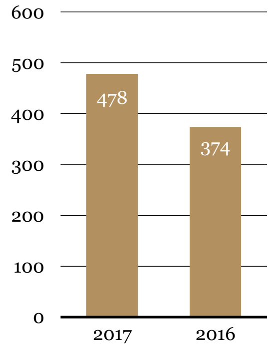
Cash earnings

Cash earnings amounted to MSEK 290 (235), an increase of 23 percent.

28%

Increase total NOI Q1

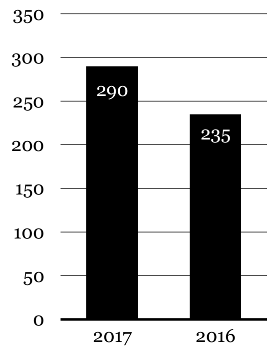
Total net operating income, MSEK (Januari-March)[1,2]



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

[2] Eight hotel properties in Sweden divested 31 March 2016.

Cash earnings, MSEK (Januari-March)[1,2]



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

[2] Eight hotel properties in Sweden divested 31 March 2016.

Segment reporting

Summary of segments

MSEK	Q1 2017	Q1 2016	FY 2016
Total gross profit	438	338	1,787
– *whereof gross profit Property Management*	396	320	1,495
– *whereof gross profit Operator Activities*	42	18	292
Net operating income Property Management			
– Net operating income equals gross profit	396	320	1,495
Net operating income Operator Activities			
– Gross profit	42	18	292
– Add: Depreciation included in costs, Operator Activities	40	36	147
– Net operating income Operator Activities	82	54	439
Total net operating income	478	374	1,934
Central administration, excluding depreciation	-28	-24	-117
EBITDA	450	350	1,817

Property Management

The market value of Investment Properties amounted to MSEK 30,954, representing 80 percent of total property market value.

Net operating income Property Management

MSEK	Q1 2017	Q1 2016	FY 2016
Rental income	456	374	1,717
Other property income	18	12	70
Costs, excluding property administration	-56	-48	-212
Net operating income, before property administration	418	338	1,575
Property administration	-22	-18	-80
Gross profit	396	320	1,495
Net operating income, after property administration	396	320	1,495

Comments on the period January–March 2017

Rental income and other property income amounted to MSEK 474 (386) and net operating income to MSEK 396 (320), an increase of 23 and 24 percent respectively. The figures include the seven hotel properties in Europe acquired in December 2016 and Meininger Copenhagen which was reclassified from Operator Activities on 1 January 2017.

Adjusted for currency effects and comparable units, total rental income and net operating income increased by 9 and 8 percent respectively. The dates of the Easter holiday (in April instead of March as in the previous year) had a positive impact on growth in rental income and net operating income of 3-4 percentage points each.

Development in the comparable lease portfolio was strong, supported by good demand and increased average prices. Germany, Sweden and Finland saw the highest rental growth for the quarter.

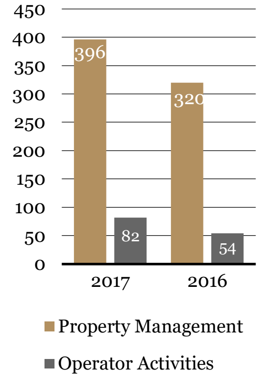
RevPAR for the 18 hotel properties acquired earlier in Germany increased by 11 percent, which can be compared with 8 percent for Germany as a whole.

Individual cities with particularly strong development were Düsseldorf, Hamburg and Frankfurt. In the Nordic region, Stockholm and Helsinki were the strongest. Many German and Nordic regional towns in the lease portfolio also developed well, which is reflected in improved economic growth and increased demand hotel market demand.

On 31 March 2017 Investment Properties had a weighted average unexpired lease term (WAULT) of 13.6 years (31 December 2016: 13.9).

Revenue for the quarter from the eight external asset management agreements in Oslo amounted to MSEK 0.7 (0.6).

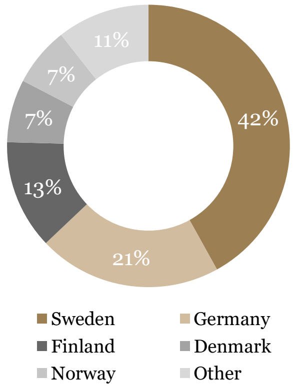
Net operating income by segment, MSEK (January-March)[1,2]



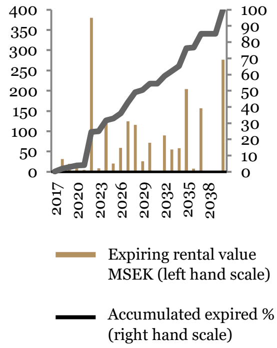
[1] Includes Hilton Grand Place Brussels from 10 October 2016 and seven hotel properties in Europe from 19 December 2016.

[2] Eight hotel properties in Sweden divested 31 March 2016.

Income by country Property Management (January-March)



Lease maturity profile (31 March 2017)



Operator Activities

The market value of Operating Properties amounted to MSEK 7,676, representing 20 percent of total property market value.

Net operating income Operator Activities

MSEK	Q1 2017	Q1 2016	FY 2016
Revenues	521	442	2,158
Costs	-479	-424	-1,866
Gross profit	42	18	292
Add: Depreciation included in costs	40	36	147
Net operating income	82	54	439

Comments on the period January–March 2017

Revenue from Operator Activities amounted to MSEK 521 (442) and net operating income amounted to MSEK 82 (54), an increase of 18 and 52 percent respectively, despite reclassification of Meininger Copenhagen on 1 January 2017. The net operating margin improved to 15.7 (12.2) percent.

Adjusted for currency effects and comparable units, revenue and net operating income increased by 4 and 14 percent respectively. The improvement is mainly explained by continued recovery in Brussels, supported by increased demand in the important conference segment as well as a positive Easter effect on the portfolio in general. Net operating income in Brussels increased by 21 percent adjusted for currency effects and comparable units. Some tax relief measures also benefitted the hotel market in Brussels.

The Nordic region saw some improvement in net operating income despite concluding investment in preparation for the Scandic Hotels Group's upcoming takeover of seven hotels in the second quarter of 2017 and some challenging comparison data. In Germany and Canada, net operating income was negatively affected by on-going renovations at Hotel Berlin, Berlin and Hyatt Regency, Montreal.

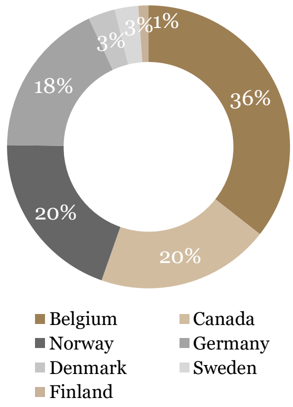
Adjusted for currency effects and comparable units, RevPAR increased by 4 percent.

Revenue from Grand Hotel Oslo, which Pandox operates without owning the property and thus has a lower operating margin, amounted to MSEK 44 (24) and net operating income to MSEK -3 (-8). Grand Hotel Oslo was taken over by Scandic Hotels Group on 25 April 2017.

Adjusted for Grand Hotel Oslo, the net operating margin for Operator Activities was 17.8 (14.8) percent.

The Hotel Brussels, Belgium

Revenue by country
Operator Activities
(January-March)



Pandox's own brands
(31 March 2017)

Property portfolio

Change in property values

At the end of the period, Pandox's property portfolio had a total market value of MSEK 38,630 (38,233), of which MSEK 30,954 (30,163) was for Investment Properties and MSEK 7,676 (8,070) for Operating Properties. The market value of Operating Properties is reported for disclosure purposes only and is included in EPRA NAV. Reclassification of Meininger Copenhagen was carried out on 1 January 2017. 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 6,144 (6,415). The decrease is mainly the result of the reclassification of Meininger Copenhagen and changes in exchange rates.

Change in value Investment Properties

	MSEK
Investment Properties, beginning of the period (January 1, 2017)	30,163
+ Acquisitions	—
+ Investments in current portfolio	92
- Divestments	—
+/- Reclassifications [1]	274
+/- Revaluation of fixed assets to the profit for the year [1]	176
+/- Unrealised changes in value	309
+/- Realised changes in value	—
+/- Change in currency exchange rates	-60
Investment Properties, end of period (March 31, 2017)	30,954

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

	MSEK
Operating Properties, market value beginning of the period (January 1, 2017)	8,070
+ Acquisitions	—
+ Investments in current portfolio	65
- Divestments	—
+/- Reclassifications [1]	-450
+/- Unrealised changes in value	18
+/- Realised changes in value	—
+/- Change in currency exchange rates	-27
Operating Properties, market value end of period (March 31, 2017)	7,676

[1] Refers to reclassification of Meininger Copenhagen 1 January 2017.

Investments

During the period January-March 2017, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 157 (84), of which MSEK 92 (53) in Investment Properties and MSEK 65 (31) in Operating Properties.

At the end of the period, committed investments for future projects equivalent to around MSEK 900 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 Group for 19 hotel properties in the Nordic region.

Sensitivity analysis (MSEK)

Financial effects of changes in certain key valuation parameters as of March 31, 2017:

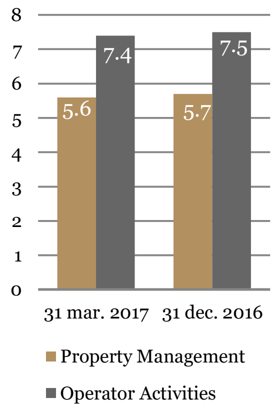
Investment Properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-2,520 / +3,010
Change in currency exchange rates	+/- 1%	+/- 175
Net operating income	+/- 1%	+/- 319

Investment Properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 18

Operating Properties, effect on revenues	Change	Effect on revenue
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 15

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%	-/+ 70
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 187
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 479

Average valuation yield, %
(31 March 2017)



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 first 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 23.

Financing

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2016 for balance sheet items, unless otherwise stated.

Financial position and net asset value

At the end of the period loan-to-value net was 46.8 (46.0) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 15,049 (15,081) and EPRA NAV (net asset value) was MSEK 19,793 (19,833) after approved but still unpaid dividend of MSEK 646. With the corresponding adjustment EPRA NAV per share was SEK 129.77 (126.24). Liquid funds plus unutilised long-term credit facilities, amounted to MSEK 2,329 (2,232).

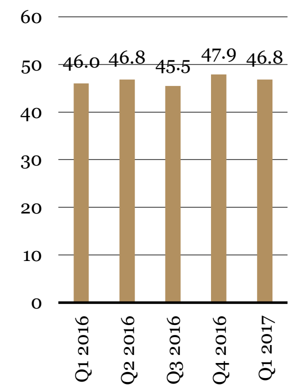
Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 18,698 (18,831). Unutilised long-term credit facilities amounted to MSEK 1,704 (1,715).

The average fixed rate period was 2.6 (2.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.6 (2.6) percent including effects of interest-rate swaps. The average repayment period was 2.8 (3.0) 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. At the end of the period Pandox had interest rate swaps amounting to MSEK 11,315 and around 56 percent of Pandox's loan portfolio was hedged against interest rate movements for periods longer than one year.

Loan-to-value per quarter, %



Interest maturity profile

	Interest maturity				Interest rate swaps		
(MSEK)	Loans	Interest swaps	Amount	Share	Volume	Share	Average interest swaps [1]
< 1 year	18,698	-10,478	8,220	44%	837	7%	3.8%
1–2 year	—	816	816	4%	816	7%	3.1%
2–3 year	—	1,448	1,448	8%	1,448	13%	1.2%
3–4 year	—	1,783	1,783	10%	1,783	16%	2.7%
4–5 year	—	3,123	3,123	17%	3,123	28%	1.6%
> 5 year	—	3,308	3,308	18%	3,308	29%	1.6%
Total/net/average	18,698	0	18,698	100%	11,315	100%	2.0%

[1] Excluding bank margin.

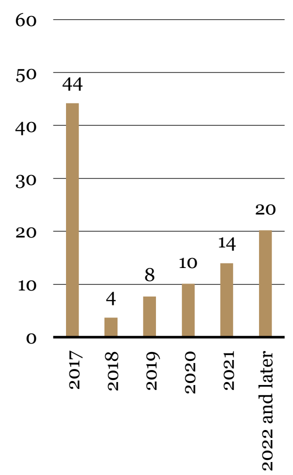
In order to reduce the currency exposure in foreign investment Pandox's aim is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox's strategy is to have a long investment perspective. Currency exposures are largely in form of currency translation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

Interest maturity profile by currency

Year due (MSEK) [1]	SEK	DKK	EUR	CHF	CAD	NOK	Total	Share %	Interest % [2]
2017	967	538	5,551	209	432	524	8,220	44	3.6
2018	250	—	239	—	—	208	697	4	3.1
2019	125	—	692	—	—	625	1,442	8	0.9
2020	900	154	854	—	—	—	1,909	10	2.7
2021	1,250	0	1,384	—	—	—	2,634	14	1.4
2022 and later	1,450	513	1,833	—	—	—	3,796	20	1.7
Total	4,942	1,205	10,553	209	432	1,357	18,698	100	2.6
Share, %	26.4	6.4	56.4	1.1	2.3	7.3	100	—	—
Average interest rate, %	3.5	2.2	2.1	0.8	3.5	3.4	2.6	—	—
Average interest rate period, years	3.6	2.8	2.5	0.1	0.2	1.4	2.6	—	—
Market value Properties	13,807	3,207	16,774	764	1,049	3,027	38,630	—	—

[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 March 2017 the net market value of Pandox's financial derivatives amounted to MSEK -658 (-735). The change in the quarter is mainly explained by an increase 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	247	3	32	0	35
2018	5,233	44	22	0	66
2019	5,980	83	8	0	91
2020	3,114	45	60	0	105
2021	4,124	65	47	-2	109
2022 and later	0	0	80	0	80
Total	18,698	240	248	-3	485

[1] Calculation based on ending balance as of March 31, 2017 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.
[2] Excluding current amortisation.

Deferred tax

At the end of the period deferred tax assets amounted to MSEK 722 (748). 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 2,705 (2,582) 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

Important press releases during the period

9 January 2017	Pandox appoints Martin Creydt to head Property Management International
18 January 2017	Pandox signs lease agreements with Scandic for seven operator hotels in the Nordic region
20 January 2017	Invitation to Capital Market Day in Stockholm
16 February 2017	Year-End Report 2016
27 February 2017	Notice to the 2017 Annual General Meeting
6 March 2017	Publication of 2016 Annual Report
29 March 2017	Press release on the 2017 Annual General Meeting

Important press releases after the period

7 April 2017	Pandox to acquire Silken Berlaymont in Brussels

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

Significant events after the end of the period
Pandox announces its intention to acquire Silken Berlaymont in Brussels for the equivalent of around MSEK 315.

Employees
As of 31 March 2017, Pandox had the equivalent of 1,435 (1,341) full-time employees. Of the total number of employees, 1,398 (1,309) are employed in the Operator Activities segment and 37 (32) 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-March 2017 amounted to MSEK 17 (15), and the profit for the period amounted to MSEK -47 (-54).

At the end of the period the Parent Company's shareholders' equity amounted to MSEK 3,018 (3,712) and interest bearing debt of MSEK 5,080 (5,085), of which MSEK 5,017 (4,997) 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.

Eiendomsspar AS owns 5.1 percent of 21 hotel properties in Germany and 9.9 percent of another hotel property in Germany, which were acquired by Pandox in 2015 and 2016. A temporary minority holding of 5.1 percent for the two hotel properties in Austria is expected to be dissolved in 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 first quarter revenue from the asset management agreements amounted to MSEK 0.7 (0.6), and revenue from Pelican Bay Lucaya amounted to MSEK 0.2 (0.2).

Pandox operates Grand Hotel Oslo under a lease agreement with the property owner Eiendomsspar AS, which will be terminated during the second quarter 2017. Pandox intends to enter into an asset management agreement with Eiendomsspar AS regarding Grand Hotel Oslo. During the first quarter rental payments for Grand Hotel Oslo amounted to MSEK 11 (5).

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 20-21.

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 period, the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 82,499,999 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.

Pandox's sustainability work – Fair Play

Pandox Sustainability Report 2016 has been published on the Company's website, www.pandox.se/sustainability. The report is inspired by GRI's global guidelines and is Pandox's first standalone sustainability report. The report contains topics and targets covering the Company's five focus areas for sustainability, which is part of Pandox's overall business strategy. Key targets include to (1) halve Pandox's greenhouse gas emissions by 2020, (2) have certified or begun certification of all hotels within Operator Activities in accordance with Green Key or equivalent during 2017, and (3) achieve ISO 14001 certification for Pandox's head office as well as the hotel properties within Operator Activities in Germany during 2017. In addition, all Pandox's employees shall complete a group-wide online training in the Company's codes' of conduct, including anti-corruption, safety and business ethics, on an annual basis from 2017.

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.

Audit examination

This interim report has not been examined by the Company's auditors.

Stockholm 4 May, 2017.

Anders Nissen, CEO

Financial calendar

Interim report, Q1, January–March 2017	4 May 2017
Capital market day in Stockholm	9 May 2017
Interim report, Q2, April-June 2017	13 July 2017
Interim report, Q3, July-August 2017	10 November 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, 4 May 09:00 CEST.

To follow the presentation online go to http://media.fronto.com/cloud/pandox/170504. 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 CEST.

SE: +46 (0)8 503 36 434
UK LocalCall: 08444933800
US LocalCall: 16315107498
Conference ID: 1042888

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

This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 CEST on 4 May 2017.

Summary of financial reports

Condensed consolidated statement of comprehensive income

MSEK	Note	Q1 2017	Q1 2016	FY 2016
Revenues Property Management				
Rental income	2	456	374	1,717
Other property income		18	12	70
Revenue Operator Activities	2	521	442	2,158
Total revenues		995	828	3,945
Costs Property Management	2	-78	-66	-292
Costs Operator Activities	2	-479	-424	-1,866
Gross profit		438	338	1,787
- whereof gross profit Property Management	2	396	320	1,495
- whereof gross profit Operator Activities	2	42	18	292
Central administration		-28	-24	-117
Financial income		1	0	1
Financial expenses		-131	-114	-457
Profit before changes in value		280	200	1,214
Changes in value				
Properties, unrealised	2	308	200	1,301
Properties, realised	2	—	159	159
Derivatives, unrealised		77	-124	-39
Profit before tax		665	435	2,635
Current tax		-30	-1	-72
Deferred tax		-108	-58	-349
Profit for the period		527	376	2,214
Other comprehensive income				
Items that may not be classified to profit or loss				
This year's revaluation of fixed assets		176	—	—
Tax attributable to items that may not be classified to profit or loss		-39	—	—
		137	—	—
Items that may be classified to profit or loss				
Translation differences realisation of foreign operations		-43	131	359
		-43	131	359
Other comprehensive income for the period		94	131	359
Total comprehensive income for the period		621	507	2,573
Profit for the period attributable to the shareholders of the parent company		522	374	2,201
Profit for the period attributable to non-controlling interests		5	2	13
Total comprehensive income for the period attributable to the shareholders of the parent company		616	505	2,556
Total comprehensive income for the period attributable to non-controlling interests		5	2	17
Earnings per share, before and after dilution, SEK		3.31	2.49	14.65

Condensed consolidated statement of financial position

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2016
ASSETS			
Non-current assets			
Operating properties	5,704	4,960	5,984
Equipment and interiors	440	365	431
Investment properties	30,954	24,673	30,163
Deferred tax assets	722	829	748
Derivatives[2]	2	—	1
Other non-current receivables	39	20	22
Total non-current assets	37,861	30,847	37,349
Current assets			
Inventories	16	15	16
Current tax assets	11	65	11
Trade account receivables	201	141	249
Prepaid expenses and accrued income	206	114	262
Other current receivables	148	10	25
Cash and cash equivalents	625	820	517
Total current assets	1,207	1,165	1,080
Total assets	39,068	32,012	38,429
EQUITY AND LIABILITIES			
Equity			
Share capital	394	375	394
Other paid-in capital	3,120	2,138	3,122
Reserves	41	-277	-53
Retained earnings, including profit for the period	11,494	10,361	11,618
Equity attributable to the owners of the Parent Company	15,049	12,597	15,081
Non-controlling interests	182	125	177
Sum equity	15,231	12,722	15,258
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities [1]	18,168	14,001	18,304
Derivatives [2]	660	821	736
Provisions	89	71	100
Deferred tax liability	2,705	2,274	2,582
Total non-current liabilities	21,622	17,167	21,722
Current liabilities			
Provisions	15	10	3
Interest-bearing liabilities [1]	541	1,218	537
Tax liabilities	69	6	44
Current liabilities	263	163	202
Other current liabilities	859	181	209
Accrued expenses and prepaid income	468	545	454
Total current liabilities	2,215	2,123	1,449
Total liabilities	23,837	19,290	23,171
Total equity and liabilities	39,068	32,012	38,429

[1] The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values. [2] The fair value measurement belongs to level 2 in the fair value hierarchy in IFRS, i.e., it is based on inputs that are observable, either directly or indirectly. [3] Of which MSEK 646 provision for unpaid dividend.

Condensed consolidated statement of changes in equity

	Attributable to the owners of the parent company							
MSEK	Share capital	Other paid in capital	Translation reserves	Revaluation reserve	Retained earnings, incl profit for the period	Total	Non-controlling interests	Total equity
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[1]	19	984	—	—	—	1,003	—	1,003
Dividend	—	—	—	—	-570	-570	-8	-578
Change in non-controlling interests [1]	—	—	—	—	—	—	45	45
Closing balance equity December 31, 2016	394	3,122	-53	—	11,618	15,081	177	15,258
Opening balance equity January 1, 2017	394	3,122	-53	—	11,618	15,081	177	15,258
Profit for the period 2017	—	—	—	—	522	522	5	527
Other comprehensive income 2017	—	—	-43	137	—	94	0	94
New share issue 2016 [1]	—	-2	—	—	—	-2	—	-2
Dividend[2]	—	—	—	—	-646	-646	—	-646
Closing balance equity 31 March 2017	394	3,120	-96	137	11,494	15,049	182	15,231

[1] Proceeds from directed share issue net of transaction costs of MSEK 2 (MSEK 9, 2016).

[2] Amount refers to by AGM approved dividend of MSEK 646. The amount was paid out 5 April in accordance with the decision of the AGM.

Condensed consolidated statement of cash flow

MSEK	Q1 2017	Q1 2016	FY 2016
OPERATING ACTIVITIES			
Profit before tax	663	435	2,635
Reversal of depreciation	40	36	147
Changes in value, Investment properties, realised	—	-159	-159
Changes in value, Investment properties, unrealised	-308	-200	-1,301
Changes in value, derivatives, unrealised	-77	124	39
Other items not included in the cash flow	6	—	35
Taxes paid	-30	-1	-72
Cash flow from operating activities before changes in working capital	294	235	1,324
Increase/decrease in operating assets	-21	38	-179
Increase/decrease in operating liabilities	116	69	50
Change in working capital	95	107	-129
Cash flow from operating activities	389	342	1,195
INVESTING ACTIVITIES			
Investments in properties and fixed assets	-157	-84	-433
Divestment of subsidiaries, net effect on liquidity	—	843	843
Acquisitions of subsidiaries, net effect on liquidity	—	—	-4,477
Acquisitions of financial assets	-18	-6	-9
Divestment of financial assets	1	12	12
Cash flow from investing activities	-174	765	-4,064
FINANCING ACTIVITIES			
New share issue	—	—	1,012
Transaction cost	-2	—	-9
New loans	—	1,185	4,850
Amortization of debt	-96	-1,645	-2,128
Acqusition of non-controlling interest	—	—	45
Approved/Paid dividends	-8	—	-570
Cash flow from financing activities	-106	-460	3,200
Cash flow for the period	109	647	331
Cash and cash equivalents at beginning of period	517	170	170
Exchange differences in cash and cash equivalents	-1	3	16
Cash and cash equivalents at end of period	625	820	517
Information regarding interest payments			
Interest received	1	0	1
Interest paid	-124	-112	-440
Information regarding cash and cash equivalents end of period	625	820	517
Cash and cash equivalents consist of bank deposits.			

Condensed income statement for the Parent Company

MSEK	Q1 2017	Q1 2016	FY 2016
Net sales	17	15	65
Administration cost	-38	-33	-158
Operating profit	-21	-18	-93
Profit from participations in Group companies	—	—	300
Other interest income and similar profit/loss items	23	11	112
Other interest expense and similar profit/loss items	-49	-47	-185
Profit after financial items	-47	-54	134
Year-end appropriations	—	—	304
Profit before tax	-47	-54	438
Current tax	—	—	—
Profit for the period	-47	-54	438

Condensed balance sheet for the Parent Company

MSEK	31 Mar 2017	31 Mar 2016	31 Dec 2015
ASSETS			
Non-current assets	12,716	11,355	12,717
Financial assets	269	206	217
Total assets	12,985	11,561	12,934
EQUITY AND LIABILITIES			
Equity	3,018	2,787	3,712
Provisions	56	33	57
Non-current liabilities	5,017	3,996	4,997
Current liabilities	4,894	4,745	4,168
Total equity and liabilities	12,985	11,561	12,934

Key figures

RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS (MSEK)	Q1 2017	Q1 2016	FY 2016
Equity to assets ratio, %			
Sum equity	15,231	12,722	15,258
Total assets	39,068	32,012	38,429
Equity to assets ratio, %	39.0	39.7	39.7
Loan to value net, %			
Non-current interest bearing liabilities	18,168	14,001	18,304
Current interest bearing liabilities	541	1,218	537
Cash and cash equivalents	-625	-820	-517
Market value properties	38,630	31,322	38,233
Loan to value net, %	46.8	46.0	47.9
Interest cover ratio, times			
Profit before changes in value	280	200	1,214
Financial expenses	131	114	457
Depreciation	40	36	147
Interest cover ratio, times	3.4	3.1	4.0
Average interest on debt end of period, %			
Average interest expenses	485	419	489
Non-current interest bearing liabilities	18,168	14,001	18,304
Current interest bearing liabilities	541	1,218	537
Average interest on debt, end of period, %	2.6	2.8	2.6
See page 10-11 for a complete reconciliation			
Net interest-bearing debt			
Non-current interest bearing labiliies	18,168	14,001	18,304
Current interest bearing liabilities	541	1,218	537
Cash and cash equivalents	-625	-820	-517
Net interest-bearing debt	18,084	14,399	18,324
Investments, excl. acquisitions	157	84	433
Net operating income, Property Management			
Rental income	456	374	1,717
Other property income	18	12	70
Costs, excl. property administration	-56	-48	-212
Net operating income, before property administration	418	338	1,575
Property administration	-22	-18	-80
Net operating profit, Property Management	396	320	1,495
Net operating profit, Operator Activities			
Revenues Operator Activities	521	442	2,158
Costs Operator Activities	-479	-424	-1,866
Gross profit	42	18	292
Add: Depreciation included in costs	40	36	147
Net operating profit, Operator Activities	82	54	439
EBITDA			
Gross profit from respective operating segment	438	338	1,787
Add: Depreciation included in costs Operator Activities	40	36	147
Less: Central administration, excluding depreciation	-28	-24	-117
EBITDA	450	350	1,817
Cash earnings			
EBITDA	450	350	1,817
Add: Financial income	1	0	1
Less: Financial cost	-131	-114	-457
Less: Current tax	-30	-1	-72
Cash earnings	290	235	1,289
EPRA NAV			
Equity attributable to the shareholders of the parent company	15,049	12,597	15,081
Add: Revaluation of Operating Properties	1,532	1,324	1,655
Add: Fair value of financial derivatives	658	821	736
Less: Deferred tax assets related to derivatives	-151	-191	-171
Add: Deferred tax liabilities related to properties	2,705	2,274	2,582
EPRA NAV	19,793	16,825	19,883
Growth in EPRA NAV, annual rate, %			
EPRA NAV attributable to the shareholders of the parent company, opening balance	16,825	14,439	16,156
EPRA NAV attributable to the shareholders of the parent company, opening balance	19,793	16,825	19,883
Dividend added back, current year	646	—	570
Excluding proceeds from new share issue	-1,001	—	-1,003
Growth in EPRA NAV, annual rate, %	15.5	16.5	20.4

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 25.

Financial risk

1

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

2

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

3

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.

Key figures continued

CONTINUED RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS PER SHARE [1]	Q1 2017	Q1 2016	FY 2016
Total comprehensive income per share, SEK			
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	616	505	2,556
Weighted average number of share, before and after dilution	157,499,999	150,000,000	150,266,393
Total comprehensive income per share, SEK	**3.91**	**3.37**	**17.01**
Cash earnings per share, SEK			
Cash earnings attributable to the shareholders of the parent company, MSEK	285	233	1,276
Weighted average number of share, before and after dilution	157,499,999	150,000,000	150,266,393
Cash earnings per share, SEK	**1.81**	**1.55**	**8.49**
Net asset value (EPRA NAV) per share, SEK			
EPRA NAV with dividend deducted, MSEK	19,793	16,825	19,883
Number of shares at the end of the period	157,499,999	150,000,000	157,499,999
Net asset value (EPRA NAV) per share, SEK	**125.67**	**112.17**	**126.24**
Dividend per share, SEK			
Dividend, MSEK	—	—	646
Number of shares at dividend	157,499,999	150,000,000	157,499,999
Dividend per share, SEK [3]	**—**	**—**	**4.10**
Weighted average number of shares outstanding, after dilution, thousands	157,499,999	150,000,000	150,266,393
Number of shares at end of period	157,499,999	150,000,000	157,499,999
PROPERTY RELATED KEY FIGURES			
Number of hotels, end of period [2]	120	113	120
Number of rooms, end of period [2]	26,238	24,225	26,240
WAULT, years	13.6	11.3	13.9
Market value properties, MSEK	38,630	31,322	38,233
Market value Investment properties	30,954	24,673	30,163
Market value Operating properties	7,676	6,649	8,070
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	565	541	638

[1] 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] Actual dividend paid 5 April 2017.

Quarterly data

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MSEK)

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Revenue Property Management								
Rental income	456	433	459	451	374	351	389	372
Other property income	18	25	20	13	12	14	69	16
Revenue Operator Activities	521	619	561	536	442	536	534	609
Total revenues	995	1,077	1,040	1,000	828	901	992	997
Costs Property Management	-78	-90	-70	-66	-66	-59	-55	-76
Costs Operator Activities	-479	-528	-466	-448	-424	-471	-454	-494
Gross profit	438	459	504	486	338	371	483	427
Central administration	-28	-34	-27	-32	-24	-30	-23	-19
Financial net	-130	-116	-114	-112	-114	-105	-105	-115
Profit before value changes	280	309	363	342	200	236	355	293
Changes in value								
Properties, unrealised	308	413	369	319	200	484	232	307
Properties, realised	—	—	—	—	159	4	—	8
Derivatives, unrealised	77	116	24	-55	-124	93	-73	216
Profit before tax	665	838	756	606	435	817	514	824
Current tax	-30	-34	-12	-25	-1	-42	17	-5
Deferred tax	-108	-32	-152	-107	-58	-94	-106	-168
Profit for the period	527	772	592	474	376	681	425	651
Other comprehensive income	94	18	108	103	131	-135	37	-62
Total comprehensive income for the period	621	790	700	577	507	546	462	589

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MSEK)

	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
ASSETS								
Properties incl equipment and interiors	37,098	36,578	31,623	30,710	29,998	29,463	26,287	26,170
Other non-current receivables	41	23	21	20	20	25	25	27
Deferred tax assets	722	748	772	802	829	800	865	805
Current assets	582	563	531	428	345	1,162	587	415
Cash and cash equivalents	625	517	500	365	820	170	636	263
Total assets	39,068	38,429	33,447	32,325	32,012	31,620	28,400	27,680
EQUITY AND LIABILITIES								
Equity	15,231	15,258	13,428	12,728	12,722	12,215	11,546	11,084
Deferred tax liability	2,705	2,582	2,660	2,421	2,274	2,281	2,310	2,147
Interest-bearing liabilities	18,709	18,841	15,547	15,388	15,219	15,546	12,861	12,822
Non interest-bearing liabilities	2,423	1,748	1,812	1,788	1,797	1,578	1,683	1,627
Total equity and liabilities	39,068	38,429	33,447	32,325	32,012	31,620	28,400	27,680

KEY RATIOS

	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
NOI, Property Management, MSEK	396	368	409	398	320	306	403	312
NOI, Operator Activities, MSEK	82	130	130	125	54	104	115	146
EBITDA, MSEK	450	464	512	491	350	381	495	439
Earnings per share before and after dilution, SEK	3.31	5.08	3.93	3.14	2.49	4.54	2.83	4.34
Cash earnings, MSEK	290	314	386	354	235	234	407	319
Cash earnings per share before and after dilution, SEK	1.81	2.05	2.55	2.34	1.57	1.56	2.71	2.13
RevPAR growth (Operator Activities) for comparable units and constant currency.	4	-4	-2	-12	1	0	7	10

	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016	31 Dec 2015	30 Sep 2015	30 Jun 2015
Net interest-bearning debt, MSEK	18,084	18,324	15,047	15,023	14,399	15,376	12,225	12,559
Equity to assets ratio, %	39.0	39.7	40.1	39.4	39.7	38.6	40.7	40.0
Loan to value, %	46.8	47.9	45.5	46.8	46.0	48.9	44.1	46.0
Interest coverage ratio, times	3.4	4.0	4.0	3.7	3.1	3.6	3.7	3.2
Market value properties, MSEK	38,630	38,233	33,098	32,124	31,322	31,437	27,712	27,327
EPRA NAV per share, SEK	125.67	126.24	120.53	114.03	112.16	107.71	104.45	99.23
WAULT (Property Management), yrs	13.6	13.9	13.4	13.3	11.3	11.2	8.7	8.9

Property portfolio overview

At the end of the period, Pandox's property portfolio comprised 120 (31 December, 2016: 120) hotel properties with 26,238 (31 December, 2016: 26,240) 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, 99 are leased to third parties, which mean that approximately 80 percent of the portfolio market value is covered by external leases.

Portfolio overview by segment and geography

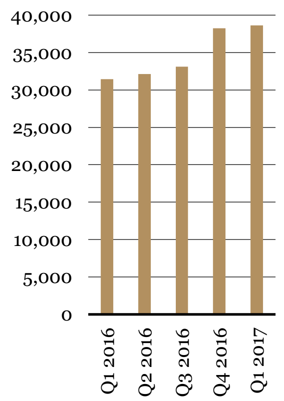
Property Management *Investment Properties*	No. of hotels	No. of rooms	Market value (MSEK)	Market value in % of total	Value per room (MSEK)
Sweden	42	8,596	13,491	35%	1.6
Norway	10	1,641	2,349	6%	1.4
Finland	13	2,919	3,276	8%	1.1
Denmark	7	1,620	2,924	8%	1.8
Belgium	1	100	100	0%	1.0
The Netherlands	1	189	943	2%	5.0
Germany	22	4,331	5,834	15%	1.3
Austria	2	639	1,272	3%	2.0
Switzerland	1	206	764	2%	3.7
Total Investment Properties	99	20,241	30,954	80%	1.5

Operator Activities *Operating Properties*					
Sweden	2	357	316	1%	0.9
Norway	4	862	679	2%	0.8
Finland	1	155	43	0%	0.3
Denmark	1	215	283	1%	1.3
Belgium	7	2,159	3,247	8%	1.5
Germany	4	1,285	2,059	5%	1.6
Canada	2	964	1,049	3%	1.1
Total Operating Properties	21	5,997	7,676	20%	1.3
Total owned Properties	120	26,238	38,630	100%	1.5

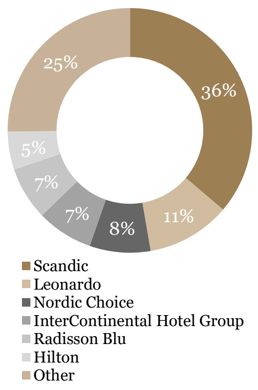
The majority of Pandox's tenant base consists of well-known hotel operators with strong hotel brands in their respective markets. The tenants are both Nordic-oriented hotel operators, such as Scandic (the largest hotel operator in the Nordics with more than 200 hotels), Nordic Choice, and operators focused 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	1,955	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	349	NO
Meininger	1	218	DK
Cumulus	1	135	FI
Independent brands	12	3,108	SE, NO, FI, DK, BE, DE
Total	120	26,238	10

Market value properties per quarter, MSEK



Rooms per operator/brand 31 March, 2017



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 2016.

Note 2 Operating segments

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Revenue Property Management								
Rental and other property income	474	386	—	—	—	—	474	386
Revenue Operator Activities	—	—	521	442	—	—	521	442
Total revenues	474	386	521	442	—	—	995	828
Costs Property Management	-78	-66	—	—	—	—	-78	-66
Costs Operator Activities	—	—	-479	-424	—	—	-479	-424
Gross profit	396	320	42	18	—	—	438	338
Central administration	—	—	—	—	-28	-24	-28	-24
Financial income	—	—	—	—	1	0	1	0
Financial expenses	—	—	—	—	-131	-114	-131	-114
Profit before changes in value	396	320	42	18	-158	-138	280	200
Changes in value								
Properties, unrealised	308	200	—	—	—	—	308	200
Properties, realised	—	159	—	—	—	—	—	159
Derivatives, unrealised	—	—	—	—	77	-124	77	-124
Profit before tax	704	679	42	18	-81	-262	665	435
Current tax	—	—	—	—	-30	-1	-30	-1
Deferred tax	—	—	—	—	-108	-58	-108	-58
Profit for the period	704	679	42	18	-219	-321	527	376

Q1 2017

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	198	34	32	60	99	1	50	474
- Operator Activities	14	16	103	6	93	185	104	521
Market value properties	13,808	3,207	3,027	3,319	7,894	3,347	4,028	38,630
Investments in properties	49	10	30	3	39	4	22	157
Acquisitions of properties	—	—	—	—	—	—	—	—
Realised value change properties	—	—	—	—	—	—	—	—

Q1 2016

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	Other	Tot
Total revenues								
- Property Management	190	31	35	50	68	1	11	386
- Operator Activities	9	25	60	6	93	180	69	442
Market value properties	12,879	2,704	2,742	3,062	5,585	2,802	1,548	31,322
Investments in properties	30	21	6	0	14	5	8	84
Acqusitions of properties	—	—	—	—	—	—	—	—
Realised value change properties	159	—	—	—	—	—	—	159

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.

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, times%
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 minus liquid funds 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.

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