Year-end report

January–December 2017

Pandox™

Year-end report

January–December 2017

Fast business pace and good earnings growth

Quarter October-December 2017

- Revenue from Property Management amounted to MSEK 571 (458). Adjusted for currency effects and comparable units, the increase was 3 percent.
- Net operating income from Property Management amounted to MSEK 490 (368). Adjusted for currency effects and comparable units, the increase was 6 percent.
- Net operating income from Operator Activities amounted to MSEK 144 (130). Adjusted for currency effects and comparable units, the increase was 25 percent.
- EBITDA amounted to MSEK 597 (464).
- Profit for the period amounted to MSEK 1,183 (772).
- Cash earnings amounted to MSEK 482 (314), incl. repaid tax and financial income of MSEK 31 in total.
- Earnings per share amounted to SEK 7.47 (5.08).
- Pandox announced and completed acquisition of hotel portfolio in the UK and Ireland for MGBP 680 (Note 4).
- A directed share issue raised MSEK 1,480 before transaction costs.

Period January-December 2017

- Revenue from Property Management amounted to MSEK 2,202 (1,787). Adjusted for currency effects and comparable units, the increase was 4 percent.
- Net operating income from Property Management amounted to MSEK 1,882 (1,495). Adjusted for currency effects and comparable units, the increase was 4 percent.
- Net operating income from Operator Activities amounted to MSEK 494 (439). Adjusted for currency effects and comparable units, the increase was 28 percent.
- EBITDA amounted to MSEK 2,252 (1,817).
- Profit for the period amounted to MSEK 3,148 (2,214).
- Cash earnings amounted to MSEK 1,660 (1,289).
- Earnings per share amounted to SEK 19.89 (14.65).
- EPRA NAV per share amounted to SEK 144.54 (126.24).
- The Board of Directors is proposing a dividend of SEK 4.40 (4.10) per share, total MSEK 737 (646).

Key figures (MSEK)*	Q4 2017	Q4 2016	*Chg. in %*	FY 2017	FY 2016	*Chg. in %*
Revenue Property management (Note 1)	571	458	*25*	2,202	1,787	*23*
Net operating income Property Management (Note 1)	490	368	*33*	1,882	1,495	*26*
Net operating income Operator Activities (Note 1)	144	130	*11*	494	439	*13*
EBITDA (Note 1)	597	464	*29*	2,252	1,817	*24*
Profit for the period (Note 1)	1,183	772	*53*	3,148	2,214	*42*
Earnings per share, SEK (Note 1,2,3)	7.47	5.08	*47*	19.89	14.65	*36*
Cash earnings (Note 1)	482	314	*54*	1,660	1,289	*29*
Cash earnings per share, SEK (Note 1,2,3)	3.06	2.05	*49*	10.46	8.49	*23*
Key data						
Net interest-bearing debt, MSEK	—	—	—	25,474	18,314	*39*
Equity asset ratio, %	—	—	—	36.7	39.7	*n.m.*
Loan to value net, %	—	—	—	50.8	47.9	*n.m.*
Interest cover ratio, times	4.4	4.0	*n.m.*	4.2	4.0	*n.m.*
Market value Properties, MSEK	—	—	—	50,121	38,233	*31*
EPRA NAV per share, SEK (Note 3)	—	—	—	144.54	126.24	*14*
WAULT (Investment Properties), years	—	—	—	15.6	13.9	*n.m.*
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	745	672	*11*	731	662	*10*

(Note 1) See page 9 for a complete list of reclassifications, acquisitions and divestments.
(Note 2) Based on weighted number of shares 158,913,042 for Q4 2017 and 157,856,163 for FY 2017. For information about previous years see page 23.
(Note 3) After non-controlling interest.
(Note 4) Total purchase price amounts to MGBP 800, of which Pandox's final share is expected to amount to MGBP 680. See page 13.
**For a complete set of definitions see page 28.*

CEO comment

Fast business pace and good earnings growth

2017 was the year when Pandox established itself as a fully-fledged European player through a combination of substantial acquisitions and a strong underlying earnings trend. Pandox has now raised its business position to a new level, with access to larger, more dynamic and a greater number of hotel markets based on the Company's established business model of revenue-based leases and active ownership.

Record pace in the fourth quarter

Pandox achieved a record pace in business transactions in the fourth quarter. In December a portfolio of 21 hotel properties in the UK and Ireland was acquired for around MSEK 7,700 and 20-year revenue-based leases were signed with NH Hotels Group for Hotel BLOOM! and Hotel Berlaymont in Brussels. In the same month Pandox implemented a directed share issue and divested a retail property in Brussels, which strengthened the cash position with around MSEK 1,800.

Acquisition in the UK and Ireland a milestone

The acquisition of 21 hotel properties in the UK and Ireland with Leonardo as the operator partner was the main event of both the quarter and the year. The acquisition meets all of Pandox's strategic acquisition criteria and contributes to a further geographical diversification of the Company's revenue base. The hotel properties are of high quality and belong to the profitable upper-mid price segment, and they contribute significantly to the Company's earnings.

The acquisition adds 20 new hotel cities to Pandox's portfolio, giving the Company a strong market presence in the UK and Ireland – two large and dynamic hotel markets. The portfolio acquisition demonstrates Pandox's ability to execute its business strategy in international competition.

As previously communicated, the hotel portfolio is expected to add around MSEK 450 in net operating income in 2018 which, combined with revenue and earnings added from the earlier acquisitions of Hilton London Heathrow Airport and Hotel Berlaymont, will provide a good foundation for profitable growth.

Good growth and profitability

While working on acquisitions, leasing and the new share issue, Pandox made significant progress with the existing portfolio. The total net operating income and total cash earnings increased by 27 and 54 percent respectively in the fourth quarter. Adjusted for currency effects and comparable units, net operating income from Property Management and Operator Activities increased by 6 and 25 percent respectively. The drivers were high-performing acquisitions, increased profitability in both Property Management and Operator Activities, and strong demand overall in Pandox's key markets.

Brussels, Frankfurt, Helsinki, Oslo and Montreal were particularly strong markets during the quarter. Many regional cities in the Nordics and Germany also developed well. In Copenhagen and Stockholm, however, RevPAR fell by 7 and 3 percent respectively. Although the underlying demand in Stockholm remained strong, it could not fully compensate for the increase in hotel capacity of around 6 percent during the year, mainly in Stockholm City. Further capacity will be added in Stockholm in 2018. The decline in Copenhagen is mainly explained by a very strong comparison quarter in 2016. The outlook for the Danish economy is good and Copenhagen remains highly attractive. The challenge in Copenhagen is the planned opening of several larger hotels over the next few years, starting in the second quarter of 2018.

Stable outlook for 2018

The long-term outlook for the tourism and travel market is positive. The World Travel and Tourism Organisation (WTTC) is expecting annual growth in value in the period 2017–2027 of 4 percent globally. The United Nations World Tourism Organisation (UNWTO) is predicting an increase in international arrivals of 3.5–4.5 percent in Europe in 2018.

Demand for hotel rooms in Europe was stronger than expected in 2017. We thus enter 2018 on a higher level with overall good market conditions. The underlying trend is stable but Pandox expects a more uneven market growth due to capacity increases in some of the Company's key markets.

Completed acquisitions and some organic growth driven by market and profitable investments in the existing portfolio create conditions to increase cash earnings 2018. The date of Easter is expected to have a slightly negative impact on the first quarter.

The Board is proposing a dividend of SEK 4.40 (4.10) per share for 2017. The dividend payout ratio is at the lower end of Pandox's financial target range and should be viewed in the light of continued attractive acquisition opportunities.

54%

Growth in total cash earnings[1] Q4

[1]EBITDA plus financial income less financial expense less current tax, including repaid tax of MSEK 18 in Germany and financial income of MSEK 13 in Norway.

27%

Growth in total NOI Q4

18%

Growth in net asset value[2]

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

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

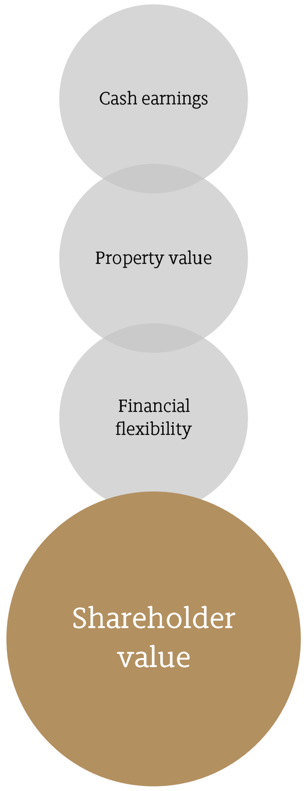
Property Management	Operator Activities	Asset management
"We own and lease hotel properties"	"We own and operate hotel properties"	"We manage hotel properties owned by others"
126 hotels corresponding to 85 percent of portfolio market value.	17 hotels corresponding to 15 percent of portfolio market value.	10 hotels.
Weighted unexpired lease term (WAULT) 15.6 years.		

Key facts

- 143 hotels
- 31,613 rooms
- 15 countries
- MSEK 50,121 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.

The Board is proposing a dividend of SEK 4.40 (4.10) per share for 2017, representing 44 (50) percent of cash earnings. The lower payout ratio compared with the previous year should be viewed in the light of continued attractive acquisition opportunities. At the end of the period the loan-to-value ratio was 50.8 (47.9) 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 October-December 2017

A strong end to a strong year

Synchronised global economic growth was a factor in the strong demand for hotels in the quarter – both globally and in Europe. For 2017 as a whole an even spread of growth across countries and segments contributed to surprisingly strong growth in Europe.

At the global level, international travel increased significantly in 2017. According to UNWTO the number of international arrivals in Europe during the year increased by around 50 million. This is equivalent to growth of 8 percent, which is high in an historical perspective.

Good growth in general in key markets

RevPAR development quarterly change (in local currency)

	FY 2015	FY 2016	FY 2017	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
USA [1]	*6%*	*3%*	*3%*	*3%*	*3%*	*3%*	*2%*	*4%*
New York [1]	-2%	-2%	0%	1%	-1%	1%	-1%	1%
Montreal	7%	9%	12%	10%	14%	14%	6%	10%
Europe	*7%*	*2%*	*6%*	*3%*	*7%*	*7%*	*7%*	*6%*
London	2%	-1%	4%	2%	11%	10%	2%	-1%
Brussels	2%	-18%	19%	-4%	5%	28%	31%	20%
Berlin	8%	4%	2%	3%	6%	3%	1%	0%
Frankfurt	9%	-2%	4%	-1%	1%	-9%	9%	17%
Stockholm	9%	8%	-1%	6%	11%	-4%	-3%	-3%
Oslo	8%	3%	12%	0%	15%	10%	11%	12%
Helsinki	2%	7%	9%	0%	5%	3%	7%	14%
Copenhagen	11%	13%	2%	14%	14%	2%	1%	-7%

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 assessment of the global hotel market.

Good growth across the board in the USA and Canada

The US hotel market demonstrated robust growth with an increase in RevPAR of 4 percent. Occupancy reached a record level in 2017 despite fewer international arrivals due to entry restrictions that were imposed for certain countries.

Canada developed well and RevPAR increased by 3 percent driven by high economic activity, a relatively weak currency resulting in increased international demand, and continued limited new supply in the market. Montreal maintained its strong trend and RevPAR increased by 10 percent. The city benefitted in 2017 from strong international demand and a busy event calendar.

Europe remains strong

RevPAR in Europe increased by 6 percent, supported by both increased demand and higher average prices.

In Germany RevPAR increased by 3 percent, mainly due to a strong business segment driven by congresses and trade fairs. Berlin had a weaker quarter due to the bankruptcy of Air Berlin. The recovery in Brussels was strong in all segments and RevPAR increased by 20 percent. In London RevPAR fell by 1 percent due to fewer international arrivals and some new supply. RevPAR increased by 3 percent in the regional hotel market in the UK.

Mixed development in the Nordics

The Nordic countries continued to benefit from a good economic trend.

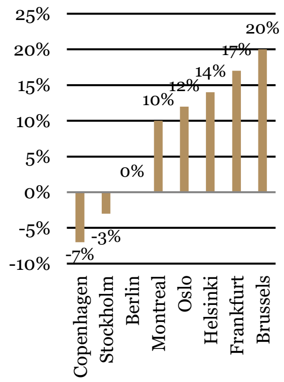
Helsinki ended the year strong with an increase in RevPAR of 14 percent. The improved Finnish economy with higher employment and consumption also contributed to good growth in several regional markets.

In Oslo RevPAR increased by 12 percent supported by improved average prices and higher occupancy, partly as a result of a capacity reduction in the market due to temporary closures for hotel renovations.

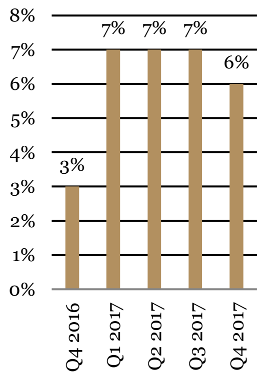
RevPAR in Stockholm fell by 3 percent. The pattern of good underlying demand was maintained in the fourth quarter but could not fully compensate for the increase in hotel capacity of around 6 percent during the year, mainly in Stockholm City.

Copenhagen had a strong comparison quarter (a major international medical conference with 20,000 delegates in October 2016) and RevPAR fell by 7 percent. The outlook for the Danish economy is good and Copenhagen remains highly attractive. The challenge in Copenhagen is the planned opening of several larger hotels over the next few years starting in the second quarter of 2018.

Good growth in general
RevPAR growth Q4 2017



Stable and high growth in Europe
RevPAR growth per quarter



Financial development October–December 2017

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

Revenue and net sales

Revenue from Property Management amounted to MSEK 571 (458), an increase of 25 percent, driven by a combination of acquired and organic growth in the lease portfolio as well as reclassifications. 20 acquired hotel properties in the UK and Ireland are included as of 20 December 2017. Adjusted for currency effects and comparable units, revenue increased by 3 percent.

Revenue from Operator Activities amounted to MSEK 528 (619), a decrease of 15 percent, which reflects past reclassifications (see the list on page 9). One acquired hotel property in the UK is included as of 20 December 2017. Adjusted for currency effects and comparable units, revenue increased by 10 percent and RevPAR by 11 percent.

The Group's net sales amounted to MSEK 1,099 (1,077). Adjusted for currency effects and comparable units, net sales increased by 6 percent.

Net operating income

Net operating income from Property Management amounted to MSEK 490 (368), an increase of 33 percent. Adjusted for currency effects and comparable units, net operating income increased by 6 percent.

Net operating income from Operator Activities amounted to MSEK 144 (130), an increase of 11 percent. Adjusted for currency effects and comparable units, net operating income increased by 25 percent.

Total net operating income amounted to MSEK 634 (498), an increase of 27 percent.

Administration costs

Central administration costs amounted to MSEK -37 (-34).

EBITDA

EBITDA amounted to MSEK 597 (464), an increase of 29 percent.

Financial income and expense

Financial expense amounted to MSEK -140 (-116), which is mainly explained by increased interest-bearing liabilities after implemented acquisitions. Financial income amounted to MSEK 14 (0) and includes revenue of MSEK 13 from the sale of shares in a jointly-owned company relating to commercial property in Hafjell, Norway.

Profit before changes in value

Profit before changes in value amounted to MSEK 426 (309), an increase of 38 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 490 (413) and are explained by a combination of improved underlying cash flows and a lower valuation yield in the comparable portfolio.

Realised changes in value amounted to MSEK 289 (0), of which MSEK 283 is for the sale of a retail property in Brussels and MSEK 6 for the sale of a plot of land in Hafjell, Norway.

Unrealised changes in the value of derivatives amounted to MSEK 7 (116).

Current and deferred tax

Current tax amounted to MSEK 11 (-34) including a reversal of an extra tax expense of MSEK 18 relating to a positive outcome after an appeal of a decision on withholding tax and an assessment of arrears in Germany for the years 2005–2007.

Deferred tax expense amounted to MSEK -40 (-32).

Profit for the period

Profit for the period amounted to MSEK 1,183 (772) and profit for the period attributable to Parent Company shareholders amounted to MSEK 1,188 (767), which is equivalent to SEK 7.47 (5.08) per share.

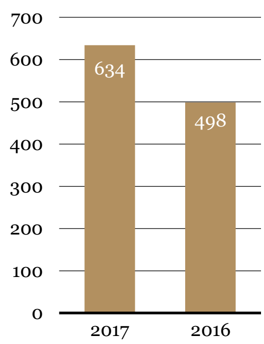
Cash earnings

Cash earnings amounted to MSEK 482 (314), an increase of 54 percent.

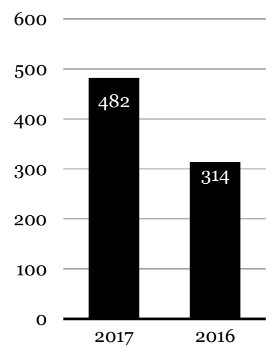
27%

Increase in total NOI Q4

Total net operating income, MSEK (October-December)[1]



Cash earnings, MSEK (October-December)[1,2]



[1] See page 9 for a complete list of reclassifications, acquisitions and divestments.

[2] Including repayment of tax in Germany of MSEK 18 which refers to positive outcome after appeal and financial income of MSEK 13 in Norway.

Financial development January–December 2017

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

Revenue and net sales

Revenue from Property Management amounted to MSEK 2,202 (1,787), an increase of 23 percent, driven by a combination of acquired and organic growth in the lease portfolio as well as reclassifications. A total of 21 Investment Properties were acquired during the year (see the list on page 9). Adjusted for currency effects and comparable units, revenue increased by 4 percent.

Revenue from Operator Activities amounted to MSEK 2,067 (2,158), a decrease of 4 percent. Two Operating Properties were acquired and eight Operating Properties were reclassified to Property Management during the year (see the list on page 9). Adjusted for currency effects and comparable units, revenue and RevPAR increased by 9 and 11 percent respectively.

The Group's net sales amounted to MSEK 4,269 (3,945). Adjusted for currency effects and comparable units, net sales increased by 6 percent.

Net operating income

Net operating income from Property Management amounted to MSEK 1,882 (1,495), an increase of 26 percent. Adjusted for currency effects and comparable units, net operating income increased by 4 percent.

Net operating income from Operator Activities amounted to MSEK 494 (439), an increase of 13 percent, despite reclassifications. Adjusted for currency effects and comparable units, net operating income increased by 28 percent.

Total net operating income amounted to MSEK 2,376 (1,934), an increase of 23 percent.

Administration costs

Central administration costs amounted to MSEK -124 (-117). The increase is explained by the Company's geographical expansion.

EBITDA

EBITDA amounted to MSEK 2,252 (1,817), an increase of 24 percent, explained by improved net operating income for both Property Management and Operator Activities.

Financial income and expense

Financial expense amounted to MSEK -534 (-457). The increase is mainly explained by increased interest-bearing liabilities after acquisitions. Financial income amounted to MSEK 15 (1) and includes revenue of MSEK 13 from the sale of shares in a jointly-owned company relating to commercial property in Hafjell, Norway.

Profit before changes in value

Profit before changes in value amounted to MSEK 1,563 (1,214), an increase of 29 percent.

Changes in value

Unrealised changes in the value of Investment Properties amounted to MSEK 1,625 (1,301) and are explained by a combination of improved underlying cash flows and a lower valuation yield in the comparable portfolio.

Realised changes in value amounted to MSEK 289 (159), of which MSEK 283 is for the sale of a retail property in Brussels and MSEK 6 for the sale of a plot of land in Hafjell, Norway.

Unrealised changes in the value of derivatives amounted to MSEK 173 (-39).

Current and deferred tax

Current tax amounted to MSEK -73 (-72) including the reversal of an extra tax expense totalling MSEK 47, of which MSEK 29 relates to a positive outcome after an appeal of a decision on an assessment of arrears in Sweden and MSEK 18 to a positive outcome of an appeal on withholding tax and an assessment of arrears in Germany for the years 2005–2007.

The underlying increase in current tax is mainly explained by positive results after acquisitions in Germany, Austria and the Netherlands, as well as the consumption of deferred tax assets in Denmark and Finland.

Deferred tax expense amounted to MSEK -429 (-349).

Profit for the period

Profit for the period amounted to MSEK 3,148 (2,214) and profit for the period attributable to Parent Company shareholders amounted to MSEK 3,140 (2,201), which represents SEK 19.89 (14.65) per share.

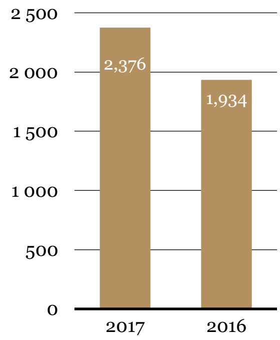
Cash earnings

Cash earnings amounted to MSEK 1,660 (1,289), an increase of 29 percent.

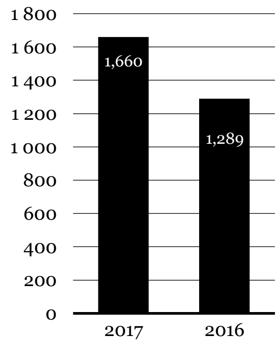
23%

Increase in total NOI 2017

Total net operating income, MSEK (January-December)[1]



Cash earnings, MSEK (January-December)[1,2]



[1] See page 9 for a complete list of reclassifications, acquisitions and divestments.

[2] Including repayment of tax of MSEK 47 which refers to positive outcomes after appeal in Sweden and Germany, as well as financial income of MSEK 13 in Norway.

Segment reporting

Summary of segments

MSEK	Q4 2017	Q4 2016	FY 2017	FY 2016
Total gross profit	589	459	2,206	1,787
– *whereof gross profit Property Management*	490	368	1,882	1,495
– *whereof gross profit Operator Activities*	99	91	324	292
Net operating income Property Management				
– Net operating income equals gross profit	490	368	1,882	1,495
Net operating income Operator Activities				
– Gross profit	99	91	324	292
– Add: Depreciation included in costs, Operator Activities	45	39	170	147
– Net operating income Operator Activities	144	130	494	439
Total net operating income	634	498	2,376	1,934
Central administration, excluding depreciation	-37	-34	-124	-117
EBITDA	597	464	2,252	1,817

Property Management

The market value of Investment Properties amounted to MSEK 42,548, representing 85 percent of total property market value.

Net operating income Property Management

MSEK	Q4 2017	Q4 2016	FY 2017	FY 2016
Rental income	549	433	2,121	1,717
Other property income	22	25	81	70
Costs, excluding property administration	-66	-68	-247	-212
Net operating income, before property administration	506	390	1,956	1,575
Property administration	-16	-22	-74	-80
Gross profit	490	368	1,882	1,495
Net operating income, after property administration	490	368	1,882	1,495

Comments on the period October–December 2017

Rental income and other property income amounted to MSEK 571 (458) and net operating income to MSEK 490 (368), an increase of 25 and 33 percent respectively.

20 new hotel properties under the Jurys Inn brand in the UK and Ireland are included as of 20 December 2017 (see page 13). Scandic Grand Place in Brussels with 100 rooms was reclassified to Operator Activities on 1 December 2017.

Adjusted for currency effects and comparable units, total rental income and net operating income increased by 3 and 6 percent respectively.

Development in the comparable lease portfolio was positive, supported by stable demand and increased average prices. Finland, Norway and Germany saw the highest rental growth for the quarter. Individual cities with particularly strong development were Helsinki, Oslo, Düsseldorf, Frankfurt and Hannover.

In Stockholm as a whole rents remained unchanged, with marginal increases in Stockholm North and South compensating for a marginal decrease in Stockholm City. The pattern of positive underlying demand was maintained in the quarter but could not fully compensate for the increase in hotel capacity of around 6 percent, which has taken place mainly in the City during the year.

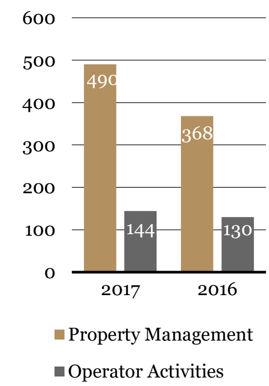
In Copenhagen rental income decreased as a result of a very strong comparison quarter 2017 during which there was a major international medical conference.

Growth in regional cities in the rental portfolio was stable overall.

Hotel BLOOM! and Hotel Berlaymont were reclassified to Property Management on 1 February 2018 under the previously communicated leases with NH Hotels Group. The total effect for the business segment, measured at an annual rate, is estimated at around MSEK 50 in increased net operating income.

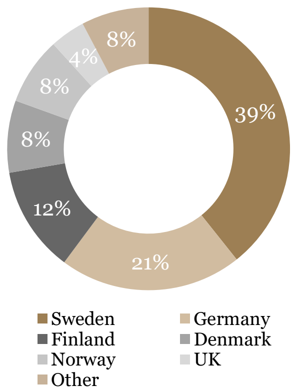
On 31 December 2017 the Investment Properties had a weighted average unexpired lease term (WAULT) of 15.6 years (31 December 2016: 13.9). The increase is explained by new revenue-based leases with Leonardo in the UK and Ireland.

Net operating income by segment, MSEK (October-December)[1]

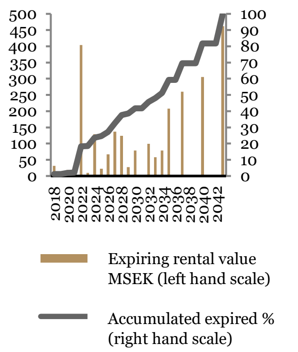


[1] See page 9 for a complete list of reclassifications, acquisitions and divestments.

Income by country Property Management (October-December)



Lease maturity profile (31 December 2017)



Operator Activities

The market value of Operating Properties amounted to MSEK 7,573, representing 15 percent of total property market value.

Net operating income Operator Activities

MSEK	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenues	528	619	2,067	2,158
Costs	-429	-528	-1,743	-1,866
Gross profit	99	91	324	292
Add: Depreciation included in costs	45	39	170	147
Net operating income	144	130	494	439

Comments on the period October–December 2017

Revenue from Operator Activities amounted to MSEK 528 (619), a decrease of 15 percent, mainly explained by reclassifications made previously.

Hilton Garden Inn London Heathrow Airport in the UK is included as of 20 December 2017. Scandic Grand Place in Brussels with 100 rooms was reclassified to Operator Activities on 1 December 2017 and has been closed since then for renovation. The hotel will re-open in the first half of 2018.

Net operating income amounted to MSEK 144 (130), an increase of 11 percent, driven by good growth and higher profitability in Brussels as well as positive developments in the rest of the portfolio.

Adjusted for currency effects and comparable units, revenue and net operating income increased by 9 and 25 percent respectively, with Brussels as the primary driver.

The net operating margin increased to 27.3 percent (21.0) due to underlying earnings improvement and the higher profitability of the hotels remaining after reclassifications.

Adjusted for currency effects and comparable units, RevPAR increased by 11 percent.

Hotel BLOOM! and Hotel Berlaymont were reclassified to Property Management on 1 February 2018 under the previously communicated leases with NH Hotels Group. The total effect for the business segment, measured at an annual rate, is estimated at around MSEK 200 in reduced revenue and MSEK 50 in reduced net operating income.

Reclassifications, acquisitions and divestments 2017-2016

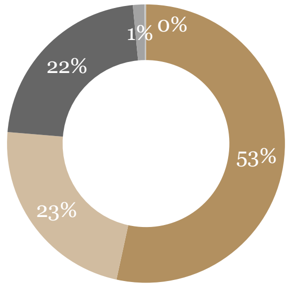
Reclassifications	Date	From	To
Hotel BLOOM!	Feb 1, 2018	Operator Activities	Property Management
Hotel Berlaymont	Feb 1, 2018	Operator Activities	Property Management
Scandic Grand Place	Dec 1, 2017	Property Management	Operator Activities
Scandic Prince Philip	Jun 1, 2017	Operator Activities	Property Management
Scandic Hafjell	Jun 1, 2017	Operator Activities	Property Management
Scandic Lillehammer	May 1, 2017	Operator Activities	Property Management
Scandic Sluseholmen	May 1, 2017	Operator Activities	Property Management
Scandic Kista Stockholm	Apr 11, 2017	Operator Activities	Property Management
Scandic Valdres*	Apr 4, 2017	Operator Activities	Property Management
Scandic Sørlandet*	Apr 4, 2017	Operator Activities	Property Management
Meininger Copenhagen	Jan 1, 2017	Operator Activities	Property Management
Meetingpoint Hafjell	Sep 1, 2016	Property Management	Operator Activities
Thon Hotel Sørlandet*	May 28, 2016	Property Management	Operator Activities
Thon Hotel Fagernes*	Jan 1, 2016	Property Management	Operator Activities

Acquisitions	Date	Segment
20 hotel properties in the UK and Ireland	Dec 20, 2017	Property Management
Hilton Garden Inn London Heathrow	Dec 20, 2017	Operator Activities
Hilton London Heathrow Airport	Aug 31, 2017	Property Management
Hotel Berlaymont Brussels	May 29, 2017	Operator Activities
Seven hotel properties in Europe	Dec 19, 2016	Property Management
Hilton Grand Place Brussels	Oct 10, 2016	Operator Activities

Divestments	Date	Segment	
Grand Hotel Oslo	Apr 25, 2017	Property Management	Contract terminated
Eight hotel properties in Sweden	Mar 31, 2016	Operator Activities	

* The same hotel property.

Revenue by country Operator Activities (October-December)



Pandox's own brands (31 December 2017)

The Hotel. BRUSSELS

Hotel Berlin, Berlin Stay individual.

hotelbloom! Brussels

HOTELLI KORPILAMPI

Hotel Berlaymont

Property portfolio

Change in property value

At the end of the period, Pandox's property portfolio had a total market value of MSEK 50,121 (38,233), of which MSEK 42,548 (30,163) was for Investment Properties and MSEK 7,573 (8,070) for Operating Properties. The market value of Operating Properties is reported for disclosure purposes only and is included in EPRA NAV.

A total of 23 hotel properties were acquired during the year, 21 of which are in the Property Management segment and two in the Operator Activities segment. Eight hotel properties in the Nordics were reclassified to Property Management and one hotel property in Brussels was reclassified to Operator Activities. In addition, one retail property within the Operator Activities segment was divested. Operating Properties are recognised at cost less depreciation and any impairment. At the end of the period, the carrying amount of the Operating Properties portfolio was MSEK 5,668 (6,415).

Change in value Investment Properties

	MSEK
Investment Properties, beginning of the period (January 1, 2017)	30,163
+ Acquisitions [4]	8,395
+ Investments in current portfolio	425
- Divestments	—
+/- Reclassifications [1]	1,496
+/- Revaluation of fixed assets to the profit for the year [1]	112
+/- Unrealised changes in value	1,649
+/- Realised changes in value [5]	6
+/- Change in currency exchange rates	303
Investment Properties, end of period (December 31, 2017)	42,548

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

	MSEK
Operating Properties, market value (January 1, 2017)	8,070
+ Acquisitions [3]	712
+ Investments in current portfolio	289
- Divestments [2]	-207
+/- Reclassifications [1]	-1,608
+/- Unrealised changes in value	155
+/- Realised changes in value [6]	42
+/- Change in currency exchange rates	121
Operating Properties, market value (December 31, 2017)	7,573

[1] Refers to reclassification of eight hotel properties to Operator Activities, of which one in Q1 and seven in Q2 2017.
[2] Refers to divestment of FF&I Grand Hotel Oslo Q2 2017 and retail property in Brussels Q4 2017.
[3] Refers to acquisition of Silken Berlaymont 29 May 2017 and Hilton Garden Inn London Heathrow 20 Dec 2017.
[4] Refers to acquisition of Hilton London Heathrow Airport 31 Aug 2017 and 20 hotel properties in the UK and Ireland 20 Dec 2017.
[5] Refers to divestment of part of property Hafjell Q4 2017.
[6] Refers to divestment of retail property in Brussels Q4 2017.

Investments

During the period January-December 2017, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 714 (433), of which MSEK 425 (173) in Investment Properties and MSEK 289 (260) in Operating Properties.

At the end of the period, committed investments for future projects equivalent to around MSEK 870 were approved, of which larger projects are Hyatt Regency Montreal, Hotel Berlin, Berlin, Jurys Inn Belfast, Hotel BLOOM!, NH Vienna Airport, Hotel Berlaymont, Leonardo Wolfsburg City, Hilton Grand Place Brussels, Scandic Park Stockholm, InterContinental Montreal 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 December 31, 2017:

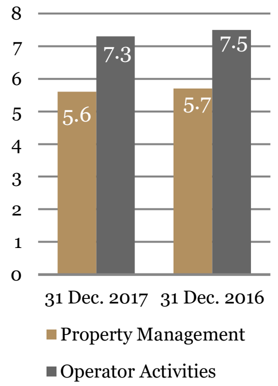
Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-3,504 / +4,194
Change in currency exchange rates	+/- 1%	+/- 280
Net operating income	+/- 1%	+/- 404

Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 22

Operating properties, effect on revenues	Change	Effect on revenue
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 16

Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates	+/- 1%	-/+ 100
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 265
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 640

Average valuation yield, %
(31 December 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 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 24.

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 50.8 (47.9) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 18,845 (15,081). EPRA NAV (net asset value) was MSEK 24,211 (19,883), corresponding to SEK 144.54 (126.24) per share. Liquid funds plus unutilised long-term credit facilities amounted to MSEK 3,319 (2,232).

Interest-bearing liabilities

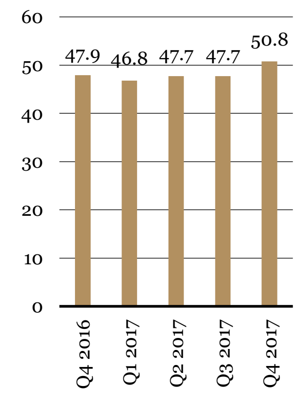
At the end of the period the loan portfolio amounted to MSEK 26,473 (18,831). Unutilised long-term credit facilities amounted to MSEK 2,320 (1,715).

During the fourth quarter Pandox has completed refinancing and new financing corresponding to a total of MSEK 10,140 as part of the execution of the previously communicated acquisition in the UK and Ireland.

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 3.3 (3.0) years. The loans are secured by a combination of mortgage collateral and pledged shares.

To manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives, mainly interest rate swaps, are used. At the end of the period Pandox had interest rate swaps amounting to MSEK 14,347 and around 52 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	26,473	-13,651	12,822	48	697	5	3.4
1–2 year	—	1,440	1,440	5	1,440	10	1.2
2–3 year	—	2,784	2,784	11	2,784	19	1.9
3–4 year	—	2,678	2,678	10	2,678	19	1.4
4–5 year	—	2,424	2,424	9	2,424	17	1.0
> 5 year	—	4,324	4,324	16	4,324	30	1.4
Total/net/average	26,473	0	26,473	100	14,347	100	1.6

[1] Excluding bank margin on loans.

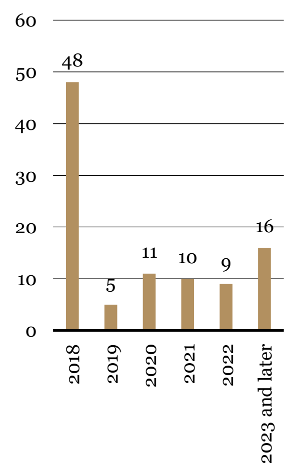
To reduce the currency exposure in foreign investment Pandox's aim is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox's strategy is to have a long investment perspective. Currency exposures are largely in form of currency translation effects.

Interest maturity profile by currency

Year due (MSEK) [1]	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share %	Interest % [2]
2018	3,099	689	3,637	436	503	691	3,768	12,822	48	4.0
2019	125	—	714	—	—	601	—	1,440	5	1.0
2020	1,400	503	882	—	—	-	—	2,784	11	2.0
2021	1,250	-	1,428	—	—	—	—	2,678	10	1.2
2022	250	529	1,645	—	—	—	—	2,424	9	1.0
2023 and later	1,200	-	2,236	—	—	—	888	4,324	16	1.4
Total	7,324	1,721	10,541	436	503	1,291	4,656	26,473	100	2.6
Share maturity in currency, %	27.7	6.5	39.8	1.6	1.9	4.9	17.6	100	—	—
Average interest rate, %	3.1	2.1	2.3	0.8	3.0	2.9	2.9	2.6	—	—
Average interest rate period, years	2.2	2.3	3.4	0.2	0.1	0.9	2.2	2.6	—	—
Market value Properties	14,539	3,345	19,826	695	1,208	3,037	7,470	50,121	—	—

[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 2017, the net market value of Pandox's financial derivatives amounted to MSEK -563 (-735). The change in the quarter is mainly explained by an increase in the market interest rate.

Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity [2]	Interest, loans [1]	Net interest, interest swaps, negative value [1]	Subtotal interest	Net interest, interest swaps, positive value [1]	Total interest
2018	2,345	26	26	52	0	52
2019	5,756	76	11	87	0	87
2020	5,425	82	61	143	3	146
2021	4,768	75	34	109	4	113
2022	7,630	173	31	203	2	205
2023 and later	549	13	53	66	18	84
Total	26,473	445	216	661	27	687

[1] Calculation based on ending balance as of December 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 613 (748). These represent the book value of tax loss carry forwards 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 3,026 (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

10 November 2017	Interim Report January–September 2017
13 December 2017	Pandox signs lease agreements in Brussels
13 December 2017	Pandox acquires hotel portfolio in the UK and Ireland
14 December 2017	Pandox completes a directed share issue
20 December 2017	Pandox completes acquisition of hotel portfolio in the UK and Ireland
29 December 2017	Pandox divests retail property in Brussels

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

Significant events after the period

Two hotel properties were reclassified 1 February 2018 to Property Management according to previously communicated agreement with NH Hotels Group.

Employees

As of 31 December 2017, Pandox had the equivalent of 1,130 (1,477) full-time employees. Of the total number of employees, 1,096 (1,433) are employed in the Operator Activities segment and 34 (34) 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 2017 amounted to MSEK 101 (65), and the profit for the period amounted to MSEK 30 (438).

At the end of the period the Parent Company shareholders' equity amounted to MSEK 4,556 (3,712) and interest-bearing debt of MSEK 6,638 (5,085), of which MSEK 5,803 (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. The dissolution of the temporary minority holding of 5.1 percent for the two hotel properties in Austria has been delayed and is expected to be completed during the first half of 2018.

Pandox has asset management agreements regarding nine hotels located in Oslo as well as for the Pelican Bay Lucaya Resort in the Grand Bahama Island, which are owned by Eiendomsspar AS or subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. During the fourth quarter revenue from the nine asset management agreements amounted to MSEK 0.9 (1.0), and revenue from Pelican Bay Lucaya amounted to MSEK 0.2 (0.4).

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.

Information on portfolio acquisition in the UK and Ireland

During the reorganisation period Leonardo will operate all Jurys Inn hotels, of which 20 Pandox investment properties through management agreements. Pandox's compensation will be equivalent to revenue-based leases including a guaranteed minimum rent and property obligations. The intention is to replace the management agreements with revenue-based leases no later than upon conclusion of the reorganisation.

Number of shares

At the end of the period, the total number of shares before and after dilution amounted to 75,000,000 A shares and 92,499,999 B shares. For the full year 2017 the weighted number of shares before and after dilution was 75,000,000 A shares and 82,856,163 B shares. For the fourth quarter of 2017 the weighted number of shares before and after dilution was 75,000,000 A shares and 83,913,042 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 because 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 swap contracts 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 loans in the local currency where Pandox's assets are located.

Pandox seeks to manage the risk that external financing may be 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 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. (15) Integration and reorganisation of acquisitions.

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 most 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.

Audit examination

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

Stockholm 15 February 2018.

Anders Nissen, CEO

Financial calendar

Annual General Meeting 2018	9 April 2018
Interim report Q1 2018	24 April 2018
Interim report Q1-2 2018	13 July 2018
Interim report Q1-3 2018	25 October 2018

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, 15 February 09:00 CET.

To follow the presentation online go to http://media.fronto.com/cloud/pandox/180215. 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: 1796999

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 15 February 2018 at 07:00 CET.

Summary of financial reports

Condensed consolidated statement of comprehensive income

MSEK	Note	Q4 2017	Q4 2016	FY 2017	FY 2016
Revenues Property Management					
Rental income	2	549	433	2,121	1,717
Other property income		22	25	81	70
Revenue Operator Activities	2	528	619	2,067	2,158
Total revenues		1,099	1,077	4,269	3,945
Costs Property Management	2	-82	-90	-321	-292
Costs Operator Activities	2	-429	-528	-1,743	-1,866
Gross profit		589	459	2,206	1,787
- whereof gross profit Property Management	2	490	368	1,882	1,495
- whereof gross profit Operator Activities	2	99	91	324	292
Central administration		-37	-34	-124	-117
Financial income		14	—	15	1
Financial expenses		-140	-116	-534	-457
Profit before changes in value		426	309	1,563	1,214
Changes in value					
Properties, unrealised	2	490	413	1,625	1,301
Properties, realised	2	289	—	289	159
Derivatives, unrealised		7	116	173	-39
Profit before tax		1,212	838	3,650	2,635
Current tax		11	-34	-73	-72
Deferred tax		-40	-32	-429	-349
Profit for the period		1,183	772	3,148	2,214
Other comprehensive income					
Items that may not be classified to profit or loss					
This year's revaluation of fixed assets		—	—	112	—
Tax attributable to items that may not be classified to profit or loss		—	—	-25	—
		—	—	87	—
Items that may be classified to profit or loss					
Translation differences realisation of foreign operations		-196	18	-272	359
		-196	18	-272	359
Other comprehensive income for the period		-196	18	-185	359
Total comprehensive income for the period		986	790	2,963	2,573
Profit for the period attributable to the shareholders of the parent company		1,188	767	3,140	2,201
Profit for the period attributable to non-controlling interests		-5	5	8	13
Total comprehensive income for the period attributable to the shareholders of the parent company		987	787	2,950	2,556
Total comprehensive income for the period attributable to non-controlling interests		-1	3	13	17
Earnings per share, before and after dilution, SEK		7.47	5.08	19.89	14.65

Condensed consolidated statement of financial position

MSEK	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Operating properties	5,246	5,984
Equipment and interiors	423	431
Investment properties	42,548	30,163
Deferred tax assets	613	748
Derivatives[2]	11	1
Other non-current receivables	26	22
Total non-current assets	48,867	37,349
Current assets		
Inventories	10	16
Current tax assets	40	11
Trade account receivables	167	249
Prepaid expenses and accrued income	395	262
Other current receivables	67	25
Cash and cash equivalents	999	517
Assets held for sale	1,367	-
Total current assets	3,045	1,080
Total assets	51,912	38,429
EQUITY AND LIABILITIES		
Equity		
Share capital	419	394
Other paid-in capital	4,557	3,122
Reserves	-243	-53
Retained earnings, including profit for the period	14,112	11,618
Equity attributable to the owners of the Parent Company	18,845	15,081
Non-controlling interests	182	177
Sum equity	19,027	15,258
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities [1]	23,768	18,294
Other non-current liabilities	248	10
Derivatives [2]	574	736
Provisions	134	100
Deferred tax liability	3,026	2,582
Total non-current liabilities	27,750	21,722
Current liabilities		
Provisions	2	3
Interest-bearing liabilities [1]	2,705	537
Tax liabilities	83	44
Current liabilities	250	202
Other current liabilities	284	209
Accrued expenses and prepaid income	444	454
Debt related to assets held for sale	1,367	-
Total current liabilities	5,135	1,449
Total liabilities	32,885	23,171
Total equity and liabilities	51,912	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.

Condensed consolidated statement of changes in equity

MSEK	Share capital	Other paid in capital	Translation reserves	Revaluation reserve	Retained earnings, incl profit for the period	Total	Non-controlling interests	Total equity
	Attributable to the owners of the parent company							
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 [1]	19	984	—	—	—	1,003	—	1,003
Dividend 2016	—	—	—	—	-570	-570	-8	-578
Change in non-controlling interests pertaining to acquisitions	—	—	—	—	—	—	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	—	—	—	—	3,140	3,140	8	3,148
Other comprehensive income 2017	—	—	-277	87	—	-190	5	-185
New share issue 2017 [2]	25	1,437	—	—	—	1,462	—	1,462
New share issue 2016 [1]	—	-2	—	—	—	-2	—	-2
Dividend 2017	—	—	—	—	-646	-646	-8	-654
Closing balance equity 31 December 2017	419	4,557	-330	87	14,112	18,845	182	19,027

[1] Proceeds from directed share issue reported net of transaction costs of MSEK 2 (MSEK 9, 2016).
[2] Proceeds from directed share issue reported net of transaction costs of MSEK 18 2017.

Condensed consolidated statement of cash flow

MSEK	Q4 2017	Q4 2016	FY 2017	FY 2016
OPERATING ACTIVITIES				
Profit before tax	1,212	838	3,650	2,635
Reversal of depreciation	45	39	170	147
Changes in value, Investment properties, realised	-6	—	-6	-159
Changes in value, Operating properties, realised	-283	—	-283	—
Changes in value, Investment properties, unrealised	-490	-413	-1,625	-1,301
Changes in value, derivatives, unrealised	-7	-116	-173	39
Other items not included in the cash flow	13	16	33	35
Taxes paid	11	-62	-73	-72
Cash flow from operating activities before changes in working capital	495	302	1,693	1,324
Increase/decrease in operating assets	112	-29	-102	-179
Increase/decrease in operating liabilities	78	25	102	50
Change in working capital	190	-4	0	-129
Cash flow from operating activities	685	298	1,693	1,195
INVESTING ACTIVITIES				
Investments in properties and fixed assets	-213	-187	-714	-433
Divestment of subsidiaries, net effect on liquidity	340	—	356	843
Acquisitions of subsidiaries, net effect on liquidity	-9,461	-4,477	-10,609	-4,477
Acquisitions of financial assets	0	-1	-24	-9
Divestment of financial assets	20	—	21	12
Cash flow from investing activities	-9,314	-4,665	-10,970	-4,064
FINANCING ACTIVITIES				
New share issue	1,480	1,012	1,480	1,012
Transaction cost	-18	-9	-20	-9
New loans	10,725	3,381	13,138	4,850
Amortisation of debt	-3,050	-44	-4,188	-2,128
Acqusition of non-controlling interest	—	45	—	45
Approved/Paid dividends	0	—	-654	-570
Cash flow from financing activities	9,137	4,385	9,756	3,200
Cash flow for the period	508	18	479	331
Cash and cash equivalents at beginning of period	484	500	517	170
Exchange differences in cash and cash equivalents	7	-1	3	16
Cash and cash equivalents at end of period	999	517	999	517
Information regarding interest payments				
Interest received	1	0	2	1
Interest paid	-134	-111	-508	-440
Information regarding cash and cash equivalents end of period	999	517	999	517
Cash and cash equivalents consist of bank deposits.				

Condensed income statement for the Parent Company

MSEK	Q4 2017	Q4 2016	FY 2017	FY 2016
Net sales	49	20	101	65
Administration cost	-48	-47	-166	-158
Operating profit	1	-27	-65	-93
Profit from participations in Group companies	0	-61	200	300
Other interest income and similar profit/loss items	68	56	140	112
Other interest expense and similar profit/loss items [2]	-448	-22	-609	-185
Profit after financial items	-379	-54	-334	134
Year-end appropriations	248	304	248	304
Profit before tax	-131	250	-86	438
Current tax [1]	116	—	116	—
Profit for the period	-15	250	30	438

[1] Tax assets referring to tax carryforwards and valuation of interest rate swaps.
[2] Of which MSEK -357 refers to unrealised value changes on derivatives.

Condensed balance sheet for the Parent Company

MSEK	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets	17,596	12,717
Financial assets	167	217
Total assets	17,763	12,934
EQUITY AND LIABILITIES		
Equity	4,556	3,712
Provisions	82	57
Non-current liabilities	6,161	4,997
Current liabilities	6,964	4,168
Total equity and liabilities	17,763	12,934

Key figures

RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS (MSEK)	Q4 2017	Q4 2016	FY 2017	FY 2016
Equity to assets ratio, %				
Sum equity	—	—	19,027	15,258
Total assets	—	—	51,912	38,429
Equity to assets ratio, %	—	—	36.7	39.7
Net interest-bearing debt				
Non-current interest bearing liabilities	—	—	23,768	18,294
Current interest bearing liabilities	—	—	2,705	537
Cash and cash equivalents	—	—	-999	-517
Net interest-bearing debt	—	—	25,474	18,314
Loan to value net, %				
Net interest-bearing debt	—	—	25,474	18,314
Market value properties	—	—	50,121	38,233
Loan to value net, %	—	—	50.8	47.9
Interest cover ratio, times				
Profit before changes in value	426	309	1,563	1,214
Financial expenses	140	116	534	457
Depreciation	45	39	170	147
Interest cover ratio, times	4.4	4.0	4.2	4.0
Average interest on debt end of period, %				
Average interest expenses	—	—	688	489
Non-current interest bearing liabilities	—	—	23,768	18,294
Current interest bearing liabilities	—	—	2,705	537
Average interest on debt, end of period, %	—	—	2.6	2.6
See page 11-12 for a complete reconciliation				
Investments, excl. acquisitions	213	187	714	433
Net operating income, Property Management				
Rental income	549	433	2,121	1,717
Other property income	22	25	81	70
Costs, excl. property administration	-66	-68	-247	-212
Net operating income, before property administration	506	390	1,956	1,575
Property administration	-16	-22	-74	-80
Net operating income, Property Management	490	368	1,882	1,495
Net operating income, Operator Activities				
Revenues Operator Activities	528	619	2,067	2,158
Costs Operator Activities	-429	-528	-1,743	-1,866
Gross profit	99	91	324	292
Add: Depreciation included in costs	45	39	170	147
Net operating income, Operator Activities	144	130	494	439
EBITDA				
Gross profit from respective operating segment	589	459	2,206	1,787
Add: Depreciation included in costs Operator Activities	45	39	170	147
Less: Central administration, excluding depreciation	-37	-34	-124	-117
EBITDA	597	464	2,252	1,817
Cash earnings				
EBITDA	597	464	2,252	1,817
Add: Financial income	14	0	15	1
Less: Financial cost	-140	-116	-534	-457
Less: Current tax	11	-34	-73	-72
Cash earnings	482	314	1,660	1,289
EPRA NAV				
Equity attributable to the shareholders of the parent company	—	—	18,845	15,081
Add: Revaluation of Operating Properties	—	—	1,906	1,655
Add: Fair value of financial derivatives	—	—	563	736
Less: Deferred tax assets related to derivatives	—	—	-129	-171
Add: Deferred tax liabilities related to properties	—	—	3,026	2,582
EPRA NAV	—	—	24,211	19,883
Growth in EPRA NAV, annual rate, %				
EPRA NAV attributable to the shareholders of the parent company, opening balance	—	—	19,883	16,156
EPRA NAV attributable to the shareholders of the parent company, opening balance	—	—	24,211	19,883
Dividend added back, current year	—	—	646	570
Excluding proceeds from new share issue	—	—	-1,460	-1,003
Growth in EPRA NAV, annual rate, %	—	—	17.7	20.4

1 2 3

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 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.

EPRA NAV (net asset value) 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 deferred tax liabilities. The market value of Operating Properties is included in the calculation.

Key figures continued

CONTINUED RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS PER SHARE [1]	Q4 2017	Q4 2016	FY 2017	FY 2016
Total comprehensive income per share, SEK				
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	987	787	2,950	2,556
Weighted average number of share, before and after dilution	158,913,042	151,059,782	157,856,163	150,266,393
Total comprehensive income per share, SEK	**6.21**	**5.21**	**18.69**	**17.01**
Cash earnings per share, SEK				
Cash earnings attributable to the shareholders of the parent company, MSEK	487	309	1,652	1,276
Weighted average number of share, before and after dilution	158,913,042	151,059,782	157,856,163	150,266,393
Cash earnings per share, SEK	**3.06**	**2.05**	**10.46**	**8.49**
Net asset value (EPRA NAV) per share, SEK				
EPRA NAV with dividend deducted, MSEK	—	—	24,211	19,883
Number of shares at the end of the period	—	—	167,499,999	157,499,999
Net asset value (EPRA NAV) per share, SEK	**—**	**—**	**144.54**	**126.24**
Dividend per share, SEK				
Dividend, MSEK	—	—	737	646
Number of shares at dividend	—	—	167,499,999	157,499,999
Dividend per share, SEK [3]	**—**	**—**	**4.40**	**4.10**
Weighted average number of shares outstanding, before and after dilution	158,913,042	151,059,782	157,856,163	150,266,393
Number of shares at end of period	167,499,999	157,499,999	167,499,999	157,499,999
PROPERTY RELATED KEY FIGURES				
Number of hotels, end of period [2]	—	—	143	120
Number of rooms, end of period [2]	—	—	31,613	26,240
WAULT, years	—	—	15.6	13.9
Market value properties, MSEK	—	—	50,121	38,233
Market value Investment properties	—	—	42,548	30,163
Market value Operating properties	—	—	7,573	8,070
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	745	672	731	662

[1] Total number of outstanding shares after split amount to 167,499,999, of which 75,000,000 A shares and 92,499,999 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 2017 proposed dividend and for 2016 actual dividend is indicated.

Quarterly data

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MSEK)

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue Property Management								
Rental income	549	569	547	456	433	459	451	374
Other property income	22	20	21	18	25	20	13	12
Revenue Operator Activities	528	463	555	521	619	561	536	442
Total revenues	**1,099**	**1,052**	**1,123**	**995**	**1,077**	**1,040**	**1,000**	**828**
Costs Property Management	-82	-78	-83	-78	-90	-70	-66	-66
Costs Operator Activities	-429	-373	-462	-479	-528	-466	-448	-424
Gross profit	**589**	**601**	**578**	**438**	**459**	**504**	**486**	**338**
Central administration	-37	-30	-30	-28	-34	-27	-32	-24
Financial net	-126	-132	-131	-130	-116	-114	-112	-114
Profit before value changes	**426**	**439**	**417**	**280**	**309**	**363**	**342**	**200**
Changes in value								
Properties, unrealised	490	194	634	308	413	369	319	200
Properties, realised	289	—	—	—	—	—	—	159
Derivatives, unrealised	7	18	71	77	116	24	-55	-124
Profit before tax	**1,212**	**651**	**1,122**	**665**	**838**	**756**	**606**	**435**
Current tax	11	-16	-38	-30	-34	-12	-25	-1
Deferred tax	-40	-84	-197	-108	-32	-152	-107	-58
Profit for the period	**1,183**	**551**	**887**	**527**	**772**	**592**	**474**	**376**
Other comprehensive income	-196	-1	-82	94	18	108	103	131
Total comprehensive income for the period	**986**	**550**	**805**	**621**	**790**	**700**	**577**	**507**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MSEK)

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
ASSETS								
Properties incl equipment and interiors	48,217	39,202	38,216	37,098	36,578	31,623	30,710	29,998
Other non-current receivables	37	51	54	41	23	21	20	20
Deferred tax assets	613	665	685	722	748	772	802	829
Current assets	2,046	772	703	582	563	531	428	345
Cash and cash equivalents	999	484	344	625	517	500	365	820
Total assets	**51,912**	**41,174**	**40,002**	**39,068**	**38,429**	**33,447**	**32,325**	**32,012**
EQUITY AND LIABILITIES								
Equity	19,027	16,586	16,036	15,231	15,258	13,428	12,728	12,722
Deferred tax liability	3,026	2,911	2,924	2,705	2,582	2,660	2,421	2,274
Interest-bearing liabilities	26,473	20,034	19,359	18,709	18,841	15,547	15,387	15,219
Non interest-bearing liabilities	3,386	1,643	1,683	2,423	1,748	1,812	1,789	1,797
Total equity and liabilities	**51,912**	**41,174**	**40,002**	**39,068**	**38,429**	**33,447**	**32,325**	**32,012**

KEY RATIOS

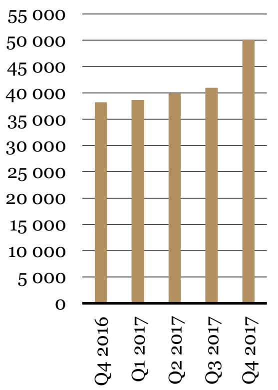
	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
NOI, Property Management, MSEK	490	511	485	396	368	409	398	320
NOI, Operator Activities, MSEK	144	129	139	82	130	130	125	54
EBITDA, MSEK	597	610	594	450	464	512	491	350
Earnings per share before and after dilution, SEK	7.47	3.47	5.61	3.31	5.08	3.93	3.14	2.49
Cash earnings, MSEK	482	462	425	290	314	386	354	235
Cash earnings per share before and after dilution, SEK	3.06	2.91	2.67	1.81	2.05	2.55	2.34	1.57
RevPAR growth (Operator Activities) for comparable units and constant currency.	11	12	17	4	-4	-2	-12	1

	31 Dec 2017	30 Sep 2017	30 Jun 2017	31 Mar 2017	31 Dec 2016	30 Sep 2016	30 Jun 2016	31 Mar 2016
Net interest-bearing debt, MSEK	25,474	19,550	19,015	18,084	18,314	15,047	15,022	14,399
Equity to assets ratio, %	36.7	40.3	40.1	39.0	39.7	40.1	39.4	39.7
Loan to value, %	50.8	47.7	47.7	46.8	47.9	45.5	46.8	46.0
Interest coverage ratio, times	4.4	4.6	4.5	3.4	4.0	4.0	3.7	3.1
Market value properties, MSEK	50,121	40,951	39,868	38,630	38,233	33,098	32,124	31,322
EPRA NAV per share, SEK	144.54	136.47	132.55	125.67	126.24	120.53	114.03	112.16
WAULT (Property Management), yrs	15.6	13.8	13.9	13.6	13.9	13.4	13.3	11.3

Portfolio overview

At the end of the period, Pandox's property portfolio comprised 143 (31 December 2016: 120) hotel properties with 31,613 (31 December 2016: 26,240) hotel rooms in fifteen countries. Pandox's main geographical focus in the Nordic, which represents approximately 52 percent of the portfolio by market value. 126 of the hotel properties are leased to third parties, which mean that approximately 85 percent of the portfolio market value is covered by external leases.

Market value properties per quarter, MSEK



Portfolio overview by segment and geography

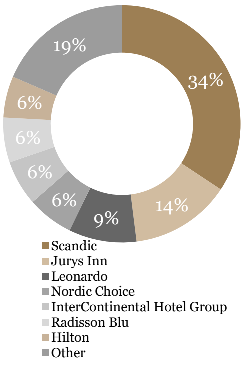
Property Management *Investment properties*	No. of hotels	No. of rooms	Market value (MSEK)	Market value in % of total	Value per room (MSEK)
Sweden	44	9,013	14,539	29	1.6
Norway	14	2,525	3,037	6	1.2
Finland	13	2,919	3,533	7	1.2
Denmark	8	1,835	3,345	7	1.8
Belgium	—	—	—	—	—
The Netherlands	1	189	951	2	5.0
Germany	22	4,332	6,662	13	1.5
Austria	2	639	1,326	3	2.1
UK	18	4,283	7,083	14	1.7
Ireland	3	445	1,377	3	3.1
Switzerland	1	206	695	1	3.4
Total Investment properties	126	26,386	42,548	85	1.6
Operator Activities *Operating properties*					
Sweden	—	—	—	—	—
Norway	—	—	—	—	—
Finland	1	155	20	0	0.1
Denmark	—	—	—	—	—
Belgium	9	2,471	3,795	8	1.5
Germany	4	1,285	2,163	4	1.7
UK	1	364	388	1	1.1
Canada	2	952	1,208	2	1.3
Total Operating properties	17	5,227	7,573	15	1.4
Total owned properties	143	31,613	50,121	100	1.6

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 Hotels Group, Nordic Choice Hotels, and operators focused on other regions and global markets such as Fattal (Leonardo), Jurys Inn, Rezidor (Radisson Blu), Hilton and NH Hotels.

Pandox's portfolio by brand

Brand	No. of hotels	No. of rooms	Countries
Scandic	50	10,851	SE, NO, FI, DK
Jurys Inn	20	4,330	UK, IRL
Leonardo	16	2,922	DE
Hilton	7	1,987	SE, FI, BE, UK
Nordic Choice Hotels	12	1,955	SE, NO
Radisson Blu	7	1,783	SE, NO, CH, DE
NH	5	1,162	DE, AU
Holiday Inn	4	963	BE, DE
First Hotels	2	403	DK
Crowne Plaza	2	616	BE
Hyatt	1	595	CAN
Best Western	1	103	SE
Elite Hotels	2	480	SE
InterContinental	1	357	CAN
Meininger	1	218	DK
Cumulus	1	135	FI
Independent brands	11	2,753	SE, FI, BE, DE, NL
Total	143	31,613	15

Rooms per operator/brand 31 December, 2017



Notes

Note 1 Accounting principles

Pandox follows the International Financial Reporting Standards (IFRS), and interpretations (IFRIC), as adopted by the EU. This interim report has been prepared in accordance with 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. Under RFR2 the Parent Company of a legal entity is to apply 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.

In addition to in the financial reports and their corresponding notes, disclosures according to IAS 34.16A also appear in other parts of the interim report.

The accounting principles applied are consistent with those described in Pandox's Annual Report for 2016.

New IFRS standards not yet being applied
IFRS 15 is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognised when the customer gains control of the goods or services sold – a principle that replaces the previous principle whereby revenue is recognised when the risks and benefits have been transferred to the buyer. The standard is effective as of 1 January 2018 and will be applied by the Group from that date. An entity can choose between full retroactivity and prospective application with supplementary disclosures. Pandox intends to apply the standard prospectively. In 2017 the Group evaluated the effect of the new standard to estimate the quantitative impact of the new rules on the financial statements. The standard is not expected to have any impact on the financial statements other than the increased disclosure requirement, and the opening balance will therefore not be adjusted.

IFRS 9 Financial Instruments is effective as of 1 January 2018 and replaces IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 classifies financial assets in three different categories. The classification is established upon initial recognition based on the nature of the asset and the entity's business model. The second part of the standard relates to hedge accounting. The new principles largely entail an improvement, facilitating reporting to provide a fair representation of an entity's management of financial risk and financial instruments. Finally, new principles have been introduced for impairment losses on financial assets, with a model based on anticipated losses. The purpose of the new impairment model is, among other things, to enable reserves for credit losses to be made at an earlier stage. The standard is not expected to have any significant effect on the Group's or the Parent Company's financial statements. Thus no adjustments will be made in the opening balances of reserves for credit losses or the measurement of derivatives. The EU approved the standard in the fourth quarter of 2016 and it is being applied by the Group for the financial year starting on 1 January 2018.

In January 2016 IASB published a new lease standard, IFRS 16 Leases, to replace IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard will require assets and liabilities attributable to all leases, with the exception of leases of 12 months or less and leases of low value, to be recognised as a liability and asset in the balance sheet. Recognition is based on the approach that the lessee has a right to use an asset for a specific period and at the same time has a responsibility to pay for that right. Recognition for the lessor will essentially remain the same. The standard will go into effect for financial years starting on 1 January 2019 or later. Early adoption is permitted. Pandox does not plan to early-adopt IFRS 16. At this time it is not possible to quantify the effects of the introduction of this IFRS, but the new lease standard will affect Pandox's financial statements as the Group has operating leases for premises as well as site leaseholds. The way in which site leasehold fees will be handled under the new standard has not yet been determined. For an idea of the size of the Group's lease undertakings, see Note 8 Operating leases in the 2016 Annual Report. The detailed evaluation being conducted of the effects of IFRS 16 will continue in 2018.

Note 2 Operating segments

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016	Q4 2017	Q4 2016
Revenue Property Management								
Rental and other property income	571	458	—	—	—	—	571	458
Revenue Operator Activities	—	—	528	619	—	—	528	619
Total revenues	571	458	528	619	—	—	1,099	1,077
Costs Property Management	-82	-90	—	—	—	—	-82	-90
Costs Operator Activities	—	—	-429	-528	—	—	-429	-528
Gross profit	490	368	99	91	—	—	589	459
Central administration	—	—	—	—	-37	-34	-37	-34
Financial income	—	—	—	—	14	0	14	0
Financial expenses	—	—	—	—	-140	-116	-140	-116
Profit before changes in value	490	368	99	91	-163	-150	426	309
Changes in value								
Properties, unrealised	490	413	—	—	—	—	490	413
Properties, realised	6	—	283	—	—	—	289	—
Derivatives, unrealised	—	—	—	—	7	116	7	116
Profit before tax	986	781	382	91	-156	-34	1,212	838
Current tax	—	—	—	—	11	-34	11	-34
Deferred tax	—	—	—	—	-40	-32	-40	-32
Profit for the period	986	781	382	91	-185	-100	1,183	772

Q4 2017

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	UK	Other	Total
Total revenues									
- Property Management	224	47	44	69	119	2	23	44	571
- Operator Activities	—	—	—	7	121	282	1	117	528
Market value properties	14,539	3,345	3,037	3,553	8,825	3,795	8,847	4,180	50,121
Investments in properties	59	6	9	13	72	39	0	16	213
Acquisitions of properties	—	—	—	—	—	—	7,576	109	7,685
Realised value change properties	—	—	6	—	—	283	—	—	289
Book value Operating Properties	—	—	—	26	1,411	2,945	388	898	5,668

Q4 2016

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	UK	Other	Total
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
Acqusitions of properties	—	—	—	—	1,752	526	—	2,218	4,496
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	364	557	689	49	1,327	2,524	—	905	6,415

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 Group 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	
	Q1-4 2017	Q1-4 2016	Q1-4 2017	Q1-4 2016	Q1-4 2017	Q1-4 2016	Q1-4 2017	Q1-4 2016
Revenue Property Management								
Rental and other property income	2,202	1,787	—	—	—	—	2,202	1,787
Revenue Operator Activities	—	—	2,067	2,158	—	—	2,067	2,158
Total revenues	2,202	1,787	2,067	2,158	—	—	4,269	3,945
Costs Property Management	-321	-292	—	—	—	—	-321	-292
Costs Operator Activities	—	—	-1,743	-1,866	—	—	-1,743	-1,866
Gross profit	1,882	1,495	324	292	—	—	2,206	1,787
Central administration	—	—	—	—	-124	-117	-124	-117
Financial income	—	—	—	—	15	1	15	1
Financial expenses	—	—	—	—	-534	-457	-534	-457
Profit before changes in value	1,882	1,495	324	292	-643	-573	1,563	1,214
Changes in value								
Properties, unrealised	1,625	1,301	—	—	—	—	1,625	1,301
Properties, realised	6	159	283	—	—	—	289	159
Derivatives, unrealised	—	—	—	—	173	-39	173	-39
Profit before tax	3,513	2,955	607	292	-470	-612	3,650	2,635
Current tax	—	—	—	—	-73	-72	-73	-72
Deferred tax	—	—	—	—	-429	-349	-429	-349
Profit for the period	3,513	2,955	607	292	-972	-1,033	3,148	2,214

Q1-4 2017

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	UK	Other	Total
Total revenues									
- Property Management	888	201	184	277	441	6	27	179	2,202
- Operator Activities	23	22	119	31	455	943	1	473	2,067
Market value properties	14,539	3,345	3,037	3,553	8,825	3,795	8,847	4,180	50,121
Investments in properties	212	23	91	25	185	92	—	87	714
Acquisitions of properties	—	—	—	—	—	324	8,399	109	8,832
Realised value change properties	—	—	6	—	—	283	—	—	289
Book value Operating Properties	—	—	—	26	1,411	2,945	388	898	5,668

Q1-4 2016

Geographical area	Swe	Den	Nor	Fin	Ger	Bel	UK	Other	Total
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
Acqusitions of properties	—	—	—	—	1,752	526	—	2,218	4,496
Realised value change properties	159	—	—	—	—	—	—	—	159
Book value Operating Properties	364	557	689	49	1,327	2,524	—	905	6,415

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 and proceeds from new share issue deducted, 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.

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