

Profitable growth and good returns

April-June 2018

- Revenue from Property Management amounted to MSEK 791 (568). Adjusted for currency effects and comparable units, the increase was 0.5 percent
- Net operating income from Property Management amounted to MSEK 664 (485). Adjusted for currency effects and comparable units, the decrease was 0.6 percent
- Net operating income from Operator Activities amounted to MSEK 167 (139). Adjusted for currency effects and comparable units, the increase was 15 percent
- EBITDA amounted to MSEK 794 (594)
- Cash earnings amounted to MSEK 536 (425)
- Cash earnings per share amounted to SEK 3.18 (2.67)
- Profit for the period amounted to MSEK 763 (887)
- Earnings per share amounted to SEK 4.53 (5.61)

January-June 2018

- Revenue from Property Management amounted to MSEK 1,412 (1,042). Adjusted for currency effects and comparable units, the increase was 0.5 percent
- Net operating income from Property Management amounted to MSEK 1,192 (881). Adjusted for currency effects and comparable units, the decrease was 0.3 percent
- Net operating income from Operator Activities amounted to MSEK 233 (221). Adjusted for currency effects and comparable units, the increase was 17 percent
- EBITDA amounted to MSEK 1,354 (1,044)
- Cash earnings amounted to MSEK 873 (715)
- Cash earnings per share amounted to SEK 5.18 (4.48)
- Profit for the period amounted to MSEK 1,215 (1,414)
- Earnings per share amounted to SEK 7.22 (8.92)
- EPRA NAV per share amounted to SEK 153.97 (132.55)

Financial summary

Figures in MSEK	Quarter 2			Jan-Jun			FY
	2018	2017	Δ%	2018	2017	Δ%	2017
Revenue Property Management	791	568	39	1,412	1,042	35	2,202
Net operating income Property Management	664	485	37	1,192	881	35	1,882
Net operating income Operator Activities	167	139	20	233	221	5	494
EBITDA	794	594	34	1,354	1,044	30	2,252
Profit for the period	763	887	-14	1,215	1,414	-14	3,148
Earnings per share, SEK ¹⁾	4.53	5.61	-19	7.22	8.92	-19	19.89
Cash earnings	536	425	26	873	715	22	1,660
Cash earnings per share, SEK ¹⁾	3.18	2.67	19	5.18	4.48	16	10.46
Key data							
Market value properties, MSEK	—	—	—	53,064	39,868	33	50,121
Net interest-bearing debt, MSEK	—	—	—	26,844	19,015	41	25,474
Loan to value net, %	—	—	—	50.6	47.7	n.m.	50.8
Interest cover ratio, times	4.0	4.5	n.m.	3.5	4.0	n.m.	4.2
EPRA NAV per share, SEK ¹⁾	—	—	—	153.97	132.55	16	144.54
WAULT (Investment Properties), years	—	—	—	15.3	13.9	n.m.	15.6
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	916	883	4	794	764	4	794

¹⁾ Based on total and weighted number of shares 167,499,999 Q2 2018. For information about previous years see page 16.

²⁾ See page 23 for a summary of reclassifications, acquisitions and divestments.
For complete definitions see page 25.

CEO comment

Profitable growth and good returns

Profitable growth and increased net asset value

Pandox is reporting growth in total net operating income of 33 percent and growth in net asset value of 20 percent, on an annualised basis, in the second quarter. The drivers were profitable acquisitions in new, large hotel markets, sustained strong growth in Brussels and good underlying demand in the hotel market.

Adjusted for currency effects and comparable units, revenue in Property Management increased marginally, while net operating income fell correspondingly, including a slightly negative renovation effect. The investment properties acquired in 2017 in the UK and Ireland, which are not part of the comparable portfolio, demonstrated strong growth. The comparable growth (pro forma) in revenue for these properties is estimated at around 10 percent for the second quarter.

In Operator Activities the solid growth rate was sustained, both for revenue and net operating income, driven by an increase in business travel and more and larger conferences, mainly benefitting the hotels in Brussels due to their strong market position.

In Montreal development was weaker due to strong comparative figures and new capacity.

The underlying demand in the hotel market remained positive in the quarter with good average price development. RevPAR growth in several large hotel markets in Europe, including Germany, was negatively affected by there being fewer business days in May, which a stronger June was not able to fully compensate for. Combined with a weaker trade fair calendar and strong comparative figures, the result was somewhat uneven growth distribution in the portfolio. At the country level, rental growth in the comparable portfolio was strongest in Sweden (+5 percent) and weakest in Switzerland (-7 percent). Destinations with particularly strong rental income development were Malmö, Gothenburg, Oslo, Frankfurt and Munich.

In Stockholm rental income grew by 3 percent, mainly driven by good growth in hotel markets outside the city centre.

Good start in the UK and Ireland

Pandox's portfolio acquisition in the UK and Ireland has had a good start, and the hotel properties had a very good development in the quarter. The hotels in the portfolio are all well renovated with strong locations in expansive regional hubs such as Glasgow, Belfast, Dublin, Manchester and Birmingham. Measured at the portfolio level, the hotels' RevPAR increased by around 9 percent in the first half of 2018. Pandox continues to see good potential for increasing the acquired hotels' market share as renovations already completed reach their full effect. Work on further developing the hotel products through smart investments to, for example, add more beds or more rooms is in the early stages, but is expected to make a positive contribution over time.

Cash-flow driving investments in focus

During the quarter Pandox continued to focus on identifying additional cash-flow driving investments in the existing portfolio.

Examples of such investments are:

- (1) Infill; more beds in existing rooms
- (2) Conversion of unproductive spaces into new rooms
- (3) Expansion by adding new floors and buildings

At the end of the period, committed investments for future projects amounted to around MSEK 940, which is a good starting level. New projects include an upgrade of Crown Plaza in Brussels to further establish its position as one of the city's leading meeting hotels.

Stable positive outlook

Growth in the hotel market is in line with Pandox's expectations and the hotel properties are in general developing well in their respective submarkets. Underlying demand is good and is supported by good economic growth and increased international travel. In certain markets new hotel capacity is having an adverse effect on growth in the short term. In total, market conditions are favourable, laying the foundation for a stable positive development in 2018. The transaction market is active and additional acquisitions are possible.

"Pandox is reporting growth in total net operating income of 33 percent and growth in net asset value, on an annualised basis, of 20 percent in the second quarter. The drivers were profitable acquisitions, sustained strong development in Brussels and good underlying demand in the hotel market."

Anders Nissen, CEO



April-June 2018 (change compared with the corresponding period previous year)

33%

Growth in total NOI

20%

Growth in net asset value

Annual growth in EPRA NAV, with dividends added back and proceeds from new share issue deducted

26%

Growth in total cash earnings

EBITDA plus financial income less financial expense less current tax

Hotel market development April-June 2018

As complete market data has not yet been published for the second quarter 2018, the RevPAR growth for international markets refers to the period April–May 2018, i.e. part of the report period. RevPAR growth for Nordic markets is for the period April–June 2018, i.e. the full report period.

Good underlying growth in the travel market

The hotel markets in Pandox's portfolio benefitted in general from sustained, broad economic growth globally and from good demand in the travel and hotel industries in the quarter.

The negative calendar effect from the first quarter was neutralised in the second quarter and made a positive contribution to market growth. In Europe, however, fewer business days in May resulted in a weaker hotel market compared to the same month in 2017 according to industry statistics.

International demand, measured in international arrivals, was strong. Preliminary arrival statistics for January–April show growth of around 7 percent in Europe, according to the United Nations World Tourism Organization (UNWTO). UNWTO's outlook remains positive and strong demand in international travel is expected this summer.

Stable positive development in the Nordics

The Nordic countries had stable growth in the quarter, supported by good underlying growth in demand for hotel nights and a neutralised calendar effect.

Demand increased at the same rate as supply in Sweden, resulting in stable occupancy. Average prices increased by 2 percent, providing a corresponding increase in RevPAR. RevPAR in Stockholm increased by 5 percent in the quarter, driven by improved average prices and a positive calendar effect in April. Growth was even stronger in Gothenburg and Malmö where RevPAR increased by 8 and 15 percent respectively, driven by increased occupancy and higher average prices.

In Oslo RevPAR increased by 8 percent in the quarter, mainly due to increased average prices.

Copenhagen once again had good growth in the quarter, supported by higher demand due to the Ice Hockey World Championship in May. Altogether RevPAR increased by just over 5 percent.

Finland continued to develop well in a good economic climate, with an increase in RevPAR of 3 percent in the quarter, supported by a strong regional hotel market. In Helsinki RevPAR fell by 1 percent in the quarter, explained by a strong comparison quarter in 2017 when there were three large medical conferences.

Negative trade fair and calendar effects in Germany

Germany, similar to several other European markets, had a weak May due to fewer business days. This, combined with a weak trade fair calendar, mainly impacted Cologne, Düsseldorf and Hannover negatively. The leisure segment remained active, but was not fully able to compensate for the loss of revenue from more the profitable corporate segment. RevPAR for Germany as a whole fell by around 4 percent in the April–May period according to STR Global. Based on a higher level of activity in June, it is reasonable to expect stronger growth for the quarter as a whole.

Stable development in the UK

The hotel market in the UK consists of two “markets”. One is London which has a higher share of international demand and the other is UK Regional, with a higher share of domestic demand where Pandox has its focus.

During the April–May period RevPAR increased in UK Regional by 1 percent. This is in line with the forecasts of external analysts of a RevPAR increase of 1–2 percent for the full year 2018.

Pandox's total portfolio in the UK and Ireland had significantly higher RevPAR growth than UK Regional in the quarter.

In London RevPAR fell by 4 percent in the April–May period, mainly due to new capacity and slightly lower international demand.

The overall supply situation is well-balanced in UK Regional, but more new capacity is expected in cities such as Manchester, Glasgow and Belfast, which may lower RevPAR growth in the short term. All of these cities are, however, large expansive destinations and attractive hotel markets with good underlying demand.

Sustained strong growth in Brussels

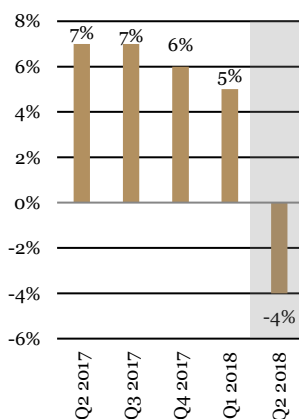
RevPAR increased by 13 percent in Brussels in the April–June period, driven by a strong conference market and an improved leisure segment.

Strong comparison figures explain the decline in Montreal

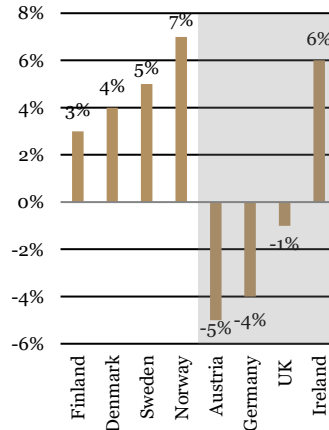
RevPAR in Montreal fell by 8 percent in April–May, mainly explained by strong comparison figures in the same period in 2017 when Canada and Montreal celebrated the anniversary year with a packed event calendar.

April-June 2018

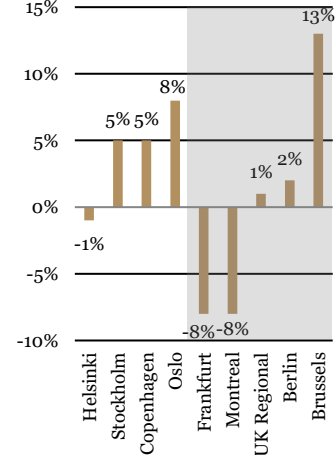
Europe
RevPAR growth y/y



Countries
RevPAR growth y/y



Key markets
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance

For the period April–May 2018

Financial development April-June 2018

Comparison figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 791 (568), an increase of 39 percent, mainly explained by acquired growth in the lease portfolio, and helped by earlier reclassifications.

A change in accounting procedures for other property revenue relating to portfolio acquisitions in the UK and Ireland (from net to gross) increased revenue by MSEK 30, half of which is for the first quarter.

Adjusted for currency effects and comparable units, revenue increased by 0.5 percent, including a slightly negative renovation effect.

The recently acquired investment properties in the UK and Ireland, which are not part of the comparable portfolio, showed strong and profitable growth during the quarter.

Revenue from Operator Activities amounted to MSEK 565 (555), an increase of 2 percent. Adjusted for currency effects and comparable units, revenue increased by 3 percent and RevPAR by 4 percent.

The Group's net sales amounted to MSEK 1,356 (1,123). Adjusted for currency effects and comparable units, net sales increased by 2 percent.

Net operating income

Net operating income from Property Management amounted to MSEK 664 (485), an increase of 37 percent.

An accounting change for other property revenue relating to portfolio acquisitions in the UK and Ireland (from net to gross) increased costs, excluding property administration, by MSEK 30, half of which is for the first quarter.

Adjusted for currency effects and comparable units, net operating income decreased by 0.6 percent.

Net operating income from Operator Activities amounted to MSEK 167 (139), an increase of 20 percent. Adjusted for currency effects and comparable units, net operating income increased by 15 percent.

Total net operating income amounted to MSEK 831 (624), an increase of 33 percent.

Administration costs

Central administration costs amounted to MSEK -37 (-30).

EBITDA

EBITDA amounted to MSEK 794 (594), an increase of 34 percent.

Financial income and expense

Financial expense amounted to MSEK -198 (-131). The change is mainly explained by increased interest-bearing liabilities following acquisitions that increased debt in foreign currencies. Pandox has decided to hedge a larger share of its loan portfolio than previously, resulting in higher costs for interest rate derivatives.

Financial income amounted to MSEK 0 (0).

Profit before changes in value

Profit before changes in value amounted to MSEK 558 (417), an increase of 34 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 297 (634) and are explained by a combination of higher cash flows and a lower valuation yield in the comparable portfolio.

Realised changes in value amounted to MSEK 13 (—) and is for the reversal of a guarantee for past divestments.

Unrealised changes in value of derivatives amounted to MSEK -24 (71).

Current and deferred tax

Current tax amounted to MSEK -60 (-38).

Deferred tax expense amounted to MSEK -21 (-197), including a revaluation of the Group's deferred tax assets which reduced the Group's tax liabilities by MSEK 104.

Profit for the period

Profit for the period amounted to MSEK 763 (887) and profit for the period attributable to Parent Company shareholders amounted to MSEK 760 (883), which is equivalent to SEK 4.53 (5.61) per share.

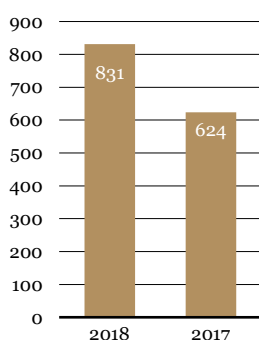
Cash earnings

Cash earnings amounted to MSEK 536 (425), an increase of 26 percent.

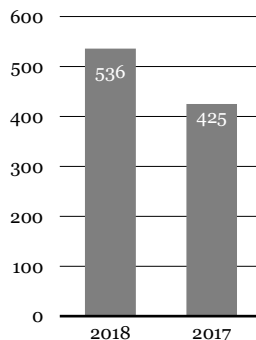
See page 23 for summary of reclassifications, acquisitions and divestments.

April-June 2018

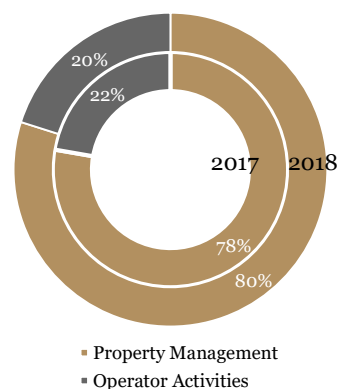
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Financial development January-June 2018

Comparison figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated

Net sales

Revenue from Property Management amounted to MSEK 1,412 (1,042), an increase of 35 percent, mainly explained by acquired growth in the lease portfolio and by reclassifications.

An accounting change for other property revenue relating to portfolio acquisitions in the UK and Ireland (from net to gross) increased revenue by MSEK 30.

Adjusted for currency effects and comparable units, revenue increased by 0.5 percent.

The recently acquired investment properties in the UK and Ireland, which are not part of the comparable portfolio, demonstrated strong and profitable growth.

Revenue from Operator Activities amounted to MSEK 966 (1,076), a decrease of 7 percent, which reflects the reclassifications made.

Adjusted for currency effects and comparable units, revenue increased by 3 percent and RevPAR by 4 percent.

The Group's net sales amounted to MSEK 2,408 (2,118). Adjusted for currency effects and comparable units, net sales increased by 2 percent.

Net operating income

Net operating income from Property Management amounted to MSEK 1,192 (881), an increase of 35 percent. Adjusted for currency effects and comparable units, net operating income decreased by 0.3 percent.

An accounting change for other property revenue relating to portfolio acquisitions in the UK and Ireland (from net to gross) increased costs, excluding property administration, by MSEK 30.

Net operating income from Operator Activities amounted to MSEK 233 (221), an increase of 5 percent. Adjusted for currency effects and comparable units, net operating income increased by 17 percent.

Total net operating income amounted to MSEK 1,425 (1,102), an increase of 29 percent.

Administration costs

Central administration costs amounted to MSEK -71 (-58).

EBITDA

EBITDA amounted to MSEK 1,354 (1,044), an increase of 30 percent.

Financial income and expense

Financial expense amounted to MSEK -385 (-262). The change is mainly explained by increased interest-bearing liabilities following acquisitions that increased debt in foreign currencies. Pandox has decided to hedge a larger share of its loan portfolio than previously, resulting in higher costs for interest rate derivatives.

Financial income amounted to MSEK 1 (1).

Profit before changes in value

Profit before changes in value amounted to MSEK 893 (697), an increase of 28 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 445 (942) and are due to a combination of higher cash flows and a lower valuation yield in the comparable portfolio.

Realised changes in value amounted to MSEK 27 (—) and relate to the reversal of a guarantee for past divestments.

Unrealised changes in value of derivatives amounted to MSEK 59 (148).

Current and deferred tax

Current tax amounted to MSEK -97 (-68).

Deferred tax expense amounted to MSEK -112 (-305), including a revaluation of the Group's deferred tax assets which reduced the Group's tax liabilities by MSEK 104.

Profit for the period

Profit for the period amounted to MSEK 1,215 (1,414) and profit for the period attributable to Parent Company shareholders amounted to MSEK 1,210 (1,405), which represents SEK 7.22 (8.92) per share.

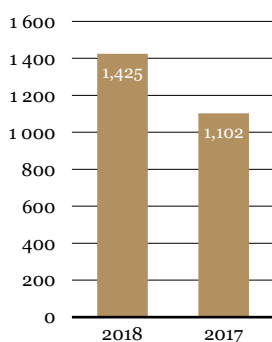
Cash earnings

Cash earnings amounted to MSEK 873 (715), an increase of 22 percent.

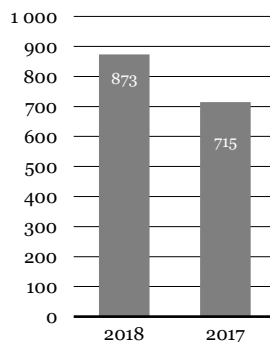
See page 23 for summary of reclassifications, acquisitions and divestments.

January-June 2018

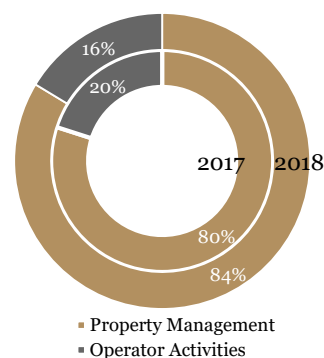
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Segment reporting April-June 2018

Property Management

Figures in MSEK	Quarter 2		Jan-Jun		FY
	2018	2017	2018	2017	2017
Rental income	739	547	1,339	1,003	2,121
Other property income	52	21	73	39	81
Costs, excluding prop admin	-99	-64	-165	-119	-228
Net operating income, before property admin	692	504	1,247	923	1,974
Property administration	-28	-19	-55	-42	-93
Gross profit	664	485	1,192	881	1,882
Net operating income, after property admin	664	485	1,192	881	1,882

Rental income and other property income amounted to MSEK 791 (568) and net operating income to MSEK 664 (485), an increase of 39 and 37 percent respectively, supported by strong and profitable growth in the portfolio acquired in the UK and Ireland, as well as stable development in the comparable portfolio.

An accounting change for other property revenue and costs excluding property administration, relating to the portfolio in the UK and Ireland (from net to gross) increased these items by SEK 30 million each, half of which is for the first quarter.

Adjusted for currency effects and comparable units, total rental income increased by 0.5 percent, while net operating income fell by 0.6 percent, including a slightly negative renovation effect.

Taking into account the acquired properties in the UK and Ireland (pro forma), the total comparable growth in rental income was around 4 percent.

Growth in the comparable portfolio of revenue-based leases was positive in Sweden, Norway and Austria and slightly negative in Germany, Denmark and Finland. Individual cities with particularly strong rental income growth were Malmö, Gothenburg, Oslo, Frankfurt and Munich.

In Stockholm rental income grew by 3 percent, mainly driven by good growth in hotel markets outside the city centre.

In Helsinki rental income fell by 2 percent due to a strong comparison quarter in 2017 when there were three large conferences.

Operator Activities

Figures in MSEK	Quarter 2		Jan-Jun		FY
	2018	2017	2018	2017	2017
Revenues	565	555	996	1,076	2,067
Costs	-436	-462	-840	-941	-1,743
Gross profit	129	93	156	135	324
Add: Depreciation included in costs	38	46	77	86	170
Net operating income	167	139	233	221	494

Revenue from Operator Activities amounted to MSEK 565 (555), an increase of 2 percent.

Net operating income amounted to MSEK 167 (139), an increase of 20 percent.

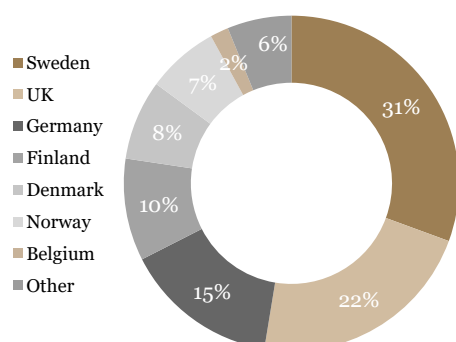
The operating margin was 29.6 percent (25.0).

Adjusted for currency effects and comparable units, revenue and net operating income increased by 3 and 15 percent respectively, supported by continued good growth in Brussels and Germany. Montreal faced another strong comparison quarter from the anniversary year, 2017, and was also affected by competing hotel capacity in facilities previously under renovation being reintroduced into the market.

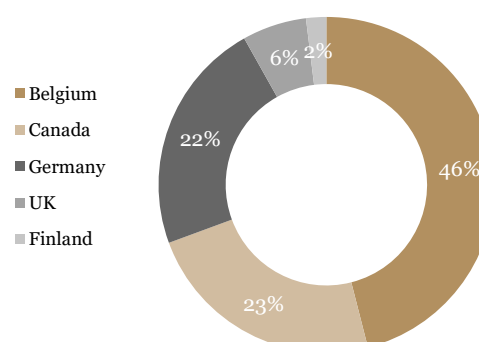
Adjusted for currency effects and comparable units, RevPAR increased by 4 percent.

April-June 2018

Revenue by country, Property Management



Revenue by country, Operator Activities



Property portfolio

Change in property value

At the end of the period, Pandox's property portfolio had a total market value of MSEK 53,064 (50,121), of which MSEK 45,744 (42,548) was for Investment Properties and MSEK 7,320 (7,573) for Operating Properties. At the same point in time, the carrying amount of the Operating Properties portfolio was MSEK 5,331 (5,668).

On 30 June, 2018, the Investment Properties had a weighted average unexpired lease term (WAULT) of 15.3 years (31 December 2017: 15.6).

A total of two hotel properties in Brussels have been reclassified to Property Management during the year.

Change in value Investment Properties

	Figures in MSEK
Investment Properties, beginning of the period (January 1, 2018)	42,548
+ Acquisitions ²⁾	15
+ Investments in current portfolio	162
- Divestments	—
+/- Reclassifications ¹⁾	657
+/- Revaluation of fixed assets to the profit for the year ¹⁾	117
+/- Unrealised changes in value	445
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,800
Investment Properties, end of period (June 30, 2018)	45,744

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2018)	7,573
+ Acquisitions	—
+ Investments in current portfolio	131
- Divestments	—
+/- Reclassifications ¹⁾	-773
+/- Unrealised changes in value	27
+/- Realised changes in value	—
+/- Change in currency exchange rates	362
Operating Properties, market value (June 30, 2018)	7,320

¹⁾ Refers to reclassification of two hotel properties to Property Management in Q1 2018.

²⁾ Refers to adjustment of acquisition.

Investments

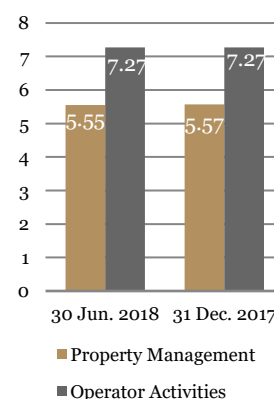
During the period January-June 2018, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 293 (320), of which MSEK 162 (203) in Investment Properties and MSEK 131 (117) in Operating Properties and MSEK 1 (0) for the head office.

At the end of the period, committed investments for future projects equivalent to around MSEK 940 were approved, of which larger projects are Crown Plaza Brussels, Vildmarkshotellet, Jurys Inn Belfast, Hotel Berlin Berlin, NH Vienna Airport, Park Amsterdam and Scandic Park Stockholm as well as the joint investment programme with Scandic Hotels Group for 19 hotel properties in the Nordic region.

Financial effects of changes in certain key valuation parameters as of June 30, 2018

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-3,782 / +4,531
Change in currency exchange rates	+/- 1%	+/- 309
Net operating income	+/- 1%	+/- 436
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 24
Operating properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 18
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates	+/- 1%	-/+ 99
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 275
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 673

Average valuation yield, % (30 June 2018)



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 second quarter Pandox had external valuations performed on one fifth 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 19.

Financing

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated.

Financial position and net asset value

At the end of the period loan-to-value net was 50.6 (50.8) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 20,171 (18,845). EPRA NAV (net asset value) was MSEK 25,789 (24,211), corresponding to SEK 153.97 (144.54) per share. Liquid funds plus unutilised long-term credit facilities amounted to MSEK 3,071 (3,319).

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 27,523 (26,473). Unutilised long-term credit facilities amounted to MSEK 2,393 (2,320).

During the quarter Pandox has refinanced loans in the amount of MSEK 2,602.

The average fixed rate period was 2.7 (2.6) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.7 (2.6) percent including effects of interest-rate swaps. The average repayment period was 3.0 (3.3) 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 17,134 and around 59 percent of Pandox's loan portfolio was hedged against interest rate movements for periods longer than one year.

Interest maturity profile

Tenor (MSEK)	Interest maturity				Interest rate swaps		
	Loans	Interest swaps	Amount	Share, %	Volume	Share, %	Average interest swaps, % ¹⁾
< 1 year	27,523	-16,368	11,154	41	766	4	3.2
1-2 year	—	2,445	2,445	9	2,445	14	2.0
2-3 year	—	1,704	1,704	6	1,704	10	1.0
3-4 year	—	3,691	3,691	13	3,691	22	1.5
4-5 year	—	5,712	5,712	21	5,712	33	1.2
> 5 year	—	2,816	2,816	10	2,816	16	0.9
Total/net/average	27,523	0	27,523	100	17,134	100	1.4

¹⁾ Excluding bank margin on loans.

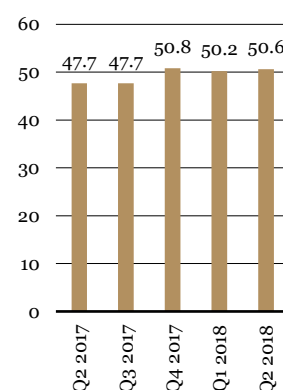
To reduce the currency exposure in foreign investment Pandox's aim is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox's strategy is to have a long investment perspective. Currency exposures are largely in form of currency translation effects.

Interest maturity profile by currency

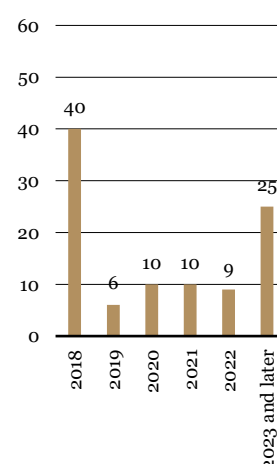
Year due (MSEK) ¹⁾	Currency								Share %	Interest % ²⁾
	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total		
2018	3,523	769	2,921	461	515	745	1,965	10,899	40	4.8
2019	125	—	756	—	—	660	—	1,541	6	0.9
2020	1,400	531	933	—	—	—	—	2,864	10	1.9
2021	1,250	—	1,511	—	—	—	—	2,761	10	1.4
2022	250	559	1,740	—	—	—	—	2,550	9	1.0
2023 and later	1,200	—	2,780	—	—	—	2,928	6,908	25	1.3
Total	7,748	1,860	10,641	461	515	1,405	4,893	27,523	100	2.7
Share maturity in currency, %	28.2	6.8	38.7	1.7	1.9	5.1	17.8	100	—	—
Average interest rate, %	3.0	2.1	2.4	0.8	3.0	2.5	3.1	2.7	—	—
Average interest rate period, years	1.8	2.0	3.3	0.2	0.1	0.7	3.8	2.7	—	—
Market value Properties	14,868	3,589	21,299	711	1,276	3,412	7,907	53,064	—	—

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

Loan to value per quarter, %



Interest maturity per year, %



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

At the end of the period, the net market value of Pandox's financial derivatives amounted to MSEK -503 (-563).

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	1,067	17	18	34	0	34
2019	6,124	89	8	97	1	98
2020	5,552	84	60	144	0	144
2021	5,219	83	38	121	1	122
2022	7,932	183	33	216	0	216
2023 and later	1,628	31	67	97	17	114
Total	27,523	487	224	711	18	729

¹⁾ Calculation based on ending balance as of June 30, 2018 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.

²⁾ Excluding current amortisation.

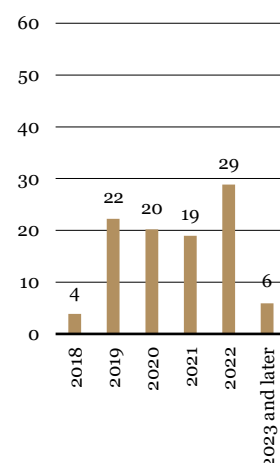
Deferred tax

At the end of the period deferred tax assets amounted to MSEK 561 (613). 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 3,237 (3,026) 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.

The corporate tax rate is to be reduced in two steps: from the present 22 percent to 21.4 percent for financial years commencing after December 31, 2018, and to 20.6 percent for financial years commencing after December 31, 2020. The Group's deferred tax assets and liabilities have been adjusted for to be measured at the reduced tax rates that are expected to apply to the period when the liability is settled. The reduced tax rate results in a reduction of the Group's tax liabilities in the amount of MSEK 104.

Debt maturity per year, %



Other information

Important press releases during the period

24 April 2018 Interim report January-March 2018
9 April 2018 Press release from AGM 2018

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

Significant events after the period

No significant events have occurred after the period.

Employees

At the end of the period, Pandox had the equivalent of 1,120 (1,149) full-time employees. Of the total number of employees, 1,082 (1,113) are employed in the Operator Activities segment and 38 (36) 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-June 2018 amounted to MSEK 43 (43), and the profit for the period amounted to MSEK 759 (94).

At the end of the period the Parent Company shareholders' equity amounted to MSEK 4,603 (4,556) and interest-bearing debt of MSEK 6,729 (6,638), of which MSEK 6,604 (5,803) 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. In the quarter the dissolution of the temporary minority holding of 5.1 percent for the two hotel properties in Austria was completed.

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 second quarter revenue from the nine asset management agreements amounted to MSEK 1.3 (0.8), and revenue from Pelican Bay Lucaya amounted to MSEK 0.6 (0.2).

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. Reconciliations of Alternative Performance Measurements are available on pages 16-17.

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 that of 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 first quarter 2018 the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 92,499,999 B shares.

Financial risk management

Pandox seeks to achieve the lowest possible financing cost while simultaneously limiting the Company's interest rate, currency and liquidity risks. Pandox's approach is that increased financing cost resulting from moderate changes in interest rates is often compensated for by higher operating income due to increased economic activity. Also, Pandox has a loan portfolio with staggered maturities and fixed interest periods where the Company enters into interest rate swaps to hedge interest rate levels for a certain portion of the debt portfolio.

A significant amount of Pandox's operations are in countries outside Sweden and the Company is therefore exposed to exchange rate fluctuations. Pandox reduces currency exposure in foreign investments primarily by taking out loans in local currencies. In general, foreign operations report both income and costs in the local currency, which limits currency exposure in current flows.

Pandox aims to have a diversified loan portfolio in terms of the number of lenders, concentration and maturities in order to manage liquidity risk.

Pandox's financial risks and risk management are described on pages 120–123 of the 2017 Annual Report.

Risk and uncertainty factors

Pandox defines risk as a factor of uncertainty that may affect the Company's ability to fulfil its objectives. It is therefore of utmost importance that Pandox is able to identify and assess these factors of uncertainty.

Pandox's strategy is to invest in hotel properties with revenue-based leases with the best hotel operators, and also to be able to operate hotels itself when necessary. Based on this strategy, Pandox has classified risk in five categories: strategy risk, operational risk, financial risk, external risk and sustainability risk.

Integration and reorganisation of the acquisition in the UK and Ireland are operational risks with certain priority in the current year.

Pandox's risk management work is described on pages 80–84 in the section "Risk and risk management" in the 2017 Annual Report.

There has been no significant change to Pandox's risk assessment after the publication of the 2017 Annual Report.

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.

Forward-looking statements

This report contains forward-looking statements. Such statements are subject to risks and uncertainties. Actual developments may differ materially from the expectations expressed, due to various factors, many of which are beyond the control of Pandox.

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.



Elite Park Avenue Hotel Gothenburg, Sweden



Jurys Inn Hinckley Island Hotel, England

Presentation of the interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 13 July, 09:00 CEST.

To follow the presentation online go to <https://edge.media-server.com/m6/p/zyd2tfxx>. 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 Tollfree: 0200 883 464
SE LocalCall: +46 (0)8 5065 3942
UK Tollfree: 0800 279 7204
UK LocalCall: +44 (0)330 336 9411
US LocalCall: +1 323-794-2423
Conference ID: 2893087

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

Contact persons

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+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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above 13 July 2018, 07:00 CEST.

Financial calendar

Interim report Q1-3 2018	25 October 2018
Year-end report 2018	14 February 2019

More information about Pandox is available at www.pandox.se.

Board of Directors' assurance

The Board of Directors and the CEO confirm that this report provides a fair overview of the Company's and the Group's business, position and results and describes the significant risks and uncertainties facing the Company and its subsidiaries.

Stockholm, 13 July 2018

Christian Ringnes
Chairman

Bengt Kjell
Board member

Leiv Askvig
Board member

Jon Rasmus Aurdal
Board member

Ann-Sofi Danielsson
Board member

Helene Sundt
Board member

Jeanette Dyhre Kvisvik
Board member

Anders Nissen
Chief Executive Officer

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

Summary of financial reports

Condensed consolidated statement of comprehensive income

Figures in MSEK	Note	Quarter 2		Jan-Jun		FY
		2018	2017	2018	2017	2017
Revenues Property Management						
Rental income	2	739	547	1,339	1,003	2,121
Other property income		52	21	73	39	81
Revenue Operator Activities	2	565	555	996	1,076	2,067
Total revenues		1,356	1,123	2,408	2,118	4,269
Costs Property Management	2	-127	-83	-220	-161	-321
Costs Operator Activities	2	-436	-462	-840	-941	-1,743
Gross profit		793	578	1,348	1,016	2,206
- whereof gross profit Property Management	2	664	485	1,192	881	1,882
- whereof gross profit Operator Activities	2	129	93	156	135	324
Central administration		-37	-30	-71	-58	-124
Financial income		0	0	1	1	15
Financial expenses		-198	-131	-385	-262	-534
Profit before changes in value		558	417	893	697	1,563
<i>Changes in value</i>						
Properties, unrealised	2	297	634	445	942	1,625
Properties, realised	2	13	—	27	—	289
Derivatives, unrealised		-24	71	59	148	173
Profit before tax		844	1,122	1,424	1,787	3,650
Current tax		-60	-38	-97	-68	-73
Deferred tax		-21	-197	-112	-305	-429
Profit for the period		763	887	1,215	1,414	3,148
Other comprehensive income						
<i>Items that may not be classified to profit or loss</i>						
This year's revaluation of fixed assets ¹⁾		—	-64	117	112	112
Tax attributable to items that may not be classified to profit or loss		—	14	-35	-25	-25
		—	-50	82	87	87
<i>Items that may be classified to profit or loss</i>						
Translation differences realisation of foreign operations		134	-32	780	-75	-272
		134	-32	780	-75	-272
Other comprehensive income for the period		134	-82	862	12	-185
Total comprehensive income for the period		897	805	2,077	1,426	2,963
Profit for the period attributable to the shareholders of the parent company		760	883	1,210	1,405	3,140
Profit for the period attributable to non-controlling interests		3	4	5	9	8
Total comprehensive income for the period attributable to the shareholders of the parent company		892	798	2,062	1,414	2,950
Total comprehensive income for the period attributable to non-controlling interests		5	7	15	12	13
Earnings per share, before and after dilution, SEK		4.53	5.61	7.22	8.92	19.89

¹⁾ Change of fair value due to reclassification of hotel properties from Operator Activities to Property Management.

Condensed consolidated statement of financial position

Figures in MSEK	Note	2018 30 Jun	2017 30 Jun	2017 31 Dec
ASSETS				
Non-current assets				
Operating properties		4,920	4,826	5,246
Equipment and interiors		411	335	423
Investment properties		45,458	33,055	42,548
Deferred tax assets		561	685	613
Derivatives ¹⁾		15	10	11
Other non-current receivables		21	44	26
Total non-current assets		51,386	38,955	48,867
Current assets				
Inventories		10	15	10
Current tax assets		41	14	40
Trade account receivables		204	192	167
Prepaid expenses and accrued income		269	284	395
Other current receivables		285	198	67
Cash and cash equivalents		678	344	999
Assets held for sale	3	1,733	—	1,367
Total current assets		3,220	1,047	3,045
Total assets		54,606	40,002	51,912
EQUITY AND LIABILITIES				
Equity				
Share capital		419	394	419
Other paid-in capital		4,556	3,120	4,557
Reserves		609	-44	-243
Retained earnings, including profit for the period		14,587	12,377	14,112
Equity attributable to the owners of the Parent Company		20,171	15,847	18,845
Non-controlling interests		176	189	182
Sum equity		20,347	16,036	19,027
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities ²⁾³⁾		25,737	14,830	23,768
Other non-current liabilities		180	11	248
Derivatives ¹⁾		518	599	574
Provisions		117	102	134
Deferred tax liability		3,237	2,924	3,026
Total non-current liabilities		29,789	18,466	27,750
Current liabilities				
Provisions		27	14	2
Interest-bearing liabilities ²⁾³⁾		1,714	4,529	2,705
Tax liabilities		139	80	83
Current liabilities		226	245	250
Other current liabilities		477	155	284
Accrued expenses and prepaid income		440	477	444
Debt related to assets held for sale	3	1,447	—	1,367
Total current liabilities		4,470	5,500	5,135
Total liabilities		34,259	23,966	32,885
Total equity and liabilities		54,606	40,002	51,912

¹⁾ 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.

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

³⁾ Arrangement fees of approximately MSEK 71 have reduced interest-bearing liabilities.

Condensed consolidated statement of changes in equity

Figures in MSEK	Attributable to the owners of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Other paid in capital	Translation reserves	Revaluation reserve	Retained earnings, incl profit for the period			
Opening balance equity January 1, 2017	394	3,122	-53	—	11,618	15,081	177	15,258
Profit for the period Q1-2 2017	—	—	—	—	1,405	1,405	9	1,414
Other comprehensive income Q1-2 2017	—	—	-78	87	—	9	3	12
New share issue ¹⁾	—	-2	—	—	—	-2	—	-2
Dividend March 2017	—	—	—	—	-646	-646	0	-646
Closing balance equity June 30, 2017	394	3,120	-131	87	12,377	15,847	189	16,036
Profit for the period Q3-4 2017	—	—	—	—	1,735	1,735	-1	1,734
Other comprehensive income Q3-4 2017	—	—	-199	—	—	-199	2	-197
New share issue ¹⁾	25	1,437	—	—	—	1,462	—	1,462
Dividend Q3-4 2017	—	—	—	—	—	—	-8	-8
Closing balance equity December 31, 2017	419	4,557	-330	87	14,112	18,845	182	19,027
Opening balance equity January 1, 2018	419	4,557	-330	87	14,112	18,845	182	19,027
Profit for the period Q1-2 2018	—	—	—	—	1,210	1,210	5	1,215
Other comprehensive income Q1-2 2018	—	—	770	82	—	852	10	862
New share issue ²⁾	—	-1	—	—	—	-1	—	-1
Transactions regarding non-controlling interest ³⁾	—	—	—	—	2	2	-21	-19
Dividend April 2018	—	—	—	—	-737	-737	—	-737
Closing balance equity June 30, 2018	419	4,556	440	169	14,587	20,171	176	20,347

¹⁾ Proceeds from directed share issue reported net of transaction costs of MSEK 18, 2017.

²⁾ Proceeds from directed share issue refers to transaction costs of MSEK 1, 2018.

³⁾ Dissolution of non-controlling interest regarding Austria.

Condensed consolidated statement of cash flow

Figures in MSEK	Quarter 2		Jan-Jun		FY
	2018	2017	2018	2017	2017
OPERATING ACTIVITIES					
Profit before tax	844	1,124	1,424	1,787	3,650
Reversal of depreciation	38	46	77	86	170
Changes in value, Investment properties, realised	-13	—	-27	—	-289
Changes in value, Investment properties, unrealised	-297	-634	-445	-942	-1,625
Changes in value, derivatives, unrealised	24	-71	-59	-148	-173
Other items not included in the cash flow	-10	5	22	11	33
Taxes paid	-19	-38	-41	-68	-73
Cash flow from operating activities before changes in working capital	567	432	951	726	1,693
Increase/decrease in operating assets	-274	-105	-275	-126	-102
Increase/decrease in operating liabilities	178	-55	169	61	102
Change in working capital	-96	-160	-106	-65	0
Cash flow from operating activities	471	272	845	661	1,693
INVESTING ACTIVITIES					
Acquisition of non-controlling interest	-28	—	-28	—	—
Investments in properties and fixed assets	-122	-163	-293	-320	-714
Divestment of hotel properties, net effect on liquidity	—	16	—	16	356
Acquisitions of hotel properties, net effect on liquidity	-3	-324	-6	-324	-10,609
Acquisitions of financial assets	—	-4	—	-22	-24
Divestment of financial assets	-1	0	4	1	21
Cash flow from investing activities	-154	-475	-323	-649	-10,970
FINANCING ACTIVITIES					
New share issue	—	—	—	—	1,480
Transaction cost	—	—	-1	-2	-20
New loans	1,540	696	1,540	696	13,138
Amortisation of debt	-1,149	-129	-1,645	-225	-4,188
Paid dividends	-737	-646	-737	-654	-654
Approved/Paid dividends	-346	-79	-843	-185	9,756
Cash flow for the period	-29	-282	-321	-173	479
Cash and cash equivalents at beginning of period	708	625	999	517	517
Exchange differences in cash and cash equivalents	-1	1	0	0	3
Cash and cash equivalents at end of period	678	344	678	344	999
Information regarding interest payments					
Interest received amounted to	0	0	1	1	2
Interest paid amounted to	-226	-128	-371	-252	-508
Information regarding cash and cash equivalents end of period	678	344	678	344	999
Cash and cash equivalents consist of bank deposits.					

Condensed income statement for the parent company

	Quarter 2		Jan-Jun		FY
Figures in MSEK	2018	2017	2018	2017	2017
Net sales	31	26	43	43	101
Administration cost	-47	-39	-91	-77	-166
Operating profit	-16	-13	-48	-34	-65
Profit from participations in Group companies	502	200	756	200	200
Other interest income and similar profit/loss items	-64	22	3	45	140
Other interest expense and similar profit/loss items ¹⁾	-73	-68	48	-117	-609
Profit after financial items	349	141	759	94	-334
Year-end appropriations	—	—	—	—	248
Profit before tax	349	141	759	94	-86
Current tax ²⁾	13	—	6	—	—
Deferred tax	16	—	-9	—	116
Profit for the period	378	141	756	94	30

¹⁾ Of which MSEK 14 refers to unrealised value changes on derivatives.

²⁾ Tax assets referring to tax carryforwards and valuation of interest rate swaps.

Condensed balance sheet for the parent company

	2018	2017	2017
Figures in MSEK	30 Jun	30 Jun	31 Dec
ASSETS			
Non-current assets	17,492	12,772	17,596
Current assets	112	38	167
Total assets	17,604	12,810	17,763
EQUITY AND LIABILITIES			
Equity	4,603	3,159	4,556
Provisions	90	68	82
Non-current liabilities	6,921	2,075	6,162
Current liabilities	5,990	7,508	6,963
Total equity and liabilities	17,604	12,810	17,763

Reconciliation alternative performance measurements

	Quarter 2		Jan-Jun		FY
Per share, figures in SEK ¹⁾	2018	2017	2018	2017	2017
Total comprehensive income per share, SEK					
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	892	798	2,062	1,414	2,950
Weighted average number of share, before and after dilution	167,499,999	157,499,999	167,499,999	157,499,999	157,856,163
Total comprehensive income per share, SEK	5.33	5.07	12.31	8.98	18.69
Cash earnings per share, SEK					
Cash earnings attributable to the shareholders of the parent company, MSEK	533	421	868	706	1,652
Weighted average number of share, before and after dilution	167,499,999	157,499,999	167,499,999	157,499,999	157,856,163
Cash earnings per share, SEK	3.18	2.67	5.18	4.48	10.46
Net asset value (EPRA NAV) per share, SEK					
EPRA NAV (net asset value), MSEK	—	—	25,789	20,877	24,211
Number of shares at the end of the period	—	—	167,499,999	157,499,999	167,499,999
Net asset value (EPRA NAV) per share, SEK	—	—	153.97	132.55	144.54
Dividend per share, SEK					
Dividend, MSEK	—	—	—	—	737
Number of shares at dividend	167,499,999	157,499,999	167,499,999	157,499,999	167,499,999
Dividend per share, SEK ³⁾	—	—	—	—	4.40
Weighted average number of shares outstanding, before and after dilution	167,499,999	157,499,999	167,499,999	157,499,999	157,856,163
Number of shares at end of period	167,499,999	157,499,999	167,499,999	157,499,999	167,499,999
PROPERTY RELATED KEY FIGURES					
Number of hotels, end of period ²⁾	—	—	143	121	143
Number of rooms, end of period ²⁾	—	—	31,613	26,450	31,613
WAULT, years	—	—	15.3	13.9	15.6
Market value properties, MSEK	—	—	53,064	39,868	50,121
Market value Investment properties	—	—	45,744	33,055	42,548
Market value Operating properties	—	—	7,320	6,813	7,573
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	916	883	794	764	794

¹⁾ Total number of outstanding shares after dilution amounts to 167,499,999, of which 75,000,000 A shares and 92,499,999 B shares. For a fair comparison the total number of shares is used for the calculation of key ratios. ²⁾ Pandox's owned hotel properties. ³⁾ For 2017 actual dividend is indicated.

Reconciliation alt. performance measurements

Numbers in MSEK	Quarter 2		Jan-jun		FY
	2018	2017	2018	2017	2017
Equity to assets ratio, %					
Sum equity	—	—	20,347	16,036	19,027
Total assets	—	—	54,606	40,002	51,912
Equity to assets ratio, %	—	—	37.3	40.1	36.7
Net interest-bearing debt					
Non-current interest-bearing liabilities	—	—	25,737	14,830	23,768
Current interest-bearing liabilities	—	—	1,714	4,529	2,705
Arrangement fee for loans	—	—	71	—	—
Cash and cash equivalents	—	—	-678	-344	-999
Net interest-bearing debt	—	—	26,844	19,015	25,474
Loan to value net, %					
Net interest-bearing debt	—	—	26,844	19,015	25,474
Market value properties	—	—	53,064	39,868	50,121
Loan to value net, %	—	—	50.6	47.7	50.8
Interest cover ratio, times					
Profit before changes in value	558	417	893	697	1,563
Financial expenses	198	131	385	262	534
Depreciation	38	46	77	86	170
Interest cover ratio, times	4.0	4.5	3.5	4.0	4.2
Average interest on debt end of period, %					
Average interest expenses	—	—	741	497	688
Non-current interest-bearing liabilities	—	—	25,737	14,830	23,768
Arrangement fee for loans	—	—	71	—	—
Current interest-bearing liabilities	—	—	1,714	4,529	2,705
Average interest on debt, end of period, %	—	—	2.7	2.6	2.6
<i>See page 8-9 for a complete reconciliation</i>					
Investments, excl. acquisitions	122	163	293	320	714
Net operating income, Property Management					
Rental income	739	547	1,339	1,003	2,121
Other property income	52	21	73	39	81
Costs, excl. property administration	-99	-64	-165	-119	-228
Net operating income, before property administration	692	504	1,247	923	1,974
Property administration	-28	-19	-55	-42	-93
Net operating income, Property Management	664	485	1,192	881	1,882
Net operating income, Operator Activities					
Revenues Operator Activities	565	555	996	1,076	2,067
Costs Operator Activities	-436	-462	-840	-941	-1,743
Gross profit	129	93	156	135	324
Add: Depreciation included in costs	38	46	77	86	170
Net operating income, Operator Activities	167	139	233	221	494
EBITDA					
Gross profit from respective operating segment	793	578	1,348	1,016	2,206
Add: Depreciation included in costs Operator Activities	38	46	77	86	170
Less: Central administration, excluding depreciation	-37	-30	-71	-58	-124
EBITDA	794	594	1,354	1,044	2,252
Cash earnings					
EBITDA	794	594	1,354	1,044	2,252
Add: Financial income	0	0	1	1	15
Less: Financial cost	-198	-131	-385	-262	-534
Add: Translation differences in bank deposits	—	—	—	—	—
Less: Current tax	-60	-38	-97	-68	-73
Cash earnings	536	425	873	715	1,660
EPRA NAV					
Equity attr. to the shareholders of the parent company	—	—	20,171	15,847	18,845
Add: Revaluation of Operating Properties	—	—	1,989	1,653	1,906
Add: Fair value of financial derivatives	—	—	503	588	563
Less: Deferred tax assets related to derivatives	—	—	-111	-135	-129
Add: Deferred tax liabilities related to properties	—	—	3,237	2,924	3,026
EPRA NAV	—	—	25,789	20,877	24,211
Growth in EPRA NAV, annual rate, %					
EPRA NAV attributable to the shareholders of the parent company, OB	—	—	20,877	17,104	19,883
EPRA NAV attributable to the shareholders of the parent company, EB	—	—	25,789	20,877	24,211
Dividend added back, current year	—	—	737	646	646
Excluding proceeds from new share issue	—	—	-1,462	-1,001	-1,460
Growth in EPRA NAV, annual rate, %	—	—	20.1	20.0	17.7

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

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

Growth and profitability

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

EPRA NAV (net asset value) and equity

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

Quarterly data

Condensed consolidated statement of comprehensive income

	2018		2017				2016	
Figures in MSEK	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue Property Management	739	600	549	569	547	456	433	459
Rental income	52	21	22	20	21	18	25	20
Other property income	565	431	528	463	555	521	619	561
Revenue Operator Activities	1,356	1,052	1,099	1,052	1,123	995	1,077	1,040
Total revenues								
Costs Property Management	-127	-93	-82	-78	-83	-78	-90	-70
Costs Operator Activities	-436	-404	-429	-373	-462	-479	-528	-466
Gross profit	793	555	589	601	578	438	459	504
Central administration	-37	-34	-37	-30	-30	-28	-34	-27
Financial net	-198	-186	-126	-132	-131	-130	-116	-114
Profit before value changes	558	335	426	439	417	280	309	363
Changes in value								
Properties, unrealised	297	148	490	194	634	308	413	369
Properties, realised	13	14	289	—	—	—	—	—
Derivatives, unrealised	-24	83	7	18	71	77	116	24
Profit before tax	844	580	1,212	651	1,122	665	838	756
Current tax	-60	-37	11	-16	-38	-30	-34	-12
Deferred tax	-21	-91	-40	-84	-197	-108	-32	-152
Profit for the period	763	452	1,183	551	887	527	772	592
Other comprehensive income	134	728	-196	-1	-82	94	18	108
Total comprehensive income for the period	897	1,180	986	550	805	621	790	700

Condensed consolidated statement of financial position

	2018		2017				2016	
Figures in MSEK	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep
ASSETS								
Properties incl equipment and interiors	50,789	49,944	48,217	39,202	38,216	37,098	36,578	31,623
Other non-current receivables	36	59	37	51	54	41	23	21
Deferred tax assets	561	469	613	665	685	722	748	772
Current assets	2,542	2,262	2,046	772	703	582	563	531
Cash and cash equivalents	678	708	999	484	344	625	517	500
Total assets	54,606	53,442	51,912	41,174	40,002	39,068	38,429	33,447
EQUITY AND LIABILITIES								
Equity	20,347	20,206	19,027	16,586	16,036	15,231	15,258	13,428
Deferred tax liability	3,237	3,153	3,026	2,911	2,924	2,705	2,582	2,660
Interest-bearing liabilities	27,451	26,792	26,473	20,034	19,359	18,709	18,841	15,547
Non interest-bearing liabilities	3,571	3,292	3,386	1,643	1,683	2,423	1,748	1,812
Total equity and liabilities	54,606	53,442	51,912	41,174	40,002	39,068	38,429	33,447

Key ratios

	2018		2017				2016	
Figures in MSEK	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net Operating Income, Property Management	664	528	490	511	485	396	368	409
Net Operating Income, Operator Activities	167	66	144	129	139	82	130	130
EBITDA	794	560	597	610	594	450	464	512
Earnings per share before and after dilution, SEK	4.53	2.69	7.47	3.47	5.61	3.31	5.08	3.93
Cash earnings	536	336	482	462	425	290	314	386
Cash earnings per share before and after dilution, SEK	3.18	2.00	3.06	2.91	2.67	1.81	2.05	2.55
RevPAR growth (Operator Activities) for comparable units and constant currency, %	4	4	11	12	17	4	-4	-2

	2018		2017				2016	
	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep
Net interest-bearing debt, MSEK	26,844	26,151	25,474	19,550	19,015	18,084	18,314	15,047
Equity to assets ratio, %	37.3	37.8	36.7	40.3	40.1	39.0	39.7	40.1
Loan to value, %	50.6	50.2	50.8	47.7	47.7	46.8	47.9	45.5
Interest coverage ratio, times	3.5	3.0	4.4	4.6	4.5	3.4	4.0	4.0
Market value properties, MSEK	53,064	52,120	50,121	40,951	39,868	38,630	38,233	33,098
EPRA NAV per share, SEK	153.97	151.81	144.54	136.47	132.55	125.67	126.24	120.53
WAULT (Property Management), yrs	15.3	15.6	15.6	13.8	13.9	13.6	13.9	13.4

Portfolio overview

At the end of the period Pandox's property portfolio consisted of 143 (31 December, 2017: 143) hotel properties with 31,656 (31 December 2017: 31,613) hotel rooms in fifteen countries.

Pandox's main geographical focus is Northern Europe. Sweden (28 percent) is Pandox's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by Germany (17 percent), UK (15 percent), Belgium (8 percent) and Finland (7 percent).

128 of the hotel properties are leased to third parties, which means that approximately 86 percent of the portfolio market value is covered by external leases. Pandox's tenant base consists of highly reputable hotel operators with strong hotel brands.

On 30 June 2018 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.3 years (31 December 2017: 15.6).

Portfolio overview by segment and geography

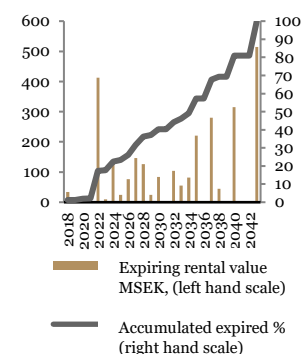
Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Sweden	44	9,031	14,868	28	1.6
Germany	22	4,332	7,099	13	1.6
UK	18	4,283	7,497	14	1.8
Finland	13	2,925	3,864	7	1.3
Norway	14	2,535	3,412	6	1.3
Denmark	8	1,844	3,589	7	1.9
Austria	2	639	1,395	3	2.2
Belgium	2	517	818	2	1.6
Ireland	3	445	1,458	3	3.3
Switzerland	1	206	711	1	3.5
Netherlands	1	189	1,032	2	5.5
Sum Property Management	128	26,946	45,744	86	1.7
Operator Activities					
Belgium	7	1,954	3,288	6	1.7
Germany	4	1,285	2,325	4	1.8
Canada	2	952	1,276	2	1.3
UK	1	364	410	1	1.1
Finland	1	155	21	0	0.1
Sum Operator Activities	15	4,710	7,320	14	1.6
Sum total	143	31,656	53,064	100	1.7

Portfolio overview by brand

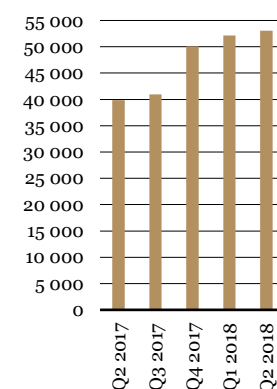
Brand	Number		In % of total	Countries
	Hotels	Rooms		
Scandic	51	11,001	35	SE, NO, FI, DK
Jurys Inn	20	4,330	14	GB, IE
Leonardo	18	3,416	11	GE
Hilton	7	1,987	6	SE, FI, UK, BE
Nordic Choice Hotels	12	1,965	6	SE, NO
Radisson Blu	7	1,783	6	CH, DE
NH	7	1,679	5	AT, BE
Crowne Plaza	2	616	2	BE
Hyatt	1	595	2	CA
Elite Hotels	2	485	2	SE
Holiday Inn	2	469	1	BE, GE
First Hotels	2	403	1	DK
InterContinental	1	357	1	CA
Meininger	1	227	1	DK
Best Western	1	103	0	SE
Independent brands	9	2,240	7	SE, FI, BE, DE, NL
Total	143	31,656	100	15¹⁾

¹⁾ Including the submarkets England, Scotland, Wales and Northern Ireland.

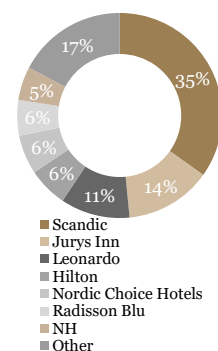
Lease maturity profile (30 June 2018)



Market value properties per quarter, MSEK



Rooms per operator/brand (30 June 2018)



Notes

Note 1 Accounting principles

Pandox AB follows the International Financial Reporting Standards (IFRS) and interpretations (IFRIC), as 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. Under RFR2 the parent company of a legal entity applies all EU approved IFRS principles and interpretations within the framework defined by the Swedish Annual Accounts Act and taking into consideration the connection between accounting and taxation.

The interim financial statements are included on pages 1–23 and pages 24–26 are thus an integrated part of this financial report.

The accounting principles applied are consistent with those described in Pandox's 2017 Annual Report, except that Pandox applies IFRS 9 Financial instruments and IFRS 15 Revenues from Contracts with Customers, as of 1 January 2018. As described in the 2017 Annual Report, the introduction of these standards has not resulted in the need to restate comparative figures or any other adjustment of the financial statements. There will however be increased disclosure requirements for the 2018 Annual Report.

New IFRS not yet being applied

On 1 January 2019 IFRS 16 Leases will be introduced. The standard requires assets and liabilities attributable to all leases to be reported as a liability and an asset in the balance sheet, unless the lease term is 12 months or less, or the lease is of low value. This reporting principle is based on the approach that the lessee has a right to use an asset for a specific period of time and at the same time a liability to pay for this right. For the lessor, recognition will be essentially unchanged. The standard applies to financial years beginning on or after 1 January 2019. Early adoption is permitted. Pandox is not planning 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 and also site leaseholds. For an idea of the size of the Group's lease commitments see Note 8 Operating leases in the 2017 Annual Report. The detailed evaluation of the effects of IFRS 16 will be continued in 2018.

Note 2 Operating segments

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.

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Revenue Property Management	791	568	—	—	—	—	791	568
Rental and other property income	—	—	565	555	—	—	565	555
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	791	568	565	555	—	—	1,356	1,123
Costs Property Management	-127	-83	—	—	—	—	-127	-83
Costs Operator Activities	—	—	-436	-462	—	—	-436	-462
Gross profit	664	485	129	93	—	—	793	578
Central administration	—	—	—	—	-37	-30	-37	-30
Financial income	—	—	—	—	0	0	0	0
Financial expenses	—	—	—	—	-198	-131	-198	-131
Profit before changes in value	664	485	129	93	-235	-161	558	417
<i>Changes in value</i>								
Properties, unrealised	297	634	—	—	—	—	297	634
Properties, realised	13	—	—	—	—	—	13	—
Derivatives, unrealised	—	—	—	—	-24	71	-24	71
Profit before tax	974	1,119	129	93	-259	-90	844	1,122
Current tax	—	—	—	—	-60	-38	-60	-38
Deferred tax	—	—	—	—	-21	-197	-21	-197
Profit for the period	974	1,119	129	93	-339	-325	763	887

Q2 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	242	61	55	78	118	14	174	49	791
- Operator Activities	—	—	—	11	127	260	35	132	565
Market value properties ¹⁾	14,868	3,589	3,412	3,884	9,424	4,106	9,365	4,416	53,064
Investments in properties	50	6	9	5	19	21	—	12	122
Acquisitions of properties	—	—	—	—	1	—	2	10	13
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	27	1,506	2,428	406	964	5,331

¹⁾ Of which MSEK 286 attributable to Scandic Ferrum included in "Assets held for sale" in the balance sheet.

Q2 2017

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	266	21	49	70	108	2	—	52	568
- Operator Activities	8	6	18	9	120	215	—	179	555
Market value properties	14,058	3,315	2,988	3,378	8,347	3,685	—	4,097	39,868
Investments in properties	61	5	38	6	21	8	—	24	163
Acquisitions of properties	—	—	—	—	—	324	—	—	324
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	50	1,352	2,851	—	908	5,161

Operating segments

	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q1-2 2018	Q1-2 2017	Q1-2 2018	Q1-2 2017	Q1-2 2018	Q1-2 2017	Q1-2 2018	Q1-2 2017
Revenue Property Management								
Rental and other property income	1,412	1,042	—	—	—	—	1,412	1,042
Revenue Operator Activities	—	—	996	1,076	—	—	996	1,076
Total revenues	1,412	1,042	996	1,076	—	—	2,408	2,118
Costs Property Management	-220	-161	—	—	—	—	-220	-161
Costs Operator Activities	—	—	-840	-941	—	—	-840	-941
Gross profit	1,192	881	156	135	—	—	1,348	1,016
Central administration	—	—	—	—	-71	-58	-71	-58
Financial income	—	—	—	—	1	1	1	1
Financial expenses	—	—	—	—	-385	-262	-385	-262
Profit before changes in value	1,192	881	156	135	-455	-319	893	697
<i>Changes in value</i>								
Properties, unrealised	445	942	—	—	—	—	445	942
Properties, realised	27	—	—	—	—	—	27	—
Derivatives, unrealised	—	—	—	—	59	148	59	148
Profit before tax	1,664	1,823	156	135	-396	-171	1,424	1,787
Current tax	—	—	—	—	-97	-68	-97	-68
Deferred tax	—	—	—	—	-112	-305	-112	-305
Profit for the period	1,664	1,823	156	135	-604	-544	1,215	1,414

Q1-2 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	444	104	98	137	227	21	288	93	1,412
- Operator Activities	—	—	—	18	228	489	64	197	996
Market value properties ¹⁾	14,868	3,589	3,412	3,884	9,424	4,106	9,365	4,416	53,064
Investments in properties	89	21	32	15	35	45	—	56	293
Acquisitions of properties	—	—	—	—	2	—	2	11	15
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	27	1,506	2,428	406	964	5,331

¹⁾ Of which MSEK 286 attributable to Scandic Ferrum included in "Assets held for sale" in the balance sheet.

Q1-2 2017

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	464	55	81	130	207	3	—	102	1,042
- Operator Activities	22	22	121	15	213	400	—	283	1,076
Market value properties	14,058	3,315	2,988	3,378	8,347	3,685	—	4,097	39,868
Investments in properties	110	15	68	9	60	12	—	46	320
Acquisitions of properties	—	—	—	—	—	324	—	—	324
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	50	1,352	2,845	—	914	5,161

Note 3 Assets and liabilities classified as held for sale

In december 2017 Pandox made an agreement with Lone Star for the acquisition of a portfolio with 37 hotel businesses. The transaction is made with Fattal Hotels Group as operating partner, whereby Pandox, following a reorganisation of the portfolio, will retain 20 investment properties and one operating property in the UK and Ireland, and Fattal will acquire the operational platform with 36 hotel operations. The total acquisition price amounts to MGBP 800 on a debt free basis, corresponding to approximately MSEK 9,030. The acquisition includes a loan from Leonardo of MGBP 120 to be set-off after the reorganisation, after which Pandox's share of the total acquisition price will amount to MGBP 680, corresponding to approximately MSEK 7,680. The transaction will be completed in 2018. Assets held for sale are not allocated to any segment.

In March 2018 Pandox signed an agreement of divestment of the hotel property Hovmästaren 1 (Scandic Ferrum) in Kiruna for MSEK 286. The buyer is the state-owned mining company Loussavaara-Kiirunavaara AB (LKAB). Date of transfer is planned to 1 December 2018.

Assets and liabilities held for sale	2018	2017
Figures in MSEK	30 Jun	31 Dec
ASSETS		
Investment properties	286	—
Operating Activities Vesway ¹⁾	1,406	1,326
Other operating assets ¹⁾	41	41
Assets classified as held for sale	1,733	1,367
LIABILITIES		
Other short term liabilities ¹⁾	1,447	1,367
Liabilities classified as held for sale	1,447	1,367

¹⁾ Refers to MGBP 120 paid for by acquiring company in connection with completion of acquisition of Vesway attributable to Jurys Inn.

Note 4 Reclassifications, acquisitions and divestments

Date	Hotel property	Event
1 February 2018	NH Brussels Bloom	Reclassification to Property Management
1 February 2018	NH Brussels EU Berlaymont	Reclassification to Property Management
29 December 2017	Retail property in Brussels	Divestment Operator Activities
20 December 2017	20 hotel properties in the UK and Ireland	Acquisition Property Management
20 December 2017	Hilton Garden Inn London Heathrow	Acquisition Operator Activities
1 December 2017	Former Scandic Grand Place	Reclassification to Operator Activities
31 August 2017	Hilton London Heathrow Airport	Acquisition Property Management
1 June 2017	Scandic Skärholmen	Reclassification to Property Management
1 June 2017	Scandic Hafjell	Reclassification to Property Management
29 May 2017	Hotel Berlaymont Brussels	Acquisition Operator Activities
1 May 2017	Scandic Lillehammer	Reclassification to Property Management
1 May 2017	Scandic Sluseholmen	Reclassification to Property Management
25 April 2017	Grand Hotel Oslo	Divestment Operator Activities
11 April 2017	Scandic Kista Stockholm	Reclassification to Property Management
4 April 2017	Scandic Valdres	Reclassification to Property Management
4 April 2017	Scandic Sørlandet	Reclassification to Property Management
1 January 2017	Urban House Copenhagen by Meininger	Reclassification to Property Management

Pandox in short

Pandox is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. Pandox's hotel property portfolio comprises 143 hotels with approximately 31,600 hotel rooms in 15 countries. Pandox's business is organised into Property management, which comprises hotel properties leased on a long-term basis to market leading regional hotel operators and leading international hotel operators, and Operator activities, which comprises hotel operations executed by Pandox in its owner-occupied hotel properties. Pandox was founded in 1995 and the company's B shares are listed on Nasdaq Stockholm.

Vision and business concept

Pandox's vision is to be a world-leading hotel property company with specialist expertise in active ownership, hotel property management and development, as well as hotel operation. Pandox's business concept is to own hotel properties and lease them to strong hotel operators under long-term revenue-based lease agreements.

Strategy and business model

Pandox's strategy and business model is founded on:

- (1) Focus on hotel properties
- (2) Large hotel properties in good locations in larger markets
- (3) Long-term revenue-based lease agreements with the best hotel operators
- (4) Property portfolio of high quality with a sustainable footprint
- (5) Geographical diversification with limits fluctuations
- (6) Specialist expertise for active ownership with the ability to act throughout the complete hotel value-chain, which reduces risk and creates business opportunities

Overall goals

Pandox's overall goal is to make positive contribution to the Company's stakeholders through profitable and responsible growth:

- (1) To increase the value for Pandox's shareholders through higher cash flow and net asset value
- (2) To create attractive hotel products in cooperation with Pandox's business partners
- (3) To contribute to positive growth for Pandox employees

Organisation and execution

Pandox has two business segments. One is Property Management in which Pandox owns and leases out hotel properties to external operators under long-term revenue-based lease agreements. The other is Operator Activities in which Pandox owns hotel property and operates hotels under external brands or its own brands. Pandox also manages a small number of hotel properties on behalf of other owners.



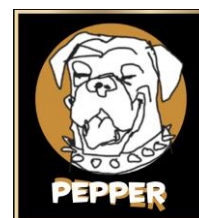
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Definitions

FINANCIAL INFORMATION

Average interest on debt, %

Average interest expense based on interest maturity in respective currencies as a percentage of interest-bearing liabilities.

Cash earnings, MSEK

EBITDA plus financial income less financial expense less current tax.

EBITDA, MSEK

Total gross profit less central administration (excluding depreciation).

Equity/assets ratio, %

Recognised equity as a percentage of total assets.

Growth adjusted for currency effects and comparable units

Growth measure that excludes effects of acquisitions, divestments 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 issue proceeds deducted, for the immediately preceding 12-month period.

Gross profit, Operator Activities, MSEK

Revenue less directly related costs for Operator Activities including depreciation of Operator Activities.

Gross profit, Property Management, MSEK

Revenue less directly related costs for Property Management.

Interest-bearing net debt, MSEK

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

Interest cover ratio, multiple

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 less cash and cash equivalents as a percentage of the properties' market value at the end of the period.

Net operating income Operator Activities, MSEK

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

Net operating income, Property Management, MSEK

Net operating income corresponds to gross profit for Property Management.

Net operating margin, Operator Activities, %

Net operating income for Operator Activities as a percentage of 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.

Comprehensive income per share SEK

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

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 properties, and revaluation of Operating Properties, divided by the total number of shares outstanding after dilution at the end of 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.

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.

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

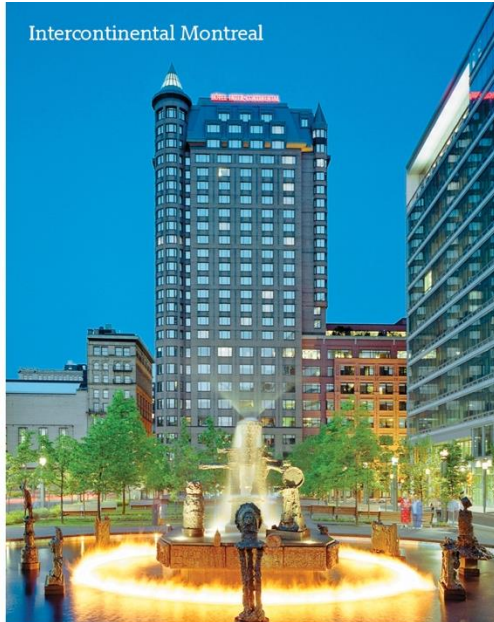
Number of rooms in owned hotel properties at the end of the period.

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.



A selection from Pandox's hotel property portfolio.

