

# Good growth and increased net asset value

## October-December 2018

- Revenue from Property Management amounted to MSEK 749 (571). For comparable units the increase was 1 percent adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 627 (490). For comparable units the increase was 1 percent adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 165 (144). For comparable units the increase was 11 percent adjusted for currency effects
- EBITDA amounted to MSEK 749 (597)
- Cash earnings amounted to MSEK 480 (482)
- Cash earnings per share amounted to SEK 2.88 (3.06)
- Profit for the period amounted to MSEK 775 (1,183)
- Earnings per share amounted to SEK 4.63 (7.47)
- Pandox announced and completed two acquisitions in the UK and completed one divestment in Sweden

## January-December 2018

- Revenue from Property Management amounted to MSEK 2,971 (2,202). For comparable units the increase was 2 percent adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 2,517 (1,882). For comparable units the increase was 1 percent adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 540 (494). For comparable units the increase was 10 percent adjusted for currency effects
- EBITDA amounted to MSEK 2,909 (2,252)
- Cash earnings amounted to MSEK 1,890 (1,660)
- Cash earnings per share amounted to SEK 11.26 (10.46)
- Profit for the period amounted to MSEK 2,823 (3,148)
- Earnings per share amounted to SEK 16.83 (19.89)
- EPRA NAV per share amounted to SEK 164.04 (144.54)
- The board proposes a dividend of SEK 4.70 (4.40), a total of MSEK 787 (737)

## Financial summary

### Figures in MSEK

	Quarter 4			Jan-Dec		
	2018	2017	Δ%	2018	2017	Δ%
Revenue Property Management	749	571	31	2,971	2,202	35
Net operating income Property Management	627	490	28	2,517	1,882	34
Net operating income Operator Activities	165	144	15	540	494	9
EBITDA	749	597	26	2,909	2,252	29
Profit for the period	775	1,183	-34	2,823	3,148	-10
Earnings per share, SEK <sup>1)</sup>	4.63	7.47	-38	16.83	19.89	-15
Cash earnings	480	482	0	1,890	1,660	14
Cash earnings per share, SEK <sup>1)</sup>	2.88	3.06	-6	11.26	10.46	8

### Key data

Market value properties, MSEK	—	—	—	55,197	50,121	10
Net interest-bearing debt, MSEK	—	—	—	27,421	25,474	8
Loan to value net, %	—	—	—	49.7	50.8	n.a.
Interest cover ratio, times	3.8	4.5	n.a.	3.8	4.4	n.a.
EPRA NAV per share, SEK <sup>1)</sup>	—	—	—	164.04	144.54	13
WAULT (Investment Properties), years	—	—	—	15.7	15.6	n.a.
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	914	815	12	859	806	7

<sup>1)</sup> Based on total number of shares for balance sheet items and weighted number for shares for profit and loss items. For information about number of shares see page 15. See page 22 for a summary of reclassifications, acquisitions and divestments. For complete definitions see page 24.

## CEO comment

# A strong team and a strong performance

### Good balance between external and internal perspectives

2018 was a strong year for Pandox. Once again, the Company managed to balance its external and internal perspectives; in other words, combining a focus on the business while also constantly developing the organisation and consolidating the acquisitions made in recent years. Concrete examples of this are the completion of the extensive legal reorganisation of our large portfolio acquisition in the UK and Ireland and the two additional acquisitions of The Midland Manchester and Radisson Blue Glasgow. A long series of profitable investment projects were also made in the existing portfolio. This reflects an organisation with many talented two-way players with a high capacity and specialist skills, as well as a strong team. All are deserving of praise for their performance.

### Good growth and profitability

For the full year and the fourth quarter of 2018 Pandox is reporting growth in total net operating income of 29 and 25 percent respectively, and growth in net asset value, on an annualised basis, of 17 percent. For comparable units net operating income, adjusted for currency effects, increased by 3 percent in both periods. This was driven by profitable acquisitions in new, large hotel markets, good development in Brussels and stable, positive underlying demand in the hotel market.

In the fourth quarter, for comparable units, revenue and net operating income in Property Management increased by 1 percent each, adjusted for currency effects. Growth was constrained by renovation effects in Pandox's portfolio as well as challenging comparative figures in key markets in Germany where the trade fair calendar was weaker than in the previous year. In Copenhagen and Oslo, where larger increases in the number of new hotel rooms are planned for 2019–2020, development was mixed in the quarter.

The investment properties acquired in 2017 in the UK and Ireland, which are not part of the comparable portfolio, demonstrated continued good growth. The comparable growth in revenue for these properties is estimated at around 5 percent for the fourth quarter, which is explained by stable growth in UK Regional and an increase in the hotels' market share after completed renovations.

In the fourth quarter revenue and net operating income in Operator Activities, for comparable units, increased by 12 and 11 percent respectively, adjusted for currency effects. The growth is mainly explained by a very strong performance for the hotels in Brussels which benefitted from high demand and high productivity, and consequently also good profitability. Berlin also experienced positive development.

In the fourth quarter the previously communicated acquisitions of Radisson Blu Glasgow and The Midland Manchester were completed, as was the divestment of Scandic Ferrum. The acquisitions are good examples of Pandox's ability to move through the value chain and take the position that provides the best opportunities for long-term value creation.

### Growth-driven investments in focus

Pandox's hotel property portfolio offers good opportunities for growth-driving investments. Two good examples from the fourth quarter are Jurys Inn Belfast and Leonardo Wolfsburg City Centre, where extensions were completed, and 213 rooms were added. In total, 225 rooms were added organically to Pandox's hotel property portfolio in the fourth quarter. In a situation where the hotel market is high up in its cycle and hotel operators' profitability and willingness to invest are also high, but where valuation yield requirements in the property markets are under pressure, implementing these types of investments are particularly attractive. At the end of the year Pandox had around MSEK 1,250 in approved investments in its existing portfolio, most of which is for revenue-driving measures and development projects.

### Potential for some growth in 2019

Pandox operates from a well-capitalised pan-European business platform with great strategic flexibility. The Company's growth strategy is based on a combination of acquisitions, growth-driving investments and efficient operation of Pandox's own hotels, in a hotel market where new demand is being added through a combination of economic activity, increased prosperity and more people travelling.

The United Nations World Tourism Organisation (UNWTO) is predicting an increase in international arrivals of 3–4 percent in Europe in 2019, which is slightly lower than for 2018 but still a good level.

Pandox's view is that, although the hotel market still has growth potential, it is in a mature phase and growth is slowing. In some sub-markets new hotel capacity will put pressure on RevPAR in the short and medium term.

Based on positive economic growth, Pandox's well-diversified portfolio with balanced demand, and positive contributions from the acquisitions that Pandox made in 2018, there is potential for some growth in 2019.

The Easter dates are expected to have a positive impact on the first quarter.

The Board of Directors is proposing a dividend of SEK 4.70 (4.40) per share for 2018, an increase of around 7 percent. The dividend percentage is still at the lower end of Pandox's financial target range and should be seen in the context of attractive acquisition and investment opportunities.

*"For the full year and the fourth quarter Pandox is reporting growth in total net operating income of 29 and 25 percent respectively and growth in net asset value, on an annualised basis, of 17 percent."*

Anders Nissen, CEO



January-December 2018 (change compared with the corresponding period previous year)

# 29%

Growth in total NOI

# 17%

Growth in net asset value

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

# 14%

Growth in total cash earnings

Growth in EBITDA plus financial income less financial expense less current tax

# Hotel market development October-December 2018

## Strong growth in the global travel market

Preliminary statistics from the United Nations World Tourism Organization (UNWTO) confirm that 2018 was another strong year for the travel industry. International arrivals increased by 6 percent, both globally and in Europe. Growth during the second half of the year was somewhat lower than during the very strong first half. The UNWTO is expecting an increase in international arrivals by 3–4 percent in 2019, both globally and in Europe. This lays the foundations for positive demand in the travel and tourism market in 2019, even though growth is expected to be lower than in the period 2017–2018. Known factors of uncertainty with a possible impact on the travel market are geopolitical tensions, trade barriers and Brexit.

## Stable positive growth in the Nordics

Development in the Nordic countries remained positive with good underlying demand for hotel nights. In Sweden, Norway and Denmark the number of rooms sold increased by around 4 percent. In Finland growth amounted to just over 1 percent.

The combined RevPAR increase in Sweden was 4 percent for the quarter, mainly due to increased occupancy. Increased occupancy also drove growth in Stockholm where RevPAR rose by almost 3 percent. In Gothenburg and Malmö RevPAR increased by 10 and 11 percent respectively. The growth in Gothenburg is explained in equal parts by increased occupancy and improved average prices, while improved average prices were behind most of the growth in Malmö. Only marginal increases in new hotel capacity were noted during the quarter in Stockholm, Gothenburg and Malmö.

The supply of hotel rooms in Oslo increased by 9 percent during the quarter. Good demand absorbed most of the increase, but altogether occupancy and RevPAR decreased by 2 and 3 percent respectively.

In Copenhagen RevPAR increased by around 4 percent supported by an increase in demand of around 3 percent. A significant increase in hotel capacity is expected in Copenhagen in 2019 where there have been few hotel openings over a relatively long period of time.

In Finland and Helsinki RevPAR increased by 7 and 9 percent respectively. This improvement comes after a couple of quarters of weaker growth. The main driving forces in Helsinki were improved average prices and a strong December.

## Mixed development in Germany

In Germany RevPAR increased by 4 percent during the quarter, driven by the large hotel markets such as Berlin and Munich, which are less dependent on trade fairs and conferences. In cities like Cologne and Düsseldorf, which are more dependent on trade fairs and conferences, growth was negative.

## Stable development in the UK

The hotel market in the UK is split into two parts. One market is London which has a high share of international demand and the other is the regional market (UK Regional), with a high share of domestic demand where Pandox has its focus.

RevPAR in UK Regional increased by 0.7 percent for the quarter and 1.4 percent for the full year 2018, which is in line with external forecasts. RevPAR in Pandox's regional hotel portfolio increased during the same period by around 5 and 8 percent respectively, mainly driven by increased market penetration after completed renovations. In London RevPAR increased by 10 percent in the quarter, supported by several large events that provided good demand and average price development. This development confirms the UK's attractiveness for both the leisure and corporate segments, despite Brexit.

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 development in the short term in these markets. These cities are, however, large destinations and attractive hotel markets with good underlying demand.

The Irish market was characterised by a sustained strong demand surplus and RevPAR increased by 10 percent during the quarter. In Dublin, RevPAR increased by 6 percent to EUR 122 during the same period, and occupancy was high at 84 percent.

## Sustained strong demand in Brussels

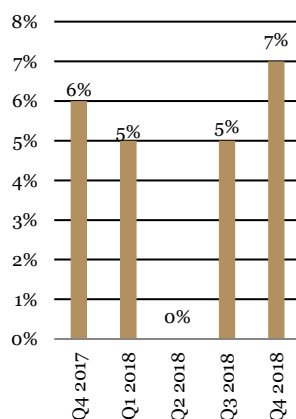
RevPAR in Brussels increased by 15 percent, mainly driven by a strong corporate and conference segment. The recovery from the terrorist attacks in 2015–2016 is therefore complete. RevPAR on a rolling 12-month basis is now at higher levels than before the attacks and the prospects are considered good for 2019.

## Some growth in Montreal

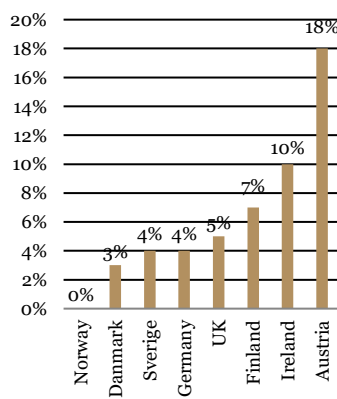
In Montreal the year ended with an improvement of 2 percent for the period, supported by a more normal comparison quarter. The hotel market in Montreal was very strong during the first three quarters 2017, when the city had its 375<sup>th</sup> anniversary.

## October-December 2018

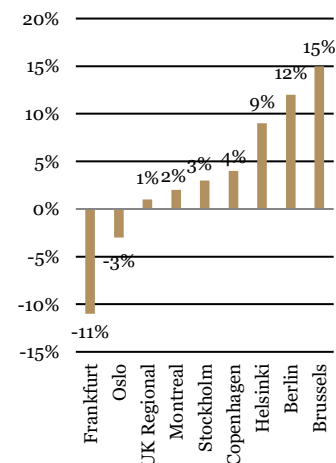
Europe  
RevPAR growth y/y



Countries  
RevPAR growth y/y



Key markets  
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance

# Financial development October-December 2018

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 749 (571), an increase of 31 percent, mainly explained by acquired growth in the lease portfolio and positive market growth and helped by earlier reclassifications. The Midland Manchester was consolidated on 1 November 2018 and Scandic Ferrum was handed over on 3 December 2018, according to a previously communicated agreement. Revenue for comparable units increased by 1 percent, adjusted for currency effects, including negative renovation effects mainly in Stockholm.

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

Revenue from Operator Activities amounted to MSEK 626 (528), an increase of 19 percent. The Radisson Blu Glasgow was consolidated on 31 October 2018. Revenue and RevPAR for comparable units increased by 12 percent each, adjusted for currency effects.

The Group's net sales amounted to MSEK 1,375 (1,099). For comparable units, net sales increased by 7 percent, adjusted for currency effects.

## Net operating income

Net operating income from Property Management amounted to MSEK 627 (490), an increase of 28 percent. For comparable units, net operating income increased by 1 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 165 (144), an increase of 15 percent. For comparable units, net operating income increased by 11 percent, adjusted for currency effects.

Total net operating income amounted to MSEK 792 (634), an increase of 25 percent.

## Administration costs

Central administration costs amounted to MSEK -43 (-37).

## EBITDA

EBITDA amounted to MSEK 749 (597), an increase of 26 percent.

## Financial income and expense

Financial expense amounted to MSEK -214 (-140). 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, including in the fourth quarter, which has resulted in higher costs for interest rate derivatives.

Financial income amounted to MSEK 0 (14). In the comparable period 2017, income from the sale of shares in Norway of MSEK 13 is included.

## Profit before changes in value

Profit before changes in value amounted to MSEK 489 (426), an increase of 15 percent.

## Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 607 (490) and are explained by a combination of a lower valuation yield and higher cash flows in the comparable portfolio.

Realised changes in value amounted to MSEK 27 (289) and relate to the divestment of Scandic Ferrum and the reversal of guarantees for past divestments.

Unrealised changes in value of derivatives amounted to MSEK -147 (7).

## Current and deferred tax

Current tax amounted to MSEK -55 (11). Most of the increase relates to the acquisition of Jurys Inn at the end of 2017, including adjustment attributable to acquisition structure. In the comparable period 2017, a tax reversal of MSEK 18 in Germany is included.

Deferred tax expense amounted to MSEK -146 (-40).

## Profit for the period

Profit for the period amounted to MSEK 775 (1,183) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 776 (1,188), which represents SEK 4.63 (7.47) per share.

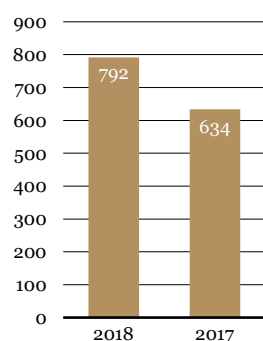
## Cash earnings

Cash earnings amounted to MSEK 480 (482), a decrease of 0.4 percent. Adjusted for tax reversal and income from the sale of shares of a total MSEK 31, in the comparable period 2017, the increase was 6 percent.

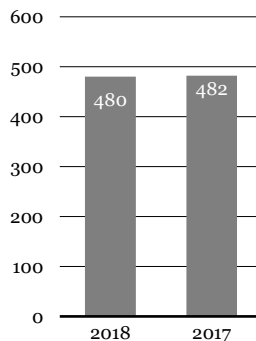
See page 22 for summary of reclassifications, acquisitions and divestments.

## October-December 2018

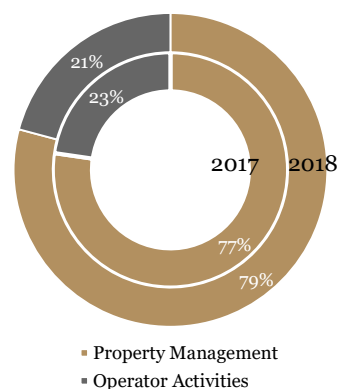
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



# Financial development January-December 2018

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 2,971 (2,022), an increase of 35 percent, mainly explained by acquired growth in the lease portfolio and positive market growth and helped by reclassifications. For comparable units, revenue increased by 2 percent, adjusted for currency effects.

The recently acquired investment properties in the UK and Ireland, which are part of the comparable portfolio, demonstrated strong and profitable growth throughout the year.

Revenue from Operator Activities amounted to MSEK 2,153 (2,067), an increase of 4 percent. For comparable units, revenue and RevPAR increased by 6 and 7 percent respectively, adjusted for currency effects.

The Group's net sales amounted to MSEK 5,124 (4,269). For comparable units, net sales increased by 4 percent, adjusted for currency effects.

## Net operating income

Net operating income from Property Management amounted to MSEK 2,517 (1,882), an increase of 34 percent. For comparable units, net operating income increased by 1 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 540 (494), an increase of 9 percent. For comparable units, net operating income increased by 10 percent, adjusted for currency effects.

Total net operating income amounted to MSEK 3,057 (2,376), an increase of 29 percent.

## Administration costs

Central administration costs amounted to MSEK -148 (-124). The increase is explained by the Company's growth and geographical expansion.

## EBITDA

EBITDA amounted to MSEK 2,909 (2,252), an increase of 29 percent.

## Financial income and expense

Financial expense amounted to MSEK -804 (-534). 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 (15). In the comparable period 2017, income from the sale of shares in Norway of MSEK 13 is included.

## Profit before changes in value

Profit before changes in value amounted to MSEK 1,943 (1,563), an increase of 24 percent.

## Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 1,428 (1,625) 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 67 (289) and relate to the divestment of Scandic Ferrum and the reversal of guarantees for past divestments.

Unrealised changes in value of derivatives amounted to MSEK 25 (173).

## Current and deferred tax

Current tax amounted to MSEK -216 (-73). Most of the increase relates to the acquisition of Jurys Inn at the end of 2017. In the comparable period 2017, a tax reversal of MSEK 47 in Germany and Sweden is included.

Deferred tax expense amounted to MSEK -424 (-429).

## Profit for the period

Profit for the period amounted to MSEK 2,823 (3,148) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 2,820 (3,140) which is equivalent to SEK 16.83 (19.89) per share.

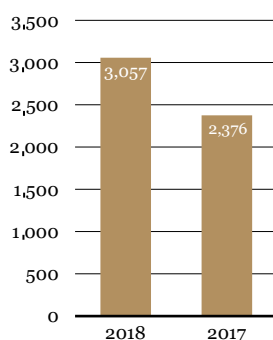
## Cash earnings

Total cash earnings amounted to MSEK 1,890 (1,660), an increase of 14 percent. Adjusted for tax reversal and income from the sale of shares of a total MSEK 60, in the comparable period 2017, the increase was 18 percent.

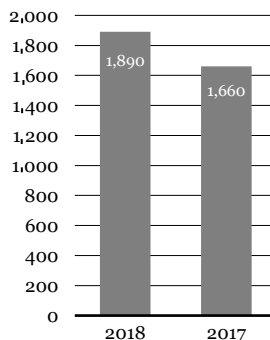
See page 22 for summary of reclassifications, acquisitions and divestments.

## January-December 2018

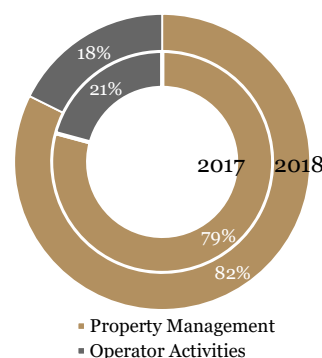
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %





# Segment reporting October-December 2018

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

## Property Management

Figures in MSEK	Quarter 4		Jan-Dec	
	2018	2017	2018	2017
Rental income	704	549	2,809	2,121
Other property income	45	22	162	81
Costs, excluding prop admin	-87	-61	-328	-228
Net operating income, before property admin	662	510	2,643	1,974
Property administration	-35	-21	-126	-93
Gross profit	627	490	2,517	1,882
Net operating income, after property admin	627	490	2,517	1,882

Rental income and other property income amounted to MSEK 749 (571) and net operating income to MSEK 627 (490), an increase of 31 and 28 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. The Midland Manchester was consolidated on 1 November 2018 and Scandic Ferrum was handed over on 3 December 2018, according to a previously announced agreement.

For comparable units, total rental income and net operating income, adjusted for currency effects, increased by 1 percent each, including a negative renovation effect.

Including the portfolio acquisition in the UK and Ireland, the total comparable growth in rental income was around 2 percent.

Growth in the comparable portfolio of revenue-based leases was positive in Denmark, Finland, Sweden and Austria, and negative in the Netherlands, Switzerland, Germany and Norway. Individual cities with particularly good rental income growth were Wolfsburg, Munich, Copenhagen, Helsinki, Gothenburg and Malmö. Smaller regional cities for the most part saw positive development throughout the portfolio.

Rental income in Stockholm fell by around 4 percent, which is mainly explained by negative renovation effects relating to Scandic Park and Scandic Hasselbacken, as well as certain geographical mix effects.

Other cities negatively affected by renovations were Cologne, Tampere and Vienna.

Around 1,000 hotel rooms, net, are estimated to have been affected by renovations in the fourth quarter.

## Operator Activities

Figures in MSEK	Quarter 4		Jan-Dec	
	2018	2017	2018	2017
Revenues	626	528	2,153	2,067
Costs	-507	-429	-1,776	-1,743
Gross profit	119	99	377	324
Add: Depreciation included in costs	46	45	163	170
Net operating income	165	144	540	494

Revenue from Operator Activities amounted to MSEK 626 (528), an increase of 19 percent. The Radisson Blu Glasgow was consolidated on 31 October 2018.

Net operating income amounted to MSEK 165 (144), an increase of 15 percent.

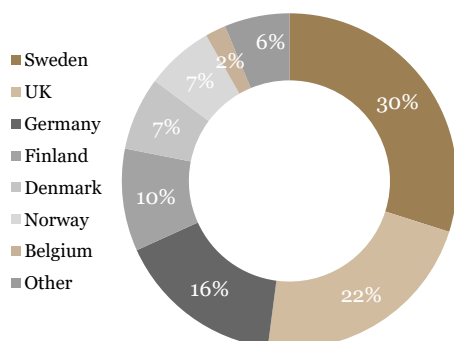
The operating margin was 26.3 percent (27.3). The slightly weaker profitability is mainly explained by costs for the brand change from Hyatt Montreal to DoubleTree by Hilton Montreal. Over time, Pandox expects the change to have a clearly positive effect on the hotel's revenue and profitability.

For comparable units, revenue and net operating income, adjusted for currency effects, increased by 12 and 11 percent respectively, mainly supported by strong development in Brussels and Berlin where demand was good, and productivity and profitability were high.

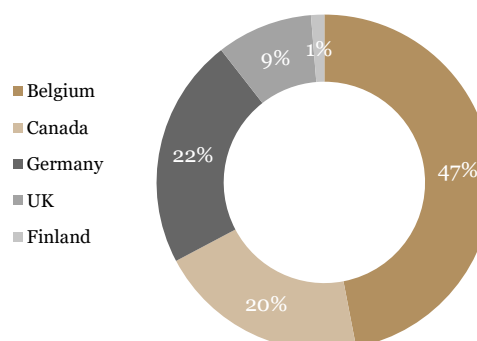
Adjusted for currency effects and comparable units, RevPAR increased by 12 percent.

## October-December 2018

Revenue by country, Property Management



Revenue by country, Operator Activities



# Property portfolio

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

## Change in property value

At the end of the period, Pandox's property portfolio had a total market value of MSEK 55,197 (50,121), of which Investment Properties accounted for MSEK 47,139 (42,548) and Operating properties for MSEK 8,058 (7,573). At the same point in time, the carrying amount of the Operating Properties portfolio was MSEK 5,809 (5,668).

At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 15.7 years (15.6).

The Midland Manchester was acquired and Scandic Ferrum was handed over (in line with previously communicated agreement) in Property Management in the fourth quarter. Radisson Blu Glasgow was acquired in Operator Activities in the fourth quarter.

In addition, two hotel properties in Brussels were reclassified to Property Management during the first quarter.

### Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2018)	42,548
+ Acquisitions <sup>2)</sup>	1,215
+ Investments in current portfolio	434
- Divestments <sup>3)</sup>	-286
+/- Reclassifications <sup>1)</sup>	621
+/- Revaluation of fixed assets to total comprehensive income for the period <sup>1)</sup>	117
+/- Unrealised changes in value	1,429
+/- Realised changes in value <sup>3)</sup>	14
+/- Change in currency exchange rates	1,048
Investment Properties, closing balance (December 31, 2018)	47,139

### Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2018)	7,573
+ Acquisitions <sup>4)</sup>	510
+ Investments in current portfolio	286
- Divestments	—
+/- Reclassifications <sup>1)</sup>	-773
+/- Unrealised changes in value	224
+/- Realised changes in value	—
+/- Change in currency exchange rates	238
Operating Properties, market value (December 31, 2018)	8,058

<sup>1)</sup> Refers mainly to reclassification of two hotel properties to Property Management in Q1 2018.

<sup>2)</sup> Refers to acquisition of The Midland Manchester in Q4 2018 and adjustment of acquisition.

<sup>3)</sup> Refers to divestment of Scandic Ferrum in Q4 2018.

<sup>4)</sup> Refers to acquisition of Radisson Blu Glasgow in Q4 2018.

## Investments

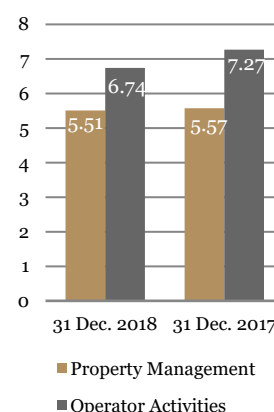
During the period January-December 2018, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 720 (714), of which MSEK 434 (425) for Investment Properties and MSEK 286 (289) for Operating Properties and MSEK 1 (0) for the head office.

At the end of the period, committed investments for future projects equivalent to around MSEK 1,250 had been approved. Larger projects included are Crowne Plaza Brussels, Hilton Brussels City, Hotel Berlin Berlin, The Midland Manchester, Vildmarkshotellet, NH Brussels Bloom, Clarion Collection Arcticus Harstad, DoubleTree by Hilton Montreal, Radisson Blu Basel, NH Vienna Airport, Park Amsterdam, 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 December 31, 2018

Investment properties, effect on fair value		
	Change	Effect on value
Yield	+/- 0.5pp	-3,918 / +4,700
Change in currency exchange rates	+/- 1%	+/- 322
Net operating income	+/- 1%	+/- 454
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%	+/- 19
Financial sensitivity analysis, effect on earnings		
	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates	+/- 1%	-/+ 102
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 281
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 801

### Average valuation yield, % (31 December 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. For Operating Properties internal valuations are reported for information purposes only which are 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.

Following a change of external independent property appraisers for certain properties in the portfolio during the second half of 2018, the valuation methods have changed for these properties, whereby both cash-flow and yield assumptions have mainly been adjusted downwards.

In the fourth quarter Pandox had external valuations performed on slightly more than 50 percent 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 18.

# Financing

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 the loan-to-value net was 49.7 (50.8) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 21,378 (18,845). EPRA NAV (net asset value) per share amounted to SEK 27,476 (24,211), corresponding to SEK 164.04 (144.54) per share. Liquid funds plus unutilised long-term credit facilities amounted to MSEK 2,500 (3,319).

## Interest-bearing liabilities

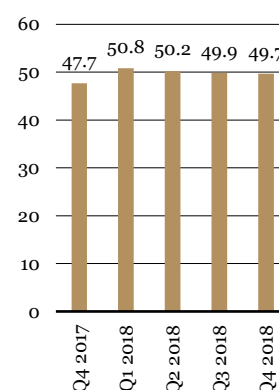
At the end of the period the loan portfolio amounted to MSEK 28,095 (26,473). Unutilised long-term credit facilities amounted to MSEK 1,826 (2,320).

At the end of the period issued commercial papers under the previously created commercial paper program amounted to MSEK 1,250 (—) in various tenors ranging from 3 to 12 months. The purpose of the program is to decrease the financing costs and diversify the financing structure. Issued commercial papers are backed in full by existing long-term unutilized credit facilities.

The average fixed rate period was 3.0 (2.6) 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 from interest-rate swaps. The average repayment period was 3.1 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives are used, mainly in the form of interest swaps. At the end of the period interest derivatives amount to a gross amount of MSEK 22,153 and a net amount of MSEK 17,129, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 56 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

Loan to value per quarter, %



## Interest maturity profile 31 December 2018

Tenor (MSEK)	Interest maturity by instrument				Interest maturity derivatives		
	Loans	Derivatives	Amount <sup>1)</sup>	Share, %	Volume	Share, %	Average interest rate, %
< 1 year	28,095	-15,644	12,451	44	1,485	9	1.3
1-2 year	—	2,843	2,843	10	2,843	17	1.9
2-3 year	—	2,740	2,740	10	2,740	16	1.4
3-4 year	—	2,516	2,516	9	2,516	15	1.0
4-5 year	—	1,481	1,481	5	1,481	9	2.9
> 5 year	—	6,064	6,064	22	6,064	35	1.2
Sum	28,095	0	28,095	100	17,129	100	1.5

<sup>1)</sup> Share of loans with an interest rate reset during the period.

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.

## Loans by currency 31 December 2018

	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total
Sum interest bearing debt, MSEK <sup>1)</sup>	7,427	1,822	11,322	461	498	1,294	5,270	28,095
Share of debt in currency, %	26.4	6.5	40.3	1.6	1.8	4.6	18.8	100
Average interest rate, % <sup>2)</sup>	2.9	2.1	2.3	0.8	3.0	2.7	3.2	2.6
Average interest rate period, years	3.0	1.7	2.8	0.2	0.1	2.4	4.6	3.0
Market value Properties <sup>1)</sup>	14,940	3,495	22,009	701	1,289	3,223	9,539	55,197

<sup>1)</sup> Converted to MSEK.

<sup>2)</sup> Average interest rate including bank margin.



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 -538 (-563).

#### Maturity structure interest-bearing debt 31 December 2018

Year due (MSEK)	Loans <sup>2)</sup>	Interest <sup>1)</sup>	Net interest derivatives, negative value <sup>1)</sup>	Net interest derivatives, positive value <sup>1)</sup>	Interest, sum
2019	6,909	85	9	0	94
2020	5,549	82	58	0	140
2021	2,535	42	40	0	82
2022	2,830	40	32	0	72
2023	9,720	228	46	-18	256
2023 and later	552	15	64	4	83
<b>Total</b>	<b>28,095</b>	<b>491</b>	<b>249</b>	<b>-13</b>	<b>727</b>

<sup>1)</sup> Calculation based on ending balance as of December 31, 2018 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.

<sup>2)</sup> Excluding contractual amortisation.

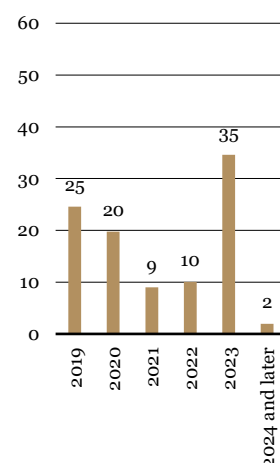
#### Deferred tax

At the end of the period deferred tax assets amounted to MSEK 465 (613). These represent mainly 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 3,430 (3,026) and relate mainly 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 22.0 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. In the second quarter 2018, the Group's deferred tax assets and liabilities were 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 resulted in a reduction of the Group's tax liabilities in the amount of MSEK 100.

#### Debt maturity per year, %



# Other information

## Important press releases during the period

2 November 2018	Pandox completes acquisition of The Midland Manchester and Radisson Blu Glasgow
25 October 2018	Interim report January–September 2018
12 October 2018	Pandox acquires The Midland Manchester
2 October 2018	Pandox acquires Radisson Blu Glasgow

To read the full press releases, see [www.pandox.se](http://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 1,161 (1,130) fulltime employees. Of the total number of employees, 1,120 (1,096) are employed in the Operator Activities segment and 41 (34) in the Property Management segment and in central administration.

## Parent company

Administration for activities within Pandox's property owning companies is provided by staff employed by the Parent Company, Pandox AB (publ). Pandox's subsidiaries are invoiced for these services. Amounts invoiced during the January–December 2018 period totalled MSEK 106 (101), and profit for the period amounted to MSEK 734 (30).

At the end of the period the Parent Company's equity amounted to MSEK 4,553 (4,556) and the interest-bearing debt was MSEK 7,098 (6,638), of which MSEK 4,305 (5,803) was 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.

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 1.0 (0.9), and revenue from Pelican Bay Lucaya amounted to MSEK 0.1 (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 15–16.

## 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 fourth 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.

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.

**Stockholm, 14 February 2019**

**Anders Nissen, CEO**

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



Radisson Blu Glasgow, 224 rooms



The Midland Manchester, 312 rooms



Hotel Hubert Brussels, 100 rooms

### Presentation of the interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 14 February at 09:00 CEST.

To follow the presentation online go to <https://edge.media-server.com/m6/p/bsoeiagc>. 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](http://www.pandox.se) at approximately 08:00 CEST.

Standard International: +44 (0) 2071 928000  
SE Tollfree: 0200125581  
SE LocalCall: +46 (0) 8 50692180  
UK Tollfree: 08003767922  
UK LocalCall: 08445718892  
US LocalCall: + 1 631 5107495  
Conference ID: 6988259

A recorded version of the presentation will be available at [www.pandox.se](http://www.pandox.se).

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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 14 February 2019, 07:00 CEST.

### Financial calendar

Year-end report 2018	14 February 2019
AGM 2018	10 April 2019
Interim report Q1 2019	26 April 2019
Interim report Q2 2019	12 July 2019
Interim report Q3 2019	24 October 2019

More information about Pandox is available at [www.pandox.se](http://www.pandox.se).

# Summary of financial reports

## Condensed consolidated statement of comprehensive income

Figures in MSEK	Note	Quarter 4		Jan-Dec	
		2018	2017	2018	2017
Revenues Property Management					
Rental income	2	704	549	2,809	2,121
Other property income		45	22	162	81
Revenue Operator Activities	2	626	528	2,153	2,067
<b>Total revenues</b>		<b>1,375</b>	<b>1,099</b>	<b>5,124</b>	<b>4,269</b>
Costs Property Management	2	-122	-82	-454	-321
Costs Operator Activities	2	-507	-429	-1,776	-1,743
<b>Gross profit</b>		<b>746</b>	<b>589</b>	<b>2,894</b>	<b>2,206</b>
- whereof gross profit Property Management	2	627	490	2,517	1,882
- whereof gross profit Operator Activities	2	119	99	377	324
Central administration		-43	-37	-148	-124
Financial income		0	14	1	15
Financial expenses		-214	-140	-804	-534
<b>Profit before changes in value</b>		<b>489</b>	<b>426</b>	<b>1,943</b>	<b>1,563</b>
<i>Changes in value</i>					
Properties, unrealised	2	607	490	1,428	1,625
Properties, realised	2	27	289	67	289
Derivatives, unrealised		-147	7	25	173
<b>Profit before tax</b>		<b>976</b>	<b>1,212</b>	<b>3,463</b>	<b>3,650</b>
Current tax		-55	11	-216	-73
Deferred tax		-146	-40	-424	-429
<b>Profit for the period</b>		<b>775</b>	<b>1,183</b>	<b>2,823</b>	<b>3,148</b>
<b>Other comprehensive income</b>					
<i>Items that may not be classified to profit or loss</i>					
This year's revaluation of fixed assets <sup>1)</sup>		0	0	117	112
Tax attributable to items that may not be classified to profit or loss		0	0	-35	-25
		0	0	82	87
<i>Items that may be classified to profit or loss</i>					
Net investment hedge of foreign operations		-76	-60	67	-88
Translation differences realisation of foreign operations		-101	-136	316	-184
		-177	-196	383	-272
<b>Other comprehensive income for the period</b>		<b>-177</b>	<b>-196</b>	<b>465</b>	<b>-185</b>
<b>Total comprehensive income for the period</b>		<b>598</b>	<b>986</b>	<b>3,288</b>	<b>2,963</b>
Profit for the period attributable to the shareholders of the parent company		776	1,188	2,820	3,140
Profit for the period attributable to non-controlling interests		-2	-5	3	8
<b>Total comprehensive income for the period attributable to the shareholders of the parent company</b>		<b>600</b>	<b>987</b>	<b>3,278</b>	<b>2,950</b>
<b>Total comprehensive income for the period attributable to non-controlling interests</b>		<b>-2</b>	<b>-1</b>	<b>10</b>	<b>13</b>
<b>Earnings per share, before and after dilution, SEK</b>		<b>4.63</b>	<b>7.47</b>	<b>16.83</b>	<b>19.89</b>

<sup>1)</sup> 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 31 Dec	2017 31 Dec
<b>ASSETS</b>			
<b>Non-current assets</b>			
Operating properties		5,326	5,246
Equipment and interiors		484	423
Investment properties		47,139	42,548
Deferred tax assets		465	613
Derivatives <sup>1)</sup>		12	11
Other non-current receivables		31	26
<b>Total non-current assets</b>		<b>53,457</b>	<b>48,867</b>
<b>Current assets</b>			
Inventories		10	10
Current tax assets		29	40
Trade account receivables		326	167
Prepaid expenses and accrued income		305	220
Other current receivables		215	67
Cash and cash equivalents		674	999
Assets held for sale	3	—	1,367
<b>Total current assets</b>		<b>1,559</b>	<b>2,870</b>
<b>Total assets</b>		<b>55,016</b>	<b>51,737</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		419	419
Other paid-in capital		4,556	4,557
Reserves		215	-243
Retained earnings, including profit for the period		16,188	14,112
<b>Equity attributable to the owners of the Parent Company</b>		<b>21,378</b>	<b>18,845</b>
Non-controlling interests		160	182
<b>Sum equity</b>		<b>21,538</b>	<b>19,027</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities <sup>2)3)</sup>		19,469	23,593
Other non-current liabilities		18	248
Derivatives <sup>1)</sup>		550	574
Provisions		100	134
Deferred tax liability		3,430	3,026
<b>Total non-current liabilities</b>		<b>23,567</b>	<b>27,575</b>
<b>Current liabilities</b>			
Provisions		1	2
Interest-bearing liabilities <sup>2)3)</sup>		8,448	2,705
Tax liabilities		109	83
Trade accounts payable		286	250
Other current liabilities		411	284
Accrued expenses and prepaid income		656	444
Debt related to assets held for sale	3	—	1,367
<b>Total current liabilities</b>		<b>9,911</b>	<b>5,135</b>
<b>Total liabilities</b>		<b>33,478</b>	<b>32,710</b>
<b>Total equity and liabilities</b>		<b>55,016</b>	<b>51,737</b>

<sup>1)</sup> 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.

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

<sup>3)</sup> Arrangement fees of approximately MSEK 178 (175) 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 <sup>4)</sup>	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 2017	—	—	—	—	3,140	3,140	8	3,148
Other comprehensive income 2017	—	—	-277	87	—	-190	5	-185
New share issue 2017 <sup>1)</sup>	25	1,435	—	—	—	1,460	—	1,460
Transactions regarding non-controlling interest <sup>3)</sup>	—	—	—	—	—	—	-8	-8
Dividend March 2017	—	—	—	—	-646	-646	—	-646
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 2018	—	—	—	—	2,820	2,820	3	2,823
Other comprehensive income 2018	—	—	376	82	—	458	7	465
New share issue <sup>2)</sup>	—	-1	—	—	—	-1	—	-1
Transactions regarding non-controlling interest <sup>3)</sup>	—	—	—	—	-7	-7	-32	-39
Dividend April 2018	—	—	—	—	-737	-737	—	-737
Closing balance equity December 31, 2018	419	4,556	46	169	16,188	21,378	160	21,538

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

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

<sup>3)</sup> Acquisition and dissolution of non-controlling interest regarding Austria and Germany and guaranteed minority dividend.

<sup>4)</sup> Change of fair value due to reclassification of hotel properties from Operator Activities to Property Management.

## Condensed consolidated statement of cash flow

Figures in MSEK	Quarter 4		Jan-Dec	
	2018	2017	2018	2017
<b>OPERATING ACTIVITIES</b>				
Profit before tax	975	1,212	3,463	3,650
Reversal of depreciation	46	45	163	170
Changes in value, Investment properties, realised	-26	-6	-66	-289
Changes in value, Investment properties, unrealised	-607	-283	-1,429	-1,625
Changes in value, derivatives, unrealised	149	-497	-24	-173
Other items not included in the cash flow	58	13	46	33
Taxes paid	-183	11	-178	-73
Cash flow from operating activities before changes in working capital	412	495	1,975	1,693
Increase/decrease in operating assets	-16	112	-243	-102
Increase/decrease in operating liabilities	314	78	-22	102
Change in working capital	298	190	-265	0
Cash flow from operating activities	710	685	1,710	1,693
<b>INVESTING ACTIVITIES</b>				
Acquisition of non-controlling interest	—	—	-29	—
Investments in properties and fixed assets	-260	-213	-720	-714
Divestment of hotel properties, net effect on liquidity	286	340	286	356
Acquisitions of hotel properties, net effect on liquidity	-1,717	-9,461	-1,725	-10,609
Acquisitions of financial assets	0	0	-11	-24
Divestment of financial assets	5	20	9	21
Cash flow from investing activities	-1,686	-9,314	-2,190	-10,970
<b>FINANCING ACTIVITIES</b>				
New share issue	—	1,480	—	1,480
Transaction cost	—	-18	-1	-20
New loans	4,350	10,725	7,164	13,138
Amortisation of debt	-3,608	-3,050	-6,258	-4,188
Guaranteed minority dividend	-10	—	-10	-8
Paid dividends	—	—	-737	-646
Cash flow from financing activities	732	9,137	158	9,756
Cash flow for the period	-244	508	-322	479
Cash and cash equivalents at beginning of period	923	484	999	517
Exchange differences in cash and cash equivalents	-5	7	-3	3
Cash and cash equivalents at end of period	674	999	674	999
<b>Information regarding interest payments</b>				
Interest received amounted to	0	1	1	2
Interest paid amounted to	-151	-134	-723	-508
<b>Information regarding cash and cash equivalents end of period</b>	674	999	674	999
Cash and cash equivalents consist of bank deposits.				

## Condensed income statement for the parent company

	Quarter 4		Jan-Dec	
Figures in MSEK	2018	2017	2018	2017
Net sales	52	49	106	101
Administration cost	-52	-48	-190	-166
Operating profit	0	1	-84	-65
Profit from participations in Group companies	2	0	760	200
Other interest income and similar profit/loss items	-13	68	462	140
Other interest expense and similar profit/loss items	-178	-448	-555	-609
Profit after financial items <sup>1)</sup>	-189	-379	583	-334
Year-end appropriations	145	248	145	248
Profit before tax	-44	-131	728	-86
Current tax	0	—	—	—
Deferred tax	40	116	6	116
Profit for the period	-4	-15	734	30

<sup>1)</sup> Of which MSEK -147 (-357) refers to unrealised value changes on interest derivatives in Q4.

## Condensed balance sheet for the parent company

	2018	2017
Figures in MSEK	31 Dec	31 Dec
<b>ASSETS</b>		
Non-current assets	17,266	17,596
Current assets	130	130
<b>Total assets</b>	<b>17,396</b>	<b>17,726</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	4,553	4,556
Provisions	100	82
Non-current liabilities	4,727	6,125
Current liabilities	8,016	6,963
<b>Total equity and liabilities</b>	<b>17,396</b>	<b>17,726</b>

## Reconciliation alternative performance measurements

	Quarter 4		Jan-Dec	
Per share, figures in SEK <sup>1)</sup>	2018	2017	2018	2017
<b>Total comprehensive income per share, SEK</b>				
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	600	987	3,278	2,950
Weighted average number of share, before and after dilution	167,499,999	158,913,042	167,499,999	157,856,163
<b>Total comprehensive income per share, SEK</b>	<b>3.58</b>	<b>6.21</b>	<b>19.57</b>	<b>18.69</b>
<b>Cash earnings per share, SEK</b>				
Cash earnings attributable to the shareholders of the parent company, MSEK	482	487	1,887	1,652
Weighted average number of share, before and after dilution	167,499,999	158,913,042	167,499,999	157,856,163
<b>Cash earnings per share, SEK</b>	<b>2.88</b>	<b>3.06</b>	<b>11.26</b>	<b>10.46</b>
<b>Net asset value (EPRA NAV) per share, SEK</b>				
EPRA NAV (net asset value), MSEK	—	—	27,476	24,211
Number of shares at the end of the period	—	—	167,499,999	167,499,999
<b>Net asset value (EPRA NAV) per share, SEK</b>	<b>—</b>	<b>—</b>	<b>164.04</b>	<b>144.54</b>
<b>Dividend per share, SEK</b>				
Dividend, MSEK	—	—	787	737
Number of shares at dividend	—	—	167,499,999	167,499,999
<b>Dividend per share, SEK <sup>3)</sup></b>	<b>—</b>	<b>—</b>	<b>4.70</b>	<b>4.40</b>
Weighted average number of shares outstanding, before and after dilution	167,499,999	158,913,042	167,499,999	157,856,163
Number of shares at end of period	167,499,999	167,499,999	167,499,999	167,499,999
<b>PROPERTY RELATED KEY FIGURES</b>				
Number of hotels, end of period <sup>2)</sup>	—	—	144	143
Number of rooms, end of period <sup>2)</sup>	—	—	32,268	31,613
WAULT, years	—	—	15.7	15.6
Market value properties, MSEK	—	—	55,197	50,121
Market value Investment properties	—	—	47,139	42,548
Market value Operating properties	—	—	8,058	7,573
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	914	815	859	806

<sup>1)</sup> 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. <sup>2)</sup> Pandox's owned hotel properties. <sup>3)</sup> For 2018 proposed dividend is indicated.

## Reconciliation alt. performance measurements

Numbers in MSEK	Quarter 4		Jan-Dec	
	2018	2017	2018	2017
<b>Equity to assets ratio, %</b>				
Sum equity	—	—	21,538	19,027
Total assets	—	—	55,016	51,737
<b>Equity to assets ratio, %</b>	—	—	39.1	36.8
<b>Net interest-bearing debt</b>				
Non-current interest-bearing liabilities	—	—	19,469	23,593
Current interest-bearing liabilities	—	—	8,448	2,705
Arrangement fee for loans	—	—	178	175
Cash and cash equivalents	—	—	-674	-999
<b>Net interest-bearing debt</b>	—	—	27,421	25,474
<b>Loan to value net, %</b>				
Net interest-bearing debt	—	—	27,421	25,474
Market value properties	—	—	55,197	50,121
<b>Loan to value net, %</b>	—	—	49.7	50.8
<b>Interest cover ratio, times</b>				
Profit before changes in value	489	426	1,943	1,563
Interest expenses	194	134	746	508
Depreciation	46	45	163	170
<b>Interest cover ratio, times</b>	3.8	4.5	3.8	4.4
<b>Average interest on debt end of period, %</b>				
Average interest expenses	—	—	726	684
Non-current interest-bearing liabilities	—	—	19,469	23,593
Arrangement fee for loans	—	—	178	—
Current interest-bearing liabilities	—	—	8,448	2,705
<b>Average interest on debt, end of period, %</b>	—	—	2.6	2.6
<i>See page 8-9 for a complete reconciliation</i>				
<b>Investments, excl. acquisitions</b>	260	213	720	714
<b>Net operating income, Property Management</b>				
Rental income	704	549	2,809	2,121
Other property income	45	22	162	81
Costs, excl. property administration	-87	-61	-328	-228
<b>Net operating income, before property administration</b>	662	510	2,643	1,974
Property administration	-35	-21	-126	-93
<b>Net operating income, Property Management</b>	627	490	2,517	1,882
<b>Net operating income, Operator Activities</b>				
Revenues Operator Activities	626	528	2,153	2,067
Costs Operator Activities	-507	-429	-1,776	-1,743
<b>Gross profit</b>	119	99	377	324
Add: Depreciation included in costs	46	45	163	170
<b>Net operating income, Operator Activities</b>	165	144	540	494
<b>EBITDA</b>				
Gross profit from respective operating segment	746	589	2,894	2,206
Add: Depreciation included in costs Operator Activities	46	45	163	170
Less: Central administration, excluding depreciation	-43	-37	-148	-124
<b>EBITDA</b>	749	597	2,909	2,252
<b>Cash earnings</b>				
EBITDA	749	597	2,909	2,252
Add: Financial income	0	14	1	15
Less: Financial cost	-214	-140	-804	-534
Less: Current tax	-55	11	-216	-73
<b>Cash earnings</b>	480	482	1,890	1,660
<b>EPRA NAV</b>				
Equity attr. to the shareholders of the parent company	—	—	21,378	18,845
Add: Revaluation of Operating Properties	—	—	2,249	1,906
Add: Fair value of financial derivatives	—	—	538	563
Less: Deferred tax assets related to derivatives	—	—	-118	-129
Add: Deferred tax liabilities related to properties	—	—	3,430	3,026
<b>EPRA NAV</b>	—	—	27,476	24,211
<b>Growth in EPRA NAV, annual rate, %</b>				
EPRA NAV attributable to the shareholders of the parent company, OB	—	—	24,211	19,883
EPRA NAV attributable to the shareholders of the parent company, CB	—	—	27,476	24,211
Dividend added back, current year	—	—	737	646
Excluding proceeds from new share issue	—	—	0	-1,460
<b>Growth in EPRA NAV, annual rate, %</b>	—	—	16.5	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

Figures in MSEK	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue Property Management								
Rental income	704	766	739	600	549	569	547	456
Other property income	45	44	52	21	22	20	21	18
Revenue Operator Activities	626	531	565	431	528	463	555	521
<b>Total revenues</b>	<b>1,375</b>	<b>1,341</b>	<b>1,356</b>	<b>1,052</b>	<b>1,099</b>	<b>1,052</b>	<b>1,123</b>	<b>995</b>
Costs Property Management	-122	-112	-127	-93	-82	-78	-83	-78
Costs Operator Activities	-507	-429	-436	-404	-429	-373	-462	-479
<b>Gross profit</b>	<b>746</b>	<b>800</b>	<b>793</b>	<b>555</b>	<b>589</b>	<b>601</b>	<b>578</b>	<b>438</b>
Central administration	-43	-34	-37	-34	-37	-30	-30	-28
Financial net	-214	-205	-198	-186	-126	-132	-131	-130
<b>Profit before value changes</b>	<b>489</b>	<b>561</b>	<b>558</b>	<b>335</b>	<b>426</b>	<b>439</b>	<b>417</b>	<b>280</b>
Changes in value								
Properties, unrealised	607	376	297	148	490	194	634	308
Properties, realised	27	13	13	14	289	—	—	—
Derivatives, unrealised	-147	113	-24	83	7	18	71	77
<b>Profit before tax</b>	<b>976</b>	<b>1,063</b>	<b>844</b>	<b>580</b>	<b>1,212</b>	<b>651</b>	<b>1,122</b>	<b>665</b>
Current tax	-55	-64	-60	-37	11	-16	-38	-30
Deferred tax	-146	-166	-21	-91	-40	-84	-197	-108
<b>Profit for the period</b>	<b>775</b>	<b>833</b>	<b>763</b>	<b>452</b>	<b>1,183</b>	<b>551</b>	<b>887</b>	<b>527</b>
Other comprehensive income	-177	-220	134	728	-196	-1	-82	94
<b>Total comprehensive income for the period</b>	<b>598</b>	<b>613</b>	<b>897</b>	<b>1,180</b>	<b>986</b>	<b>550</b>	<b>805</b>	<b>621</b>

### Condensed consolidated statement of financial position

Figures in MSEK	2018				2017			
	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar
<b>ASSETS</b>								
Properties incl equipment and interiors	52,949	50,855	50,789	49,944	48,217	39,202	38,216	37,098
Other non-current receivables	43	91	36	59	37	51	54	41
Deferred tax assets	465	520	561	469	613	665	685	722
Current assets	885	1,105	2,542	2,262	2,046	772	703	582
Cash and cash equivalents	674	923	678	708	999	484	344	625
<b>Total assets</b>	<b>55,016</b>	<b>53,494</b>	<b>54,606</b>	<b>53,442</b>	<b>51,912</b>	<b>41,174</b>	<b>40,002</b>	<b>39,068</b>
<b>EQUITY AND LIABILITIES</b>								
Equity	21,538	20,950	20,347	20,206	19,027	16,586	16,036	15,231
Deferred tax liability	3,430	3,316	3,237	3,153	3,026	2,911	2,924	2,705
Interest-bearing liabilities	27,917	27,461	27,451	26,792	26,473	20,034	19,359	18,709
Non interest-bearing liabilities	2,131	1,767	3,571	3,292	3,386	1,643	1,683	2,423
<b>Total equity and liabilities</b>	<b>55,016</b>	<b>53,494</b>	<b>54,606</b>	<b>53,442</b>	<b>51,912</b>	<b>41,174</b>	<b>40,002</b>	<b>39,068</b>

### Key ratios

Figures in MSEK	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NOI, Property Management	627	698	664	528	490	511	485	396
NOI, Operator Activities	165	142	167	66	144	129	139	82
EBITDA	749	806	794	560	597	610	594	450
Earnings per share before and after dilution, SEK	4.63	4.98	4.53	2.69	7.47	3.47	5.61	3.31
Cash earnings	480	537	536	336	482	462	425	290
Cash earnings per share before and after dilution, SEK	2.88	3.20	3.18	2.00	3.06	2.91	2.67	1.81
RevPAR growth (Operator Activities) for comparable units and constant currency, %	12	6	4	4	11	12	17	4

	2018				2017			
	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar
Net interest-bearing debt, MSEK	27,421	26,590	26,844	26,151	25,474	19,550	19,015	18,084
Equity to assets ratio, %	39.1	39.2	37.3	37.8	36.8	40.3	40.1	39.0
Loan to value, %	49.7	49.9	50.6	50.2	50.8	47.7	47.7	46.8
Interest coverage ratio, times	3.8	4.1	4.2	3.1	4.5	4.9	4.6	3.6
Market value properties, MSEK	55,197	53,281	53,064	52,120	50,121	40,951	39,868	38,630
EPRA NAV per share, SEK	164.04	158.44	153.97	151.81	144.54	136.47	132.55	125.67
WAULT (Property Management), yrs	15.7	15.3	15.3	15.6	15.6	13.8	13.9	13.6

# Portfolio overview

At the end of the period Pandox's property portfolio consisted of 144 (143) hotel properties with 32,268 (31,613) hotel rooms in fifteen countries.

Pandox's main geographical focus is Northern Europe. Sweden (27 percent) is Pandox's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by the UK (18 percent), Germany (17 percent), Belgium (8 percent) and Finland (7 percent).

128 of the hotel properties are leased to third parties, which means that approximately 85 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 31 December 2018 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.7 years (15.6).

## Portfolio overview by segment and geography

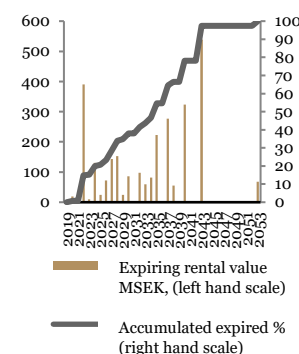
Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Sweden	43	8,869	14,940	27	1.7
Germany	22	4,463	7,393	13	1.7
UK	19	4,675	8,650	16	1.9
Finland	13	2,924	3,922	7	1.3
Norway	14	2,535	3,223	6	1.3
Denmark	8	1,845	3,495	6	1.9
Austria	2	639	1,402	3	2.2
Belgium	2	519	846	2	1.6
Ireland	3	445	1,489	3	3.3
Switzerland	1	206	701	1	3.4
Netherlands	1	189	1,079	2	5.7
<b>Sum Property Management</b>	<b>128</b>	<b>27,309</b>	<b>47,139</b>	<b>85</b>	<b>1.7</b>
<b>Operator Activities</b>					
Belgium	7	1,955	3,380	6	1.7
Germany	4	1,285	2,479	4	1.9
Canada	2	952	1,289	2	1.4
UK	2	611	890	2	1.5
Finland	1	156	21	0	0.1
<b>Sum Operator Activities</b>	<b>16</b>	<b>4,959</b>	<b>8,058</b>	<b>15</b>	<b>1.6</b>
<b>Sum total</b>	<b>144</b>	<b>32,268</b>	<b>55,197</b>	<b>100</b>	<b>1.7</b>

## Portfolio overview by brand

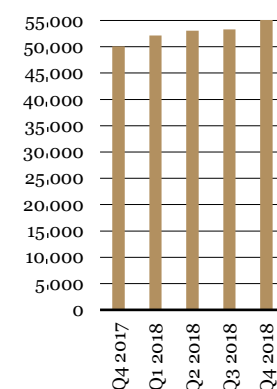
Brand	Number		In % of total	Countries
	Hotels	Rooms		
Scandic	51	11,002	34	SE, NO, FI, DK
Jurys Inn	20	4,410	14	GB, IE
Leonardo	18	3,547	11	GE
Hilton	8	2,582	8	SE, FI, UK, BE
Radisson Blu	8	2,033	6	SE, NO
Nordic Choice Hotels	11	1,800	6	CH, DE
NH	7	1,681	5	AT, BE
Crowne Plaza	2	616	2	BE
Elite Hotels	2	484	1	SE
Holiday Inn	2	469	1	BE, GE
First Hotels	2	403	1	DK
InterContinental	1	357	1	CA
Meininger	1	228	1	DK
Best Western	1	103	0	SE
Independent brands	10	2,553	8	SE, FI, BE, DE, NL
<b>Total</b>	<b>144</b>	<b>32,268</b>	<b>100</b>	<b>15<sup>1)</sup></b>

<sup>1)</sup> Including the submarkets England, Scotland, Wales and Northern Ireland.

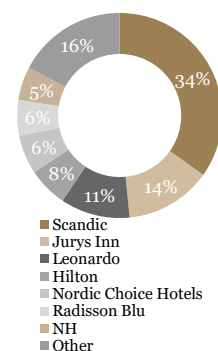
## Lease maturity profile (31 December 2018)



## Market value properties per quarter, MSEK



## Rooms per operator/brand (31 December 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 1–22 and pages 23–25 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.

In 2018 Pandox analysed the effect of the transition to IFRS 16 Leases and will apply IFRS 16 prospectively as of 1 January 2019. Pandox's lease commitments consist of site leaseholds or other leased land, premises and vehicles. Most of these measures relate to land leases (site leaseholds or other leased land). In connection with the transition to IFRS 16 Pandox has decided to include three new items in the balance sheet: right-of-use assets, non-current and current lease liabilities. Pandox has estimated the effect on the opening balance (based on leases now in place) of the introduction of IFRS 16 to be MSEK 2,490 on the assets side in the form of right-of-use assets. On the liability side, the non-current lease liabilities will be affected in the amount of MSEK 2,471 and current lease liabilities by MSEK 19. In the income statement, from 1 January 2019 and thereafter, the cost of lease commitments will be recognised as amortisation and as financial expense. For this reason Pandox will report the financial expense on a new line under net financial items: "Financial expense relating to site leasehold agreements". On this line the current costs for site leaseholds and other leased land will be recognised in their entirety.

## 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 Fattal Hotels Group 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	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2017
Revenue Property Management	749	571	—	—	—	—	749	571
Rental and other property income	—	—	626	528	—	—	626	528
Revenue Operator Activities	—	—	—	—	—	—	—	—
<b>Total revenues</b>	<b>749</b>	<b>571</b>	<b>626</b>	<b>528</b>	<b>—</b>	<b>—</b>	<b>1,375</b>	<b>1,099</b>
Costs Property Management	-122	-82	—	—	—	—	-122	-82
Costs Operator Activities	—	—	-507	-429	—	—	-507	-429
<b>Gross profit</b>	<b>627</b>	<b>490</b>	<b>119</b>	<b>99</b>	<b>—</b>	<b>—</b>	<b>746</b>	<b>589</b>
Central administration	—	—	—	—	-43	-37	-43	-37
Financial income	—	—	—	—	0	14	0	14
Financial expenses	—	—	—	—	-214	-140	-214	-140
<b>Profit before changes in value</b>	<b>627</b>	<b>490</b>	<b>119</b>	<b>99</b>	<b>-257</b>	<b>-163</b>	<b>489</b>	<b>426</b>
<i>Changes in value</i>								
Properties, unrealised	607	490	—	—	—	—	607	490
Properties, realised	27	6	—	283	—	—	27	289
Derivatives, unrealised	—	—	—	—	-147	7	-147	7
<b>Profit before tax</b>	<b>1,261</b>	<b>986</b>	<b>119</b>	<b>382</b>	<b>-404</b>	<b>-156</b>	<b>976</b>	<b>1,212</b>
Current tax	—	—	—	—	-55	11	-55	11
Deferred tax	—	—	—	—	-146	-40	-146	-40
<b>Profit for the period</b>	<b>1,261</b>	<b>986</b>	<b>119</b>	<b>382</b>	<b>-605</b>	<b>-185</b>	<b>775</b>	<b>1,183</b>

## Q4 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	224	53	49	74	121	15	166	47	749
- Operator Activities	—	—	—	8	139	294	58	127	626
Market value properties	14,940	3,495	3,223	3,943	9,872	4,225	11,028	4,471	55,197
Investments in properties	59	4	13	11	9	56	66	42	260
Acquisitions of properties	—	—	—	—	1	—	1,716	—	1,717
Realised value change properties	14	—	—	—	—	—	—	—	14
Book value Operating Properties	—	—	—	26	1,492	2,444	888	959	5,809
Total non-current assets at book value, less deferred tax assets	20,407	2,090	2,100	3,039	7,443	3,132	10,840	3,941	52,992

## Q4 2017

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	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
Total non-current assets at book value, less deferred tax assets	18,546	2,032	2,030	2,916	7,168	2,945	8,853	3,764	48,254

## Operating segments

	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q1-4 2018	Q1-4 2017	Q1-4 2018	Q1-4 2017	Q1-4 2018	Q1-4 2017	Q1-4 2018	Q1-4 2017
<b>Revenue Property Management</b>								
Rental and other property income	2,971	2,202	—	—	—	—	2,971	2,202
<b>Revenue Operator Activities</b>								
—	—	—	2,153	2,067	—	—	2,153	2,067
<b>Total revenues</b>	<b>2,971</b>	<b>2,202</b>	<b>2,153</b>	<b>2,067</b>	<b>—</b>	<b>—</b>	<b>5,124</b>	<b>4,269</b>
Costs Property Management	-454	-321	—	—	—	—	-454	-321
Costs Operator Activities	—	—	-1,776	-1,743	—	—	-1,776	-1,743
<b>Gross profit</b>	<b>2,517</b>	<b>1,882</b>	<b>377</b>	<b>324</b>	<b>—</b>	<b>—</b>	<b>2,894</b>	<b>2,206</b>
Central administration	—	—	—	—	-148	-124	-148	-124
Financial income	—	—	—	—	1	15	1	15
Financial expenses	—	—	—	—	-804	-534	-804	-534
<b>Profit before changes in value</b>	<b>2,517</b>	<b>1,882</b>	<b>377</b>	<b>324</b>	<b>-951</b>	<b>-644</b>	<b>1,943</b>	<b>1,563</b>
<i>Changes in value</i>								
Properties, unrealised	1,428	1,625	—	—	—	—	1,428	1,625
Properties, realised	67	6	—	283	—	—	67	289
Derivatives, unrealised	—	—	—	—	25	173	25	173
<b>Profit before tax</b>	<b>4,012</b>	<b>3,796</b>	<b>377</b>	<b>324</b>	<b>-926</b>	<b>-471</b>	<b>3,463</b>	<b>3,650</b>
Current tax	—	—	—	—	-216	-73	-216	-73
Deferred tax	—	—	—	—	-424	-429	-424	-429
<b>Profit for the period</b>	<b>4,012</b>	<b>3,796</b>	<b>377</b>	<b>324</b>	<b>-1,566</b>	<b>-973</b>	<b>2,823</b>	<b>3,148</b>

## Q1-4 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	910	229	212	294	469	46	627	184	2,971
- Operator Activities	—	—	—	37	501	985	160	470	2,153
Market value properties	14,940	3,495	3,223	3,943	9,872	4,225	11,028	4,471	55,197
Investments in properties	199	29	53	31	69	141	66	132	720
Acquisitions of properties	—	—	—	—	7	—	1,718	—	1,725
Realised value change properties	14	—	—	—	—	—	—	—	14
Book value Operating Properties	—	—	—	26	1,492	2,444	888	959	5,809
Total non-current assets at book value, less deferred tax assets	20,407	2,090	2,100	3,039	7,443	3,132	10,840	3,941	52,992

## Q1-4 2017

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	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
Total non-current assets at book value, less deferred tax assets	18,546	2,032	2,030	2,916	7,168	2,945	8,853	3,764	48,254

### Note 3 Assets and liabilities classified as held for sale

#### Assets and liabilities held for sale

Figures in MSEK	2018 31 Dec	2017 31 Dec
<b>ASSETS</b>		
Investment properties	—	—
Operating Activities Vesway <sup>1)</sup>	—	1,326
Other operating assets <sup>1)</sup>	—	41
Assets classified as held for sale	—	1,367
<b>LIABILITIES</b>		
Other short term liabilities <sup>1)</sup>	—	1,367
Liabilities classified as held for sale	—	1,367

<sup>1)</sup> Refers to MGBP 120 paid by acquiring company in connection with completion of acquisition of Vesway attributable to Jurys Inn. Resolved during Q3 2018.

### Note 4 Reclassifications, acquisitions and divestments with date of consolidation or deconsolidation

#### Reclassifications, acquisitions and divestments

Date	Hotel property	Event
3 December 2018	Scandic Ferrum	Divestment Property Management
1 November 2018	The Midland Manchester	Acquisition Property Management
31 October 2018	Radisson Blu Glasgow	Acquisition Operator Activities
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	Hotel Hubert Grand Place Brussels	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

### Note 5 Currency exchange rates

#### Currency exchange rates January-December

SEK 1 = X foreign currency	Average rate			Rate at end-of-period		
	2018	2017	Δ%	2018	2017	Δ%
Euro (EUR)	10.257	9.633	6%	10.275	9.850	4%
British pound (GBP)	11.593	10.990	5%	11.348	11.105	2%
Danish krone (DKK)	1.376	1.295	6%	1.376	1.323	4%
Norwegian krone (NOK)	1.069	1.033	3%	1.024	1.001	2%
Canadian dollar (CAD)	6.710	6.579	2%	6.592	6.564	0%
Swiss franc (CHF)	8.883	8.669	2%	9.099	8.428	8%

# 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 144 hotels with approximately 32,300 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. Pandox's ability to act throughout the complete hotel value-chain both reduces risk and creates business opportunities.

## Strategy and business model

Pandox's strategy and business model is founded on:

- (1) Focus on hotel properties
- (2) Large hotel properties in strategic locations
- (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) Own operations reduce risk

## 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.



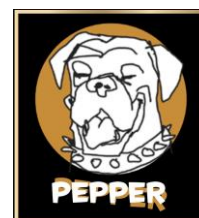
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Corp. reg. no. 556030-7885





# 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 for comparable units adjusted for currency effects

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, including arrangement fee for loans, 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 interest expense and depreciation, divided by interest expense.

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

Loan-to-value ratio net, %

Interest-bearing liabilities, including arrangement fee for loans, 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.

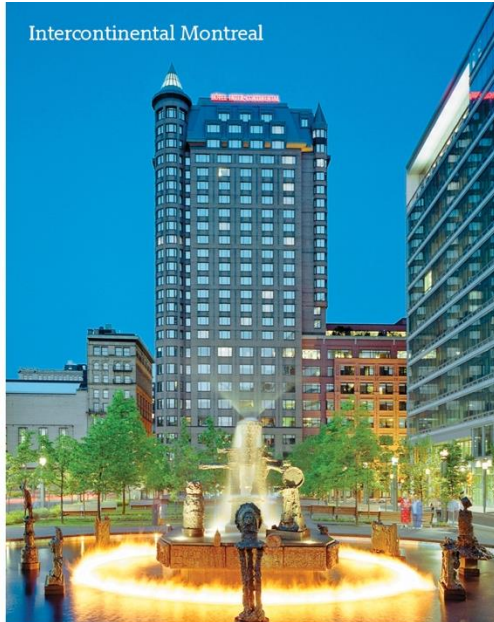
RevPAR for Operating Properties (comparable units at constant exchange rates), SEK

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.

