

## Profitable diversification

### April-June 2019

- Revenue from Property Management amounted to MSEK 783 (791). The decrease is explained by a change in property tax accounting amounting to MSEK 30. For comparable units the decrease was 0.4 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 704 (664), MSEK 689 excl. the effects of IFRS 16. For comparable units the increase was 0.3 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 212 (167), MSEK 206 excl. the effects of IFRS 16. For comparable units the increase was 16.8 percent, adjusted for currency effects
- Calendar effects are estimated to have had a negative effect on revenue growth of 2-3 percent for the comparable portfolio
- EBITDA amounted to MSEK 868 (794), MSEK 847 excl. the effects of IFRS 16
- Cash earnings amounted to MSEK 565 (537)
- Cash earnings per share amounted to SEK 3.37 (3.19)
- Profit for the period amounted to MSEK 760 (763)
- Earnings per share amounted to SEK 4.53 (4.53)

### January-June 2019

- Revenue from Property Management amounted to MSEK 1,468 (1,412). For comparable units the increase was 0.8 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 1,287 (1,192), MSEK 1,258 excluding the effects of IFRS 16. For comparable units the increase was 0.7 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 307 (233), MSEK 296 excluding the effects of IFRS 16. For comparable units the increase was 16.9 percent, adjusted for currency effects
- EBITDA amounted to MSEK 1,502 (1,354), MSEK 1,462 excluding the effects of IFRS 16
- Cash earnings amounted to MSEK 928 (873)
- Cash earnings per share amounted to SEK 5.53 (5.18)
- Profit for the period amounted to MSEK 1,167 (1,215)
- Earnings per share amounted to SEK 6.96 (7.22)

### Significant events after the end of the period

- Pandox concluded the acquisition of three hotel properties in Germany on 1 July

### Financial summary

| Figures in MSEK   | Quarter 2 |      |      | Jan-Jun |        |      | FY     |
|---|-----------|------|------|---------|--------|------|--------|
|   | 2019      | 2018 | Δ%   | 2019    | 2018   | Δ%   | 2018   |
| Revenue Property Management   | 783       | 791  | -1   | 1,468   | 1,412  | 4    | 2,971  |
| Net operating income Property Management  | 704       | 664  | 6    | 1,287   | 1,192  | 8    | 2,517  |
| Net operating income Operator Activities  | 212       | 167  | 27   | 307     | 233    | 32   | 540    |
| EBITDA  | 868       | 794  | 9    | 1,502   | 1,354  | 11   | 2,909  |
| Profit for the period   | 760       | 763  | 0    | 1,167   | 1,215  | -4   | 2,823  |
| Earnings per share, SEK <sup>1)</sup>   | 4.53      | 4.53 | 0    | 6.96    | 7.22   | -4   | 16.83  |
| Cash earnings   | 565       | 537  | 5    | 928     | 873    | 6    | 1,890  |
| Cash earnings per share, SEK <sup>1)</sup>  | 3.37      | 3.19 | 5    | 5.53    | 5.18   | 7    | 11.26  |
| <b>Key data</b>   |           |      |      |         |        |      |        |
| Market value properties, MSEK   | —         | —    | —    | 57,618  | 53,064 | 9    | 55,197 |
| Net interest-bearing debt, MSEK   | —         | —    | —    | 28,248  | 26,844 | 5    | 27,421 |
| Loan to value net, %  | —         | —    | —    | 49.0    | 50.6   | n.a. | 49.7   |
| Interest cover ratio, times   | 4.4       | 4.2  | n.a. | 3.8     | 3.7    | n.a. | 3.8    |
| EPRA NAV per share, SEK <sup>1)</sup>   | —         | —    | —    | 173.83  | 153.97 | 13   | 164.04 |
| WAULT (Investment Properties), years  | —         | —    | —    | 15.5    | 15.3   | n.a. | 15.7   |
| RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK | 1,034     | 926  | 12   | 890     | 805    | 11   | 865    |

<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 16. See note 5 on page 24 for a summary of reclassifications, acquisitions and divestments. For complete definitions see page 26. For introduction effects of IFRS 16, see Note 2 Transition to IFRS Leasing (p20-21), Reconciliation alternative performance measurements (p16-17) and Definitions (p26)

## CEO comment

# Diversification creates new opportunities

### Stable underlying growth

For the second quarter of 2019 Pandox reported growth in total net operating income of 10 percent and growth in net asset value, measured on an annualised basis, of 16 percent. The growth drivers were once again add-on acquisitions, good development in Brussels and positive currency effects.

The benefits of a well-diversified portfolio were evident during the quarter with stronger markets more than compensating for weaker markets.

Total revenue and total net operating income for comparable units increased by 3.9 and 3.3 percent respectively, adjusted for currency effects, despite a negative calendar effect relating to the Easter dates of 2-3 percent.

In Property Management, rental income and net operating income increased for comparable units by 0.4 and 0.3 percent respectively, adjusted for currency effects. Similar to the first quarter of 2019, growth was limited by renovation effects in Pandox's portfolio. Moreover, challenging comparative figures in certain key markets had a negative effect.

The underlying demand remained positive in the second quarter, but increases in supply led to negative RevPAR growth, particularly in Copenhagen, Oslo and at London Heathrow.

For comparable units, Pandox's rental portfolio in the UK grew by just over 4 percent, adjusted for currency effects. Excluding London Heathrow, growth was just over 5 percent.

Operator Activities had good growth and stronger profitability. Revenue and net operating income for comparable units increased by 8.6 and 16.8 percent respectively, adjusted for currency effects. The main drivers were sustained strong development in Brussels and Berlin with good demand, productivity and profitability. But other hotels in Germany and Montreal also developed well.

### Many advantages with increased diversification

The benefits of a larger and more diversified portfolio manifest themselves in a variety of ways. Demand fluctuations are balanced out more effectively and having a presence in more markets provides new business opportunities. Pandox's agreement to acquire three hotel properties in Erfurt, Augsburg and Dortmund during the quarter is a good example of this.

Through this acquisition, which was completed 1 July, Pandox added two new, growing cities with domestic demand in Germany to its portfolio. We also added an additional hotel property in Dortmund to Radisson Blu Dortmund, which we already owned and operated. We also gained a new tenant (HR Group) and another new brand (Dorint Hotels & Resorts). The purchase consideration amounted to MEUR 103 and the hotels' contribution to rental income and net operating income for 2019 is expected to be around MEUR 6.0 and MEUR 5.8 respectively, on an annualised basis. The initial yield is 5.7 percent.

After this acquisition Pandox now has a total of 29 hotels with around 6,300 rooms in Germany, Europe's biggest hotel market. During the quarter an agreement to divest the hotel building for Hotell Hasselbacken in Stockholm was also signed. The sales price was MSEK 480. The hotel's rental income in 2018 amounted to around MSEK 20.

### Conditions remain in place for growth in 2019

Pandox is still of the opinion that, although the hotel market has growth potential, it is in a mature phase and growth is slowing. In some submarkets 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 as well as positive contributions from the acquisitions that Pandox made in 2018 and 2019, there is potential for growth during the current year.

*"For the second quarter Pandox is reporting growth in total net operating income of 10 percent and growth in net asset value, on an annualised basis, of 16 percent. The good development is a result of profitable diversification."*

*Anders Nissen, CEO*



April-June 2019 (change compared with the corresponding period previous year)

# 10%

Growth in total NOI

*Growth in total NOI adjusted for IFRS 16 was 8 percent. See definitions on p26.*

# 16%

Growth in net asset value

*At annual rate. See definitions on p26.*

# 5%

Growth in total cash earnings

*See definitions on p26.*

# Hotel market development April-June 2019

As complete market data has not yet been published for the second quarter of 2019, the RevPAR growth for international markets is for April-May 2019, i.e. a portion of the report period. RevPAR growth for the Nordic markets is for April-June, i.e. the full report period.

## Continued good growth in demand in the travel market

The trend from the first quarter of 2019 of lower growth in both international arrivals and economic activity continued into the second quarter. Demand in the hotel market developed well, albeit at a slower growth rate. Lower activity in global trade and weaker indicators mainly from the manufacturing industry were factors in the lower rate.

The United Nations World Tourism Organization (UNWTO) reported 4 percent growth in international passenger traffic for Europe and globally for the first quarter of 2019, which is in line with the organisation's full-year forecast.

A calendar effect due to the dates of Easter is believed to have had a negative effect on market growth in Pandox's portfolio of around 2-3 percent in the second quarter.

## Mixed RevPAR development in the Nordics

RevPAR developed in a positive direction overall in the Nordic region, taking into account the negative calendar effect. RevPAR fell marginally in Sweden, while in Norway and Finland it increased by just over 1 and 3 percent respectively. In Denmark the hotel market was negatively affected by the inflow of new hotel supply and RevPAR fell by 8 percent during the quarter. The demand situation in the Nordics remained good overall, with growth of around 3 percent in Sweden, Norway and Denmark and close to 5 percent in Finland.

In Stockholm RevPAR fell by 2 percent, mainly explained by the negative Easter effect. The demand situation remained good. In Gothenburg RevPAR increased by just over 3 percent, while Malmö saw a decrease of 7 percent due to a weak May and newly added hotel supply.

Demand for hotel rooms increased by 6 percent during the quarter in Oslo where a good conference calendar provided a boost. An increased supply of hotel rooms – around 12 percent during the period – and a negative effect of the Easter dates resulted in a 4 percent reduction in RevPAR.

In Copenhagen the increase in the number of new hotel rooms was noticeable and both occupancy and average prices declined. Altogether RevPAR decreased by 10 percent during the quarter.

In Helsinki RevPAR increased by just under 3 percent, mainly driven by improved average prices.

## Stable across the board in Germany

Similar to several other European markets, Germany had a strong May due to more business days. This, combined with an already strong trade fair and conference calendar had a positive effect on results. RevPAR for Germany increased by just over 8 percent during the April-May period. Submarkets with especially good development were Munich, Frankfurt, Hannover and Berlin. Based on a lower level of activity in June, it is reasonable to expect weaker growth for the quarter as a whole.

## Increased supply resulted in a slight decline in the UK

The hotel market in the UK consists of two parts. One market is London and the other is the regional market (UK Regional) which has a high share of domestic demand where Pandox has its main exposure.

During the April-May period RevPAR decreased for UK Regional by just over 1 percent. Demand was stable at a growth rate of around 2 percent, while the supply increased at a slightly faster pace and overall this put pressure on RevPAR.

Hotel markets that were negatively affected by new hotel supply included Glasgow, Liverpool, Heathrow airport, Manchester and Belfast where RevPAR declined during the April-May period. These markets are, however, large destinations and attractive hotel markets with good underlying demand.

In London RevPAR increased marginally in the April-May period.

The Irish hotel market, which is at a high level in absolute terms, declined somewhat during the quarter and RevPAR decreased by just under 2 percent April-May. In Dublin RevPAR decreased by around 4 percent, partly due to an increased supply of hotel rooms in the city.

## Sustained strong development in Brussels

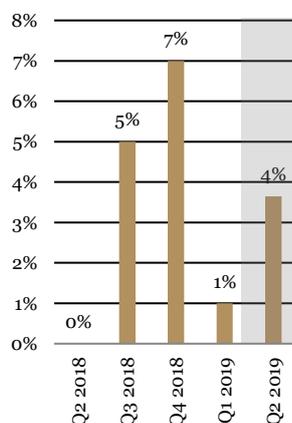
The strong growth in Brussels continued and RevPAR increased by around 6 percent during the quarter. Although the business and conference segments have accounted for most of the growth up to now, demand in the leisure segment has been growing stronger over the past few quarters as well. The hotel market in Brussels also benefitted from a limited inflow of new hotel rooms, which contributed to improved occupancy and helped to increase average prices.

## Accelerated growth in Montreal

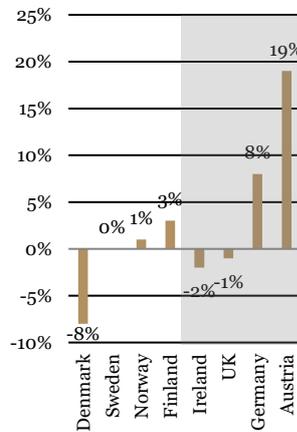
After a weaker start in Montreal, growth picked up in the second quarter and RevPAR increased by 15 percent during the April-May period.

## April-June 2019

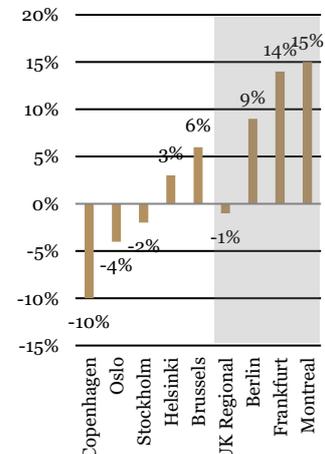
Europe  
RevPAR growth y/y



Countries  
RevPAR growth y/y



Key markets  
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance. Rounded numbers.

■ Average growth rates for the periods April and May 2019

# Financial development April-June 2019

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2018 for balance sheet items, unless otherwise stated. IFRS 16 is applied from 1 January 2019.

## Net sales

Revenue from Property Management amounted to MSEK 783 (791).

A change in property tax accounting in the UK and Ireland reduced other property revenue by SEK 30 million in the second quarter, half of which relates to the first quarter. The change will result in a reduction of other property revenue of around MSEK 60, on an annualised basis, compared with 2018. The reason is that property tax is paid directly by the tenant. The change has no impact on earnings.

Adjusted for the accounting change, revenue increased by 3 percent compared to the corresponding period the previous year, explained by acquisitions, positive currency effects and some market growth.

For comparable units, revenue increased by 0.4 percent adjusted for currency effects, including a negative calendar effect relating to the Easter dates.

Revenue from Operator Activities amounted to MSEK 673 (565). This was an increase of 19 percent supported by consistent good growth for hotels in the portfolio, positive currency effects and acquisitions.

Revenue and RevPAR for comparable units, adjusted for currency effects, increased by 8.6 and 11.7 percent respectively.

The Group's net sales amounted to MSEK 1,456 (1,356). For comparable units, net sales increased by 3.9 percent adjusted for currency effects.

A calendar effect relating to the dates of the Easter holiday are estimated to have had a negative effect of 2-3 percent for the comparable portfolio for the quarter.

## Net operating income

Net operating income from Property Management amounted to MSEK 704 (664), an increase of 6 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 689. For comparable units, net operating income increased by 0.3 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 212 (167), an increase of 27 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 210. For comparable units, net operating income increased by 16.8 percent, adjusted for currency effects.

Total net operating income amounted to MSEK 916 (831), an increase of 10 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 895.

## Administration costs

Central administration costs amounted to MSEK -48 (-37). The increase is explained by a new incentive programme and cost related to the Company's growth, geographical expansion and increased complexity.

## EBITDA

EBITDA amounted to MSEK 868 (794), an increase of 9 percent.

Excluding effects from the introduction of IFRS 16, EBITDA was MSEK 847.

## Financial income and expense

Financial expense amounted to MSEK -206 (-198), of which -13 (-8) consists of capitalised loan arrangement fees.

Financial expense for right-of-use assets relating to the introduction of IFRS 16 amounted to MSEK -21.

Financial income amounted to MSEK 4 (0).

## Profit before changes in value

Profit before changes in value amounted to MSEK 598 (558), an increase of 7 percent.

## Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 509 (297) and are explained by a combination of a lower valuation yield and higher cash flows in the comparable portfolio.

Realised changes in value for Investment Properties amounted to MSEK 1 (13).

Unrealised changes in value of derivatives amounted to MSEK -133 (-24).

## Current and deferred tax

Current tax amounted to MSEK -75 (-60).

Deferred tax amounted to MSEK -140 (-21).

## Profit for the period

Profit for the period amounted to MSEK 760 (763) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 759 (760), which is equivalent to SEK 4.53 (4.53) per share.

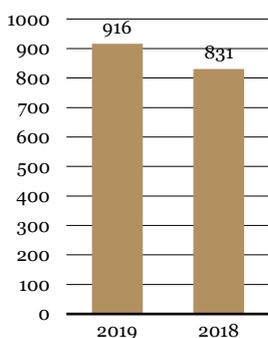
## Cash earnings

Cash earnings amounted to MSEK 565 (537), an increase of 5 percent.

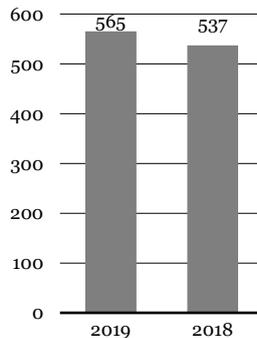
See page 24 for summary of reclassifications, acquisitions and divestments.

## April-June 2019

Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



# Financial development January-June 2019

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2018 for balance sheet items, unless otherwise stated. IFRS 16 is applied from 1 January 2019.

## Net sales

Revenue from Property Management amounted to MSEK 1,468 (1,412).

A change in property tax accounting in the UK and Ireland reduced other property revenue by SEK 30 million for the period. The change will result in a reduction of other property revenue of around MSEK 60, on an annualised basis, compared with 2018. The reason is that property tax is paid directly by the tenant. The change has no impact on earnings.

Adjusted for the accounting change, revenue increased by 6 percent compared to the corresponding period the previous year, explained by acquisitions, positive currency effects and some market growth.

For comparable units, revenue increased by 0.8 percent adjusted for currency effects.

Revenue from Operator Activities amounted to MSEK 1,179 (996). This was an increase of 18 percent supported by good growth in Brussels and gradual improvements for other markets, positive currency effects and acquisitions. Adjusted for currency effects, revenue and RevPAR for comparable units increased by 8.1 and 10.6 percent respectively.

The Group's net sales amounted to MSEK 2,647 (2,408). For comparable units, net sales increased by 3.9 percent, adjusted for currency effects.

## Net operating income

Net operating income from Property Management amounted to MSEK 1,287 (1,192), an increase of 8 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 1,258. For comparable units, net operating income increased by 0.7 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 307 (233), an increase of 32 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 296. For comparable units, net operating income increased by 16.9 percent, adjusted for currency effects.

Total net operating income amounted to MSEK 1,594 (1,425), an increase of 12 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 1,554.

## Administration costs

Central administration costs amounted to MSEK -91 (-71). The increase is explained by a new incentive programme and cost related to the Company's growth, geographical expansion and increased complexity.

## EBITDA

EBITDA amounted to MSEK 1,502 (1,354), an increase of 11 percent. Excluding effects from the introduction of IFRS 16, EBITDA was MSEK 1,462.

## Financial income and expense

Financial expense amounted to MSEK -413 (-385), of which -27 (-15) consists of capitalised loan arrangement fees.

Financial expense associated with right-of-use assets relating to the introduction of IFRS 16 amounted to MSEK -40.

Financial income amounted to MSEK 6 (1).

## Profit before changes in value

Profit before changes in value amounted to MSEK 962 (893), an increase of 8 percent.

## Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 640 (445) and are explained by a combination of a lower valuation yield and higher cash flows in the comparable portfolio.

Realised changes in value for Investment Properties amounted to MSEK 1 (27).

Unrealised changes in value of derivatives amounted to MSEK -272 (59).

## Current and deferred tax

Current tax amounted to MSEK -121 (-97).

Deferred tax amounted to MSEK -43 (-112).

## Profit for the period

Profit for the period amounted to MSEK 1,167 (1,215) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 1,166 (1,210) which is equivalent to SEK 6.96 (7.22) per share.

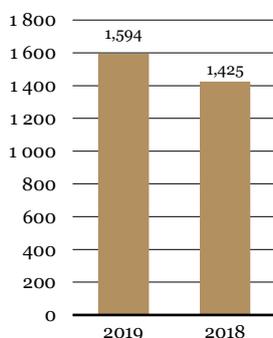
## Cash earnings

Total cash earnings amounted to MSEK 928 (873), an increase of 6 percent.

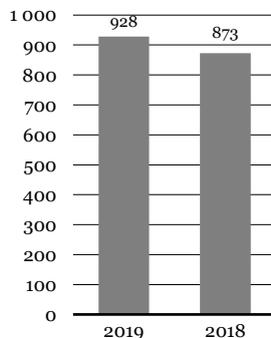
See page 24 for summary of reclassifications, acquisitions and divestments.

## January-June 2019

Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



# Segment reporting April-June 2019

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2018 for balance sheet items, unless otherwise stated. IFRS 16 is applied from 1 January 2019.

## Property Management

| Figures in MSEK                             | Quarter 2 |      | Jan-Jun |       | FY    |
|---|-----------|------|---------|-------|-------|
|   | 2019      | 2018 | 2019    | 2018  | 2018  |
| Rental income                               | 772       | 739  | 1,413   | 1,339 | 2,809 |
| Other property income                       | 11        | 52   | 55      | 73    | 162   |
| Costs, excluding prop admin                 | -46       | -105 | -121    | -173  | -338  |
| Net operating income, before property admin | 737       | 686  | 1,347   | 1,239 | 2,633 |
| Property administration                     | -33       | -22  | -60     | -47   | -116  |
| Gross profit                                | 704       | 664  | 1,287   | 1,192 | 2,517 |
| Net operating income, after property admin  | 704       | 664  | 1,287   | 1,192 | 2,517 |

Rental income and other property revenue amounted to MSEK 783 (791).

Adjusted for the change in property tax accounting in the UK and Ireland (see "Financial development April-June" on page 4), revenues increased by 3 percent compared to the corresponding period the previous year, explained by acquisitions, positive currency effects and some market growth.

Net operating income amounted to MSEK 704 (664), an increase of 6 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 689.

For comparable units, rental income and net operating income increased by 0.4 and 0.3 percent respectively, adjusted for currency effects - despite a negative calendar effect relating to the Easter dates.

Growth in the comparable portfolio was positive in the UK, Norway, Germany and Austria and negative in Denmark, Finland and Ireland.

Individual cities with particularly good rental income growth were Wolfsburg, Cologne, Belfast, Brussels, Bergen, Jönköping, Luleå, Sheffield and Brighton.

In the UK, growth in the comparable portfolio amounted to around 4 percent. In Stockholm rental income fell by close to 4 percent during the quarter. In Copenhagen the decrease was just over 5 percent.

Revenue was negatively affected by around 1,000 hotel rooms (net) undergoing various types of renovations during the quarter, including Park Hotel Amsterdam, Radisson Blu Basel, Jurys Inn Croydon, Scandic Kolding, Scandic Rosendahl and Vildmarkshotellet Kolmården.

## Operator Activities

| Figures in MSEK                     | Quarter 2 |      | Jan-Jun |      | FY     |
|-------------------------------------|-----------|------|---------|------|--------|
|                                     | 2019      | 2018 | 2019    | 2018 | 2018   |
| Revenues                            | 673       | 565  | 1,179   | 996  | 2,153  |
| Costs                               | -508      | -436 | -966    | -840 | -1,776 |
| Gross profit                        | 165       | 129  | 213     | 156  | 377    |
| Add: Depreciation included in costs | 47        | 38   | 94      | 77   | 163    |
| Net operating income                | 212       | 167  | 307     | 233  | 540    |

Revenue from Operator Activities amounted to MSEK 673 (565), an increase of 19 percent supported by good development in Brussels and Berlin, as well as improvements in other markets. Acquisitions and positive currency effects also contributed to the earnings increase.

Net operating income amounted to MSEK 212 (167), an increase of 27 percent supported by good growth and profitability as well as contributions from the acquisition of Radisson Blu Glasgow.

Excluding effects from the introduction of IFRS 16, net operating income was MSEK 206.

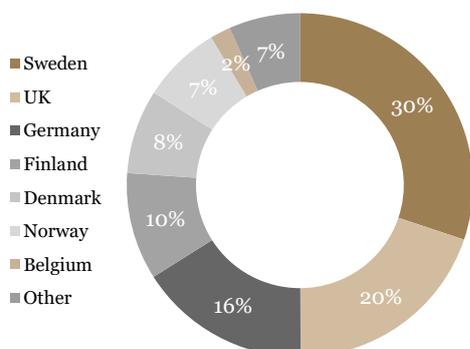
The operating margin was 31.5 percent (29.6), which reflects a beneficial business mix and high productivity.

Adjusted for currency effects, revenue and net operating income for comparable units increased by 8.6 and 16.8 percent respectively.

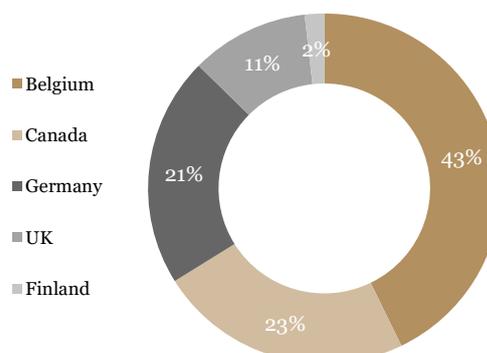
For comparable units, RevPAR increased by 11.7 percent, adjusted for currency effects.

## April-June 2019

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 2018 for balance sheet items, unless otherwise stated. IFRS 16 is applied from 1 January 2019.

## Change in property value

At the end of the period, Pandox's property portfolio had a total market value of MSEK 57,618 (55,197), of which Investment Properties accounted for MSEK 49,026 (47,139) and Operating Properties for MSEK 8,592 (8,058). As of the same date the carrying amount of the Operating Properties portfolio was MSEK 5,994 (5,809). At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 15.5 years (15.7).

During the quarter agreements were signed for the acquisition of three hotel properties in Germany for MEUR 103 and divestment of the hotel building for Hotell Hasselbacken in Stockholm for MSEK 480. Pandox took over the hotel properties in Germany on 1 July 2019 and expects to transfer Hotell Hasselbacken on 2 September 2019.

### Change in value Investment Properties

|  | Figures in MSEK |
|--|-----------------|
| Investment Properties, opening balance (January 1, 2019)                     | 47,139          |
| + Acquisitions <sup>2)</sup>   | -65             |
| + Investments in current portfolio   | 225             |
| - Divestments  | —               |
| +/- Reclassifications  | —               |
| +/- Revaluation of fixed assets to total comprehensive income for the period | —               |
| +/- Unrealised changes in value  | 640             |
| +/- Realised changes in value  | —               |
| +/- Change in currency exchange rates  | 1,087           |
| <b>Investment Properties, closing balance (June 30, 2019)<sup>3)</sup></b>   | <b>49,026</b>   |

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

|   | Figures in MSEK |
|---|-----------------|
| Operating Properties, market value (January 1, 2019)      | 8,058           |
| + Acquisitions <sup>1)</sup>                              | -25             |
| + Investments in current portfolio                        | 89              |
| - Divestments   | —               |
| +/- Reclassifications                                     | —               |
| +/- Unrealised changes in value                           | 181             |
| +/- Realised changes in value                             | —               |
| +/- Change in currency exchange rates                     | 289             |
| <b>Operating Properties, market value (June 30, 2019)</b> | <b>8,592</b>    |

<sup>1)</sup> Refers to adjustment Radisson Blu Glasgow (MSEK 4), Hilton Grand Place (MSEK 7) and Hilton Garden Inn (MSEK -36)

<sup>2)</sup> Refers to adjustment the Midland Manchester (MSEK 8) and the Jurys Inn portfolio (MSEK -73)

<sup>3)</sup> Corresponding to value of Investment properties and Assets held for sale in the balance sheet

## Investments

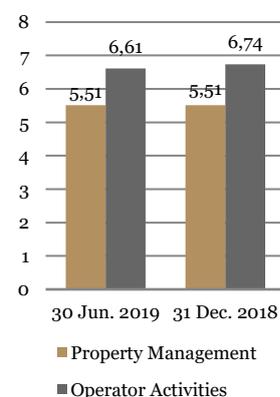
During the January–June 2019 period investments in the existing portfolio, excluding acquisitions, amounted to MSEK 318 (293), of which MSEK 225 (162) was for Investment Properties, MSEK 89 (131) was for Operating Properties. MSEK 4 (1) related to the head office.

At the end of the period investments had been approved for future projects in an amount equivalent to around MSEK 1,270, of which the larger projects are Crowne Plaza Brussels, Hilton Brussels City, DoubleTree by Hilton Montreal, Scandic Luleå, Hotel Berlin Berlin, The Midland Manchester, Airport Bonus Inn Vantaa, Hilton Garden Inn London Heathrow Airport, NH Brussels Bloom, Clarion Collection Arcticus Harstad, as well as the joint investment programme with Scandic Hotels Group for 19 hotel properties in the Nordic region.

### Financial effects of changes in certain key valuation parameters as of June 30, 2019

| Investment properties, effect on fair value                                     | Change    | Effect on value                |
|---|-----------|--------------------------------|
| Yield   | +/- 0.5pp | -4,081 / +4,897                |
| Change in currency exchange rates   | +/- 1%    | +/- 339                        |
| Net operating income  | +/- 1%    | +/- 470                        |
| 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%    | +/- 20                         |
| Financial sensitivity analysis, effect on earnings                              | Change    | Profit before changes in value |
| Interest expenses with current fixed interest hedging, change in interest rates | +/- 1%    | -/+ 111                        |
| Interest expenses with a change in the average interest rate level              | +/- 1%    | -/+ 287                        |
| Remeasurement of interest-rate derivatives following shift in yield-curves      | +/- 1%    | -/+ 749                        |

### Average valuation yield, % (30 June 2019)



## 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 second quarter Pandox had external valuations performed on approximately 20 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 19.

# Financing

Figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2018 for balance sheet items, unless otherwise stated. IFRS 16 is applied from 1 January 2019.

## Financial position and net asset value

At the end of the period the loan-to-value net was 49.0 (49.7) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 22,248 (21,378). EPRA NAV amounted to SEK 29,117 (27,476), equivalent to SEK 173.83 (164.04) per share. Liquid funds plus unutilised credit facilities amounted to MSEK 3,532 (2,500).

## Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 28,698 (28,095), excluding loan arrangement fees. Unutilised credit facilities amounted to MSEK 3,082 (1,826).

At the end of the period the volume issued under the previously established commercial paper programme amounted to MSEK 1,600 (1,250) in various tenors ranging from 3 to 12 months. The purpose of the programme is to reduce financing costs and also to diversify the financing structure. The issued commercial papers are backed in full by existing unutilised credit facilities.

During the quarter Padox refinanced Hotel Berlin, Berlin with a loan of MEUR 90 maturing in seven years.

The average fixed rate period was 2.7 (3.0) 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 derivatives, but excluding accrued arrangement fees. The average repayment period was 2.7 (3.1) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Maturity structure credit facilities 30 June 2019

| Year due (MSEK) | Credit facilities <sup>1)</sup> |
|-----------------|---------------------------------|
| 2019            | 6,164                           |
| 2020            | 5,612                           |
| 2021            | 3,758                           |
| 2022            | 2,504                           |
| 2023            | 11,507                          |
| 2024 and later  | 2,235                           |
| <b>Total</b>    | <b>31,780</b>                   |

<sup>1)</sup> Excluding contractual amortisation.

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

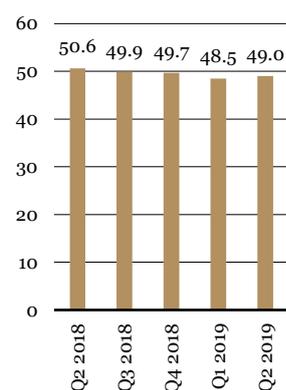
Loans by currency 30 June 2019

|   | SEK    | DKK   | EUR    | CHF | CAD   | NOK   | GBP    | Total  |
|---|--------|-------|--------|-----|-------|-------|--------|--------|
| Sum credit facilities <sup>1)</sup>           | 10,043 | 1,870 | 12,002 | 477 | 551   | 1,362 | 5,475  | 31,780 |
| Sum interest bearing debt, MSEK <sup>1)</sup> | 6,982  | 1,870 | 12,002 | 477 | 530   | 1,362 | 5,475  | 28,698 |
| Share of debt in currency, %                  | 24.3   | 6.5   | 41.8   | 1.7 | 1.8   | 4.7   | 19.1   | 100    |
| Average interest rate, % <sup>2)</sup>        | 2.8    | 2.2   | 2.3    | 0.8 | 3.0   | 2.9   | 3.2    | 2.6    |
| Average interest rate period, years           | 2.4    | 1.3   | 2.4    | 0.2 | 0.1   | 2.2   | 4.3    | 2.7    |
| Market value Properties <sup>1)</sup>         | 15,151 | 3,707 | 23,035 | 713 | 1,407 | 3,481 | 10,124 | 57,618 |

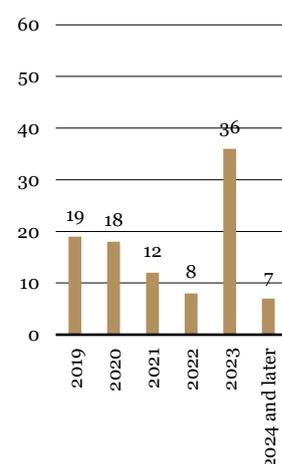
<sup>1)</sup> Converted to MSEK.

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

Loan to value per quarter, %



Maturity of credit facilities per year, %



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 amounted to a gross amount of MSEK 22,350 and a net amount of MSEK 17,261, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 52 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods of more than one year.

Interest maturity profile 30 June, 2019

| Tenor (MSEK) | Total interest maturity |          | Interest maturity derivatives |          |  |
|--------------|-------------------------|----------|-------------------------------|----------|--|
|              | Amount <sup>1)</sup>    | Share, % | Volume                        | Share, % | Average interest rate, % <sup>1)</sup> |
| < 1 year     | 13,891                  | 48       | 2,455                         | 14       | 2.2                                    |
| 1-2 year     | 1,715                   | 6        | 1,715                         | 10       | 1.2                                    |
| 2-3 year     | 3,719                   | 13       | 3,719                         | 22       | 1.5                                    |
| 3-4 year     | 5,709                   | 20       | 5,709                         | 33       | 1.2                                    |
| 4-5 year     | -2,545                  | -9       | -2,545                        | -15      | 0.7                                    |
| > 5 year     | 6,208                   | 22       | 6,208                         | 36       | 1.2                                    |
| Sum          | 28,698                  | 100      | 17,261                        | 100      | 1.5                                    |

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

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 -810 (-538).

#### Deferred tax

At the end of the period deferred tax assets amounted to MSEK 540 (465). 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 3,633 (3,430) 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.

# Other information

## Important press releases during the period

|               |   |
|---------------|---|
| 19 June 2019  | Pandox enters into agreement to divest hotel building in Stockholm            |
| 18 June 2019  | Pandox enters into agreement to acquire three hotel properties in Germany     |
| 10 May 2019   | Pandox CEO Anders Nissen acquires synthetic options from Pandox's main owners |
| 9 May 2019    | Pandox adjusts dividend policy  |
| 26 April 2019 | Interim report January-March 2019   |
| 10 April 2019 | Press release on the 2019 Annual General Meeting                              |

To read the full press releases, see [www.pandox.se](http://www.pandox.se).

## Significant events after the period

|             |   |
|-------------|---|
| 1 July 2019 | Pandox completes acquisition of three hotel properties in Germany |
|-------------|---|

## Employees

At the end of the period, Pandox had the equivalent of 1,308 (1,120) fulltime employees. Of the total number of employees, 1,269 (1,082) are employed in the Operator Activities segment and 39 (38) 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-June 2019 period totalled MSEK 66 (43), and profit for the period amounted to MSEK 1,694 (756).

At the end of the period the Parent Company's equity amounted to MSEK 5,458 (4,553) and the interest-bearing debt was MSEK 7,117 (7,098), of which MSEK 3,360 (4,305) 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 second quarter revenue from the nine asset management agreements amounted to MSEK 1.0 (1.3), and revenue from Pelican Bay Lucaya amounted to MSEK 0.1 (0.4).

## Alternative performance measurements

Pandox applies the European Securities and Market Authority's (ESMA) guidelines for Alternative Performance Measurements. The guidelines aim at making alternative Performance Measurements in financial reports more understandable, trustworthy and comparable and thereby enhance their usability.

According to these guidelines, an Alternative Performance Measurement is a financial key ratio of past or future earnings development, financial position, financial result or cash flows which are not defined or mentioned in current legislation for financial reporting; IFRS and the Swedish Annual Accounts Act. Reconciliations of Alternative Performance Measurements are available on pages 16-17.

## 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 second quarter 2019 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 136-140 of the 2018 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 94-98 in the section "Risk and risk management" in the 2018 Annual Report.

There has been no significant change to Pandox's risk assessment after the publication of the 2018 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.



*"The Elephant Parade"*  
The Hotel Brussels, 420 rooms

### Presentation of the interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 12 July at 08:30 CEST.

To follow the presentation online go to <https://edge.media-server.com/m6/p/cm3fbns9>. 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 LocalCall: +46 (0) 850 692 180  
SE Tollfree: 0200125581  
UK LocalCall: +44 (0) 8445 718892  
UK Tollfree: 08003767922  
US LocalCall: + 1 631-510-7495  
Conference ID: 6088424

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

### Contact persons

For further information, please contact:

Anders Nissen, CEO  
+46 (0) 708 46 02 02

Liia Nõu, CFO  
+46 (0) 702 37 44 04

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

This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above 12 July 2019, 07:00 CEST.

### Financial calendar

|                        |                  |
|------------------------|------------------|
| Interim report Q2 2019 | 12 July 2019     |
| Interim report Q3 2019 | 24 October 2019  |
| Year-end report 2019   | 12 February 2020 |

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

# Board of Directors' Assurance

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

Stockholm, 12 July 2019

Christian Ringnes  
Chairman

Bengt Kjell  
Board member

Leiv Askvig  
Board member

Jon Rasmus Aurdal  
Board member

Ann-Sofi Danielsson  
Board member

Jeanette Dyhre Kvisvik  
Board member

Anders Nissen  
CEO

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

# Summary of financial reports

## Condensed consolidated statement of comprehensive income

| Figures in MSEK   | Note | Quarter 2    |              | Jan-Jun      |              | FY           |
|---|------|--------------|--------------|--------------|--------------|--------------|
|   |      | 2019         | 2018         | 2019         | 2018         | 2018         |
| Revenues Property Management  |      |              |              |              |              |              |
| Rental income   | 3    | 772          | 739          | 1,413        | 1,339        | 2,809        |
| Other property income   |      | 11           | 52           | 55           | 73           | 162          |
| Revenue Operator Activities   | 3    | 673          | 565          | 1,179        | 996          | 2,153        |
| <b>Total revenues</b>   |      | <b>1,456</b> | <b>1,356</b> | <b>2,647</b> | <b>2,408</b> | <b>5,124</b> |
| Costs Property Management   | 3    | -79          | -127         | -181         | -220         | -454         |
| Costs Operator Activities   | 3    | -508         | -436         | -966         | -840         | -1,776       |
| <b>Gross profit</b>   |      | <b>869</b>   | <b>793</b>   | <b>1,500</b> | <b>1,348</b> | <b>2,894</b> |
| - whereof gross profit Property Management  | 3    | 704          | 664          | 1,287        | 1,192        | 2,517        |
| - whereof gross profit Operator Activities  | 3    | 165          | 129          | 213          | 156          | 377          |
| Central administration  |      | -48          | -37          | -91          | -71          | -148         |
| Financial income  |      | 4            | 0            | 6            | 1            | 1            |
| Financial expenses  |      | -206         | -198         | -413         | -385         | -804         |
| Financial cost right of use assets  | 2    | -21          | —            | -40          | —            | —            |
| <b>Profit before changes in value</b>   |      | <b>598</b>   | <b>558</b>   | <b>962</b>   | <b>893</b>   | <b>1,943</b> |
| <i>Changes in value</i>   |      |              |              |              |              |              |
| Properties, unrealised  | 3    | 509          | 297          | 640          | 445          | 1,428        |
| Properties, realised  | 3    | 1            | 13           | 1            | 27           | 67           |
| Derivatives, unrealised   |      | -133         | -24          | -272         | 59           | 25           |
| <b>Profit before tax</b>  |      | <b>975</b>   | <b>844</b>   | <b>1,331</b> | <b>1,424</b> | <b>3,463</b> |
| Current tax   |      | -75          | -60          | -121         | -97          | -216         |
| Deferred tax  |      | -140         | -21          | -43          | -112         | -424         |
| <b>Profit for the period</b>  |      | <b>760</b>   | <b>763</b>   | <b>1,167</b> | <b>1,215</b> | <b>2,823</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>   |      | —            | —            | —            | 117          | 117          |
| Tax attributable to items that may not be classified to profit or loss                                  |      | —            | —            | —            | -35          | -35          |
|   |      | —            | —            | —            | 82           | 82           |
| <i>Items that may be classified to profit or loss</i>   |      |              |              |              |              |              |
| Net investment hedge of foreign operations  |      | -216         | 4            | 179          | 192          | 67           |
| Translation differences realisation of foreign operations   |      | 351          | 130          | 316          | 588          | 316          |
|   |      | 135          | 134          | 495          | 780          | 383          |
| <b>Other comprehensive income for the period</b>  |      | <b>135</b>   | <b>134</b>   | <b>495</b>   | <b>862</b>   | <b>465</b>   |
| <b>Total comprehensive income for the period</b>  |      | <b>895</b>   | <b>897</b>   | <b>1,662</b> | <b>2,077</b> | <b>3,288</b> |
| Profit for the period attributable to the shareholders of the parent company                            |      | 759          | 760          | 1,166        | 1,210        | 2,820        |
| Profit for the period attributable to non-controlling interests   |      | 1            | 3            | 1            | 5            | 3            |
| <b>Total comprehensive income for the period attributable to the shareholders of the parent company</b> |      | <b>892</b>   | <b>892</b>   | <b>1,657</b> | <b>2,062</b> | <b>3,278</b> |
| Total comprehensive income for the period attributable to non-controlling interests                     |      | 3            | 5            | 5            | 15           | 10           |
| <b>Earnings per share, before and after dilution, SEK</b>   |      | <b>4.53</b>  | <b>4.53</b>  | <b>6.96</b>  | <b>7.22</b>  | <b>16.83</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 | 2019<br>30 Jun | 2018<br>30 Jun | 2018<br>31 Dec |
|--|------|----------------|----------------|----------------|
| <b>ASSETS</b>  |      |                |                |                |
| <b>Non-current assets</b>                                      |      |                |                |                |
| Operating properties   |      | 5,492          | 4,920          | 5,326          |
| Equipment and interiors  |      | 505            | 411            | 484            |
| Investment properties  |      | 48,546         | 45,458         | 47,139         |
| Right-of-use assets  | 2    | 2,784          | —              | —              |
| Deferred tax assets  |      | 540            | 561            | 465            |
| Derivatives <sup>1)</sup>                                      |      | 41             | 15             | 12             |
| Other non-current receivables                                  |      | 34             | 21             | 31             |
| <b>Total non-current assets</b>                                |      | <b>57,942</b>  | <b>51,386</b>  | <b>53,457</b>  |
| <b>Current assets</b>  |      |                |                |                |
| Inventories  |      | 11             | 10             | 10             |
| Current tax assets   |      | 50             | 41             | 29             |
| Trade account receivables                                      |      | 332            | 204            | 326            |
| Prepaid expenses and accrued income                            |      | 229            | 269            | 305            |
| Other current receivables                                      |      | 90             | 285            | 215            |
| Cash and cash equivalents                                      |      | 450            | 678            | 674            |
| Assets held for sale   | 4    | 480            | 1,733          | —              |
| <b>Total current assets</b>                                    |      | <b>1,642</b>   | <b>3,220</b>   | <b>1,559</b>   |
| <b>Total assets</b>  |      | <b>59,584</b>  | <b>54,606</b>  | <b>55,016</b>  |
| <b>EQUITY AND LIABILITIES</b>                                  |      |                |                |                |
| <b>Equity</b>  |      |                |                |                |
| Share capital  |      | 419            | 419            | 419            |
| Other paid-in capital  |      | 4,556          | 4,556          | 4,556          |
| Reserves   |      | 706            | 609            | 215            |
| Retained earnings, including profit for the period             |      | 16,567         | 14,587         | 16,188         |
| <b>Equity attributable to the owners of the Parent Company</b> |      | <b>22,248</b>  | <b>20,171</b>  | <b>21,378</b>  |
| Non-controlling interests                                      |      | 165            | 176            | 160            |
| <b>Sum equity</b>  |      | <b>22,413</b>  | <b>20,347</b>  | <b>21,538</b>  |
| <b>LIABILITIES</b>   |      |                |                |                |
| <b>Non-current liabilities</b>                                 |      |                |                |                |
| Interest-bearing liabilities <sup>2)3)</sup>                   |      | 19,421         | 25,737         | 19,469         |
| Other non-current liabilities                                  |      | 18             | 180            | 18             |
| Long-term lease liability                                      | 2    | 2,765          | —              | —              |
| Derivatives <sup>1)</sup>                                      |      | 851            | 518            | 550            |
| Provisions   |      | 119            | 117            | 100            |
| Deferred tax liability   |      | 3,633          | 3,237          | 3,430          |
| <b>Total non-current liabilities</b>                           |      | <b>26,807</b>  | <b>29,789</b>  | <b>23,567</b>  |
| <b>Current liabilities</b>                                     |      |                |                |                |
| Provisions   |      | 0              | 27             | 1              |
| Interest-bearing liabilities <sup>2)3)</sup>                   |      | 9,120          | 1,714          | 8,448          |
| Short-term lease liability                                     | 2    | 19             | —              | —              |
| Tax liabilities  |      | 169            | 139            | 109            |
| Trade accounts payable   |      | 260            | 226            | 286            |
| Other current liabilities                                      |      | 182            | 477            | 411            |
| Accrued expenses and prepaid income                            |      | 614            | 440            | 656            |
| Debt related to assets held for sale                           | 4    | 0              | 1,447          | —              |
| <b>Total current liabilities</b>                               |      | <b>10,364</b>  | <b>4,470</b>   | <b>9,911</b>   |
| <b>Total liabilities</b>                                       |      | <b>37,171</b>  | <b>34,259</b>  | <b>33,478</b>  |
| <b>Total equity and liabilities</b>                            |      | <b>59,584</b>  | <b>54,606</b>  | <b>55,016</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 157 (71) have reduced interest-bearing liabilities for Q2.

## 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>3)</sup> | Retained earnings, incl profit for the period |        |                           |              |
| Opening balance equity January 1, 2018                        | 419  | 4,557                 | -330                 | 87                                | 14,112  | 18,845 | 182                       | 19,027       |
| Profit for the period Q1-2                                    | —  | —                     | —                    | —                                 | 1,210   | 1,210  | 5                         | 1,215        |
| Other comprehensive income Q1-2                               | —  | —                     | 770                  | 82                                | —   | 852    | 10                        | 862          |
| New share issue <sup>1)</sup>                                 | —  | -1                    | —                    | —                                 | —   | -1     | —                         | -1           |
| Transactions regarding non-controlling interest <sup>2)</sup> | —  | —                     | —                    | —                                 | 2   | 2      | -21                       | -19          |
| Dividend April 2018   | —  | —                     | —                    | —                                 | -737  | -737   | —                         | -737         |
| Closing balance equity June 30, 2018                          | 419  | 4,556                 | 440                  | 169                               | 14,587  | 20,171 | 176                       | 20,347       |
| Profit for the period Q3-4 2018                               | —  | —                     | —                    | —                                 | 1,610   | 1,610  | -2                        | 1,608        |
| Other comprehensive income Q3-4 2018                          | —  | —                     | -394                 | —                                 | —   | -394   | -3                        | -397         |
| Transactions regarding non-controlling interest <sup>2)</sup> | —  | —                     | —                    | —                                 | -9  | -9     | -11                       | -20          |
| Closing balance equity December 31, 2018                      | 419  | 4,556                 | 46                   | 169                               | 16,188  | 21,378 | 160                       | 21,538       |
| Opening balance equity January 1, 2019                        | 419  | 4,556                 | 46                   | 169                               | 16,188  | 21,378 | 160                       | 21,538       |
| Profit for the period Q1-2                                    | —  | —                     | —                    | —                                 | 1,166   | 1,166  | 1                         | 1,167        |
| Other comprehensive income Q1-2                               | —  | —                     | 491                  | —                                 | —   | 491    | 4                         | 495          |
| Dividend  | —  | —                     | —                    | —                                 | -787  | -787   | —                         | -787         |
| Closing balance equity June 30, 2019                          | 419  | 4,556                 | 537                  | 169                               | 16,567  | 22,248 | 165                       | 22,413       |

<sup>1)</sup> New share issue amount represents transaction costs of MSEK 1, 2018.

<sup>2)</sup> Acquisition of non-controlling interest regarding Austria and Germany and guaranteed minority dividend.

<sup>3)</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 2 |        | Jan-Jun |        | FY     |
|---|-----------|--------|---------|--------|--------|
|   | 2019      | 2018   | 2019    | 2018   | 2018   |
| <b>OPERATING ACTIVITIES</b>   |           |        |         |        |        |
| Profit before tax   | 975       | 844    | 1,331   | 1,424  | 3,463  |
| Reversal of depreciation  | 46        | 38     | 92      | 77     | 163    |
| Changes in value, Investment properties, realised                     | —         | -13    | —       | -27    | -66    |
| Changes in value, Investment properties, unrealised                   | -509      | -297   | -640    | -445   | -1,429 |
| Changes in value, derivatives, unrealised                             | 133       | 24     | 272     | -59    | -24    |
| Other items not included in the cash flow                             | -12       | -10    | -14     | 22     | 46     |
| Taxes paid  | -43       | -19    | -86     | -41    | -178   |
| Cash flow from operating activities before changes in working capital | 590       | 567    | 955     | 951    | 1,975  |
| Increase/decrease in operating assets                                 | -34       | -274   | 222     | -275   | -243   |
| Increase/decrease in operating liabilities                            | -272      | 178    | -154    | 169    | -22    |
| Change in working capital   | -306      | -96    | 68      | -106   | -265   |
| Cash flow from operating activities                                   | 284       | 471    | 1,023   | 845    | 1,710  |
| <b>INVESTING ACTIVITIES</b>   |           |        |         |        |        |
| Acquisition of non-controlling interest                               | —         | -28    | —       | -28    | -29    |
| Investments in properties and fixed assets                            | -175      | -122   | -318    | -293   | -720   |
| Divestment of hotel properties, net effect on liquidity               | —         | —      | —       | —      | 286    |
| Acquisitions of hotel properties, net effect on liquidity             | -8        | -3     | -24     | -6     | -1,725 |
| Acquisitions of financial assets                                      | 0         | —      | -1      | —      | -11    |
| Divestment of financial assets  | —         | -1     | —       | 4      | 9      |
| Cash flow from investing activities                                   | -183      | -154   | -343    | -323   | -2,190 |
| <b>FINANCING ACTIVITIES</b>   |           |        |         |        |        |
| Transaction cost  | —         | —      | —       | -1     | -1     |
| New loans   | 2,987     | 1,540  | 4,885   | 1,540  | 7,164  |
| Amortisation of debt  | -2,764    | -1,149 | -4,980  | -1,645 | -6,258 |
| Guaranteed minority dividend  | —         | —      | —       | —      | -10    |
| Paid dividends  | -787      | -737   | -787    | -737   | -737   |
| Cash flow from financing  | -564      | -346   | -882    | -843   | 158    |
| Cash flow for the period  | -463      | -29    | -202    | -321   | -322   |
| Cash and cash equivalents at beginning of period                      | 923       | 708    | 674     | 999    | 999    |
| Exchange differences in cash and cash equivalents                     | -10       | -1     | -22     | 0      | -3     |
| Liquid funds end of period  | 450       | 678    | 450     | 678    | 674    |
| <b>Information regarding interest payments</b>                        |           |        |         |        |        |
| Interest received amounted to   | 0         | 0      | 0       | 1      | 1      |
| Interest paid amounted to   | -191      | -226   | -383    | -371   | -723   |
| <b>Information regarding cash and cash equivalents end of period</b>  | 450       | 678    | 450     | 678    | 674    |
| Cash and cash equivalents consist of bank deposits.                   |           |        |         |        |        |

## Condensed income statement for the parent company

| Figures in MSEK   | Quarter 2 |      | Jan-Jun |      | FY   |
|---|-----------|------|---------|------|------|
|   | 2019      | 2018 | 2019    | 2018 | 2018 |
| Net sales   | 39        | 31   | 66      | 43   | 106  |
| Administration cost   | -59       | -47  | -113    | -91  | -190 |
| Operating profit  | -20       | -16  | -47     | -48  | -84  |
| Profit from participations in Group companies                     | 1,797     | 502  | 1,797   | 756  | 760  |
| Other interest income and similar profit/loss items <sup>1)</sup> | -232      | -137 | -83     | 51   | -93  |
| Profit after financial items                                      | 1,545     | 349  | 1,667   | 759  | 583  |
| Year-end appropriations   | —         | —    | —       | —    | 145  |
| Profit before tax   | 1,545     | 349  | 1,667   | 759  | 728  |
| Current tax   | 34        | 13   | —       | 6    | —    |
| Deferred tax  | 20        | 16   | 27      | -9   | 6    |
| Profit for the period   | 1,599     | 378  | 1,694   | 756  | 734  |

<sup>1)</sup> Of which MSEK -46 (-14) refers to unrealised value changes on interest derivatives in Q2.

## Condensed balance sheet for the parent company

| Figures in MSEK               | 2019   | 2018   | 2018   |
|-------------------------------|--------|--------|--------|
|                               | 30 Jun | 30 Jun | 31 Dec |
| <b>ASSETS</b>                 |        |        |        |
| Non-current assets            | 17,642 | 17,492 | 17,266 |
| Current assets                | 32     | 112    | 130    |
| Total assets                  | 17,674 | 17,604 | 17,396 |
| <b>EQUITY AND LIABILITIES</b> |        |        |        |
| Equity                        | 5,458  | 4,603  | 4,553  |
| Provisions                    | 119    | 90     | 100    |
| Non-current liabilities       | 3,998  | 6,921  | 4,727  |
| Current liabilities           | 8,099  | 5,990  | 8,016  |
| Total equity and liabilities  | 17,674 | 17,604 | 17,396 |

## Reconciliation alternative performance measurements

| Per share, figures in SEK <sup>1)</sup>  | Quarter 2   |             | Jan-Jun     |             | FY          |
|--|-------------|-------------|-------------|-------------|-------------|
|  | 2019        | 2018        | 2019        | 2018        | 2018        |
| Total comprehensive income per share, SEK  |             |             |             |             |             |
| Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK | 892         | 892         | 1,657       | 2,062       | 3,278       |
| Weighted average number of share, before and after dilution  | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 |
| Total comprehensive income per share, SEK  | 5.32        | 5.33        | 9.89        | 12.31       | 19.57       |
| Cash earnings per share, SEK   |             |             |             |             |             |
| Cash earnings attr.to the shareholders of the parent company, MSEK                                     | 564         | 533         | 927         | 868         | 1,887       |
| Weighted average number of share, before and after dilution  | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 |
| Cash earnings per share, SEK   | 3.37        | 3.19        | 5.53        | 5.18        | 11.26       |
| Net asset value (EPRA NAV) per share, SEK  |             |             |             |             |             |
| EPRA NAV (net asset value), MSEK   | —           | —           | 29,117      | 25,789      | 27,476      |
| Number of shares at the end of the period  | —           | —           | 167,499,999 | 167,499,999 | 167,499,999 |
| Net asset value (EPRA NAV) per share, SEK  | —           | —           | 173.83      | 153.97      | 164.04      |
| Dividend per share, SEK  |             |             |             |             |             |
| Dividend, MSEK   | —           | —           | —           | —           | 787         |
| Number of shares at dividend   | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 |
| Dividend per share, SEK <sup>3)</sup>  | —           | —           | —           | —           | 4.70        |
| Weighted average number of shares outstanding, before and after dilution                               | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 | 167,499,999 |
| Number of shares at end of period  | 167,499,999 | 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         | 144         |
| Number of rooms, end of period <sup>2)</sup>   | —           | —           | 32,281      | 31,656      | 32,268      |
| WAULT, years   | —           | —           | 15.5        | 15.3        | 15.7        |
| Market value properties, MSEK  | —           | —           | 57,618      | 53,064      | 55,197      |
| Market value Investment properties   | —           | —           | 49,026      | 45,744      | 47,139      |
| Market value Operating properties  | —           | —           | 8,592       | 7,320       | 8,058       |
| RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK                    | 1,034       | 926         | 890         | 805         | 865         |

<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 actual dividend is indicated.

## Reconciliation alt. performance measurements

| Figures in MSEK   | Quarter 2  |            | Jan-Jun       |               | FY            |
|---|------------|------------|---------------|---------------|---------------|
|   | 2019       | 2018       | 2019          | 2018          | 2018          |
| <b>Net interest-bearing debt</b>                                    |            |            |               |               |               |
| Non-current interest-bearing liabilities                            | —          | —          | 19,421        | 25,737        | 19,469        |
| Current interest-bearing liabilities                                | —          | —          | 9,120         | 1,714         | 8,448         |
| Arrangement fee for loans   | —          | —          | 157           | 71            | 178           |
| Cash and cash equivalents   | —          | —          | -450          | -678          | -674          |
| <b>Net interest-bearing debt</b>                                    | —          | —          | <b>28,248</b> | <b>26,844</b> | <b>27,421</b> |
| <b>Loan to value net, %</b>   |            |            |               |               |               |
| Net interest-bearing debt   | —          | —          | 28,248        | 26,844        | 27,421        |
| Market value properties   | —          | —          | 57,618        | 53,064        | 55,197        |
| <b>Loan to value net, %</b>   | —          | —          | <b>49.0</b>   | <b>50.6</b>   | <b>49.7</b>   |
| <b>Interest cover ratio, times</b>                                  |            |            |               |               |               |
| Profit before changes in value                                      | 598        | 558        | 962           | 893           | 1,943         |
| Interest expenses   | 190        | 185        | 371           | 360           | 746           |
| Depreciation  | 47         | 38         | 94            | 77            | 163           |
| <b>Interest cover ratio, times</b>                                  | <b>4.4</b> | <b>4.2</b> | <b>3.8</b>    | <b>3.7</b>    | <b>3.8</b>    |
| <b>Average interest on debt end of period, %</b>                    |            |            |               |               |               |
| Average interest expenses   | —          | —          | 742           | 741           | 725           |
| Non-current interest-bearing liabilities                            | —          | —          | 19,421        | 25,737        | 19,469        |
| Arrangement fee for loans   | —          | —          | 157           | 71            | 178           |
| Current interest-bearing liabilities                                | —          | —          | 9,120         | 1,714         | 8,448         |
| <b>Average interest on debt, end of period, %</b>                   | —          | —          | <b>2.6</b>    | <b>2.7</b>    | <b>2.6</b>    |
| <i>See page 7-8 for a complete reconciliation</i>                   |            |            |               |               |               |
| <b>Investments, incl. parent company excl. acquisitions</b>         | <b>175</b> | <b>122</b> | <b>318</b>    | <b>293</b>    | <b>720</b>    |
| <b>Net operating income, Property Management</b>                    |            |            |               |               |               |
| Rental income   | 772        | 739        | 1,413         | 1,339         | 2,809         |
| Other property income   | 11         | 52         | 55            | 73            | 162           |
| Costs, excl. property administration                                | -46        | -105       | -121          | -173          | -338          |
| <b>Net operating income, before property administration</b>         | <b>737</b> | <b>686</b> | <b>1,347</b>  | <b>1,239</b>  | <b>2,633</b>  |
| Property administration   | -33        | -22        | -60           | -47           | -116          |
| <b>Net operating income, Property Management</b>                    | <b>704</b> | <b>664</b> | <b>1,287</b>  | <b>1,192</b>  | <b>2,517</b>  |
| <b>Net operating income, Operator Activities</b>                    |            |            |               |               |               |
| Revenues Operator Activities  | 673        | 565        | 1,179         | 996           | 2,153         |
| Costs Operator Activities   | -508       | -436       | -966          | -840          | -1,776        |
| <b>Gross profit</b>   | <b>165</b> | <b>129</b> | <b>213</b>    | <b>156</b>    | <b>377</b>    |
| Plus: Depreciation included in costs                                | 47         | 38         | 94            | 77            | 163           |
| <b>Net operating income, Operator Activities</b>                    | <b>212</b> | <b>167</b> | <b>307</b>    | <b>233</b>    | <b>540</b>    |
| <b>EBITDA</b>   |            |            |               |               |               |
| Gross profit from respective operating segment                      | 869        | 793        | 1,500         | 1,348         | 2,894         |
| Plus: Depreciation included in costs Operator Activities            | 47         | 38         | 94            | 77            | 163           |
| Less: Central administration, excluding depreciation                | -48        | -37        | -92           | -71           | -148          |
| <b>EBITDA</b>   | <b>868</b> | <b>794</b> | <b>1,502</b>  | <b>1,354</b>  | <b>2,909</b>  |
| <b>Cash earnings</b>  |            |            |               |               |               |
| EBITDA  | 868        | 794        | 1,502         | 1,354         | 2,909         |
| Plus: Financial income  | 4          | 0          | 6             | 1             | 1             |
| Less: Financial expense   | -206       | -198       | -413          | -385          | -804          |
| Less: Financial cost for right-of-use assets                        | -21        | —          | -40           | —             | —             |
| Less: Translation gain on bank deposits                             | -4         | 1          | -6            | —             | —             |
| Less: Current tax   | -75        | -60        | -121          | -97           | -216          |
| <b>Cash earnings</b>  | <b>565</b> | <b>537</b> | <b>928</b>    | <b>873</b>    | <b>1,890</b>  |
| <b>EPRA NAV</b>   |            |            |               |               |               |
| Equity attr. to the shareholders of the parent company              | —          | —          | 22,248        | 20,171        | 21,378        |
| Plus: Revaluation of Operating Properties                           | —          | —          | 2,599         | 1,989         | 2,249         |
| Plus: Fair value of financial derivatives                           | —          | —          | 810           | 503           | 538           |
| Less: Deferred tax assets related to derivatives                    | —          | —          | -173          | -111          | -118          |
| Plus: Deferred tax liabilities                                      | —          | —          | 3,633         | 3,237         | 3,430         |
| <b>EPRA NAV</b>   | —          | —          | <b>29,117</b> | <b>25,789</b> | <b>27,476</b> |
| <b>Growth in EPRA NAV, annual rate, %</b>                           |            |            |               |               |               |
| EPRA NAV attributable to the shareholders of the parent company, OB | —          | —          | 25,789        | 20,877        | 24,211        |
| EPRA NAV attributable to the shareholders of the parent company, CB | —          | —          | 29,117        | 25,789        | 27,476        |
| Dividend added back, current year                                   | —          | —          | 787           | 737           | 737           |
| Excluding proceeds from new share issue                             | —          | —          | —             | -1,462        | 0             |
| <b>Growth in EPRA NAV, annual rate, %</b>                           | —          | —          | <b>16.0</b>   | <b>20.1</b>   | <b>16.5</b>   |

## 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 26.

## 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, 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. 30-50 percent of cash earnings with an average payout ratio of approximately 40 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                                  | 2019         |              | 2018         |              |              |              | 2017         |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | Q2           | Q1           | Q4           | Q3           | Q2           | Q1           | Q4           | Q3           |
| Revenue Property Management                      |              |              |              |              |              |              |              |              |
| Rental income                                    | 772          | 641          | 704          | 766          | 739          | 600          | 549          | 569          |
| Other property income                            | 11           | 44           | 45           | 44           | 52           | 21           | 22           | 20           |
| Revenue Operator Activities                      | 673          | 506          | 626          | 531          | 565          | 431          | 528          | 463          |
| <b>Total revenues</b>                            | <b>1,456</b> | <b>1,191</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> |
| Costs Property Management                        | -79          | -102         | -122         | -112         | -127         | -93          | -82          | -78          |
| Costs Operator Activities                        | -508         | -458         | -507         | -429         | -436         | -404         | -429         | -373         |
| <b>Gross profit</b>                              | <b>869</b>   | <b>631</b>   | <b>746</b>   | <b>800</b>   | <b>793</b>   | <b>555</b>   | <b>589</b>   | <b>601</b>   |
| Central administration                           | -48          | -43          | -43          | -34          | -37          | -34          | -37          | -30          |
| Financial net                                    | -202         | -205         | -214         | -205         | -198         | -186         | -126         | -132         |
| Financial cost for right-of-use assets           | -21          | -19          | —            | —            | —            | —            | —            | —            |
| <b>Profit before value changes</b>               | <b>598</b>   | <b>364</b>   | <b>489</b>   | <b>561</b>   | <b>558</b>   | <b>335</b>   | <b>426</b>   | <b>439</b>   |
| Changes in value                                 |              |              |              |              |              |              |              |              |
| Properties, unrealised                           | 509          | 131          | 607          | 376          | 297          | 148          | 490          | 194          |
| Properties, realised                             | 1            | —            | 27           | 13           | 13           | 14           | 289          | —            |
| Derivatives, unrealised                          | -133         | -139         | -147         | 113          | -24          | 83           | 7            | 18           |
| <b>Profit before tax</b>                         | <b>975</b>   | <b>356</b>   | <b>976</b>   | <b>1,063</b> | <b>844</b>   | <b>580</b>   | <b>1,212</b> | <b>651</b>   |
| Current tax                                      | -75          | -46          | -55          | -64          | -60          | -37          | 11           | -16          |
| Deferred tax                                     | -140         | 97           | -146         | -166         | -21          | -91          | -40          | -84          |
| <b>Profit for the period</b>                     | <b>760</b>   | <b>407</b>   | <b>775</b>   | <b>833</b>   | <b>763</b>   | <b>452</b>   | <b>1,183</b> | <b>551</b>   |
| Other comprehensive income                       | 135          | 360          | -177         | -220         | 134          | 728          | -196         | -1           |
| <b>Total comprehensive income for the period</b> | <b>895</b>   | <b>767</b>   | <b>598</b>   | <b>613</b>   | <b>897</b>   | <b>1,180</b> | <b>986</b>   | <b>550</b>   |

### Condensed consolidated statement of financial position

| Figures in MSEK                         | 2019          |               | 2018          |               |               |               | 2017          |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 30 Jun        | 31 Mar        | 31 Dec        | 30 Sep        | 30 Jun        | 31 Mar        | 31 Dec        | 30 Sep        |
| <b>ASSETS</b>                           |               |               |               |               |               |               |               |               |
| Properties incl equipment and interiors | 54,543        | 54,371        | 52,949        | 50,855        | 50,789        | 49,944        | 48,217        | 39,202        |
| Right of use assets                     | 2,784         | 2,738         | —             | —             | —             | —             | —             | —             |
| Other non-current receivables           | 75            | 50            | 43            | 91            | 36            | 59            | 37            | 51            |
| Deferred tax assets                     | 540           | 539           | 465           | 520           | 561           | 469           | 613           | 665           |
| Current assets                          | 1,192         | 657           | 885           | 1,105         | 2,542         | 2,262         | 1,871         | 772           |
| Cash and cash equivalents               | 450           | 923           | 674           | 923           | 678           | 708           | 999           | 484           |
| <b>Total assets</b>                     | <b>59,584</b> | <b>59,278</b> | <b>55,016</b> | <b>53,494</b> | <b>54,606</b> | <b>53,442</b> | <b>51,737</b> | <b>41,174</b> |
| <b>EQUITY AND LIABILITIES</b>           |               |               |               |               |               |               |               |               |
| Equity                                  | 22,413        | 22,305        | 21,538        | 20,950        | 20,347        | 20,206        | 19,027        | 16,586        |
| Deferred tax liability                  | 3,633         | 3,544         | 3,430         | 3,316         | 3,237         | 3,153         | 3,026         | 2,911         |
| Interest-bearing liabilities            | 28,541        | 28,266        | 27,917        | 27,461        | 27,451        | 26,792        | 26,298        | 20,034        |
| Leasing liabilities                     | 2,784         | 2,738         | —             | —             | —             | —             | —             | —             |
| Non interest-bearing liabilities        | 2,213         | 2,425         | 2,131         | 1,767         | 3,571         | 3,292         | 3,386         | 1,643         |
| <b>Total equity and liabilities</b>     | <b>59,584</b> | <b>59,278</b> | <b>55,016</b> | <b>53,494</b> | <b>54,606</b> | <b>53,442</b> | <b>51,737</b> | <b>41,174</b> |

### Key ratios

| Figures in MSEK   | 2019 |      | 2018 |      |      |      | 2017 |      |
|---|------|------|------|------|------|------|------|------|
|   | Q2   | Q1   | Q4   | Q3   | Q2   | Q1   | Q4   | Q3   |
| NOI, Property Management  | 704  | 583  | 627  | 698  | 664  | 528  | 490  | 511  |
| NOI, Operator Activities  | 212  | 95   | 165  | 142  | 167  | 66   | 144  | 129  |
| EBITDA  | 868  | 634  | 749  | 806  | 794  | 560  | 597  | 610  |
| Earnings per share before and after dilution, SEK                                 | 4.53 | 2.43 | 4.63 | 4.98 | 4.53 | 2.69 | 7.47 | 3.47 |
| Cash earnings   | 565  | 362  | 480  | 537  | 536  | 336  | 482  | 462  |
| Cash earnings per share before and after dilution, SEK                            | 3.37 | 2.16 | 2.88 | 3.20 | 3.18 | 2.00 | 3.06 | 2.91 |
| RevPAR growth (Operator Activities) for comparable units and constant currency, % | 12   | 9    | 12   | 6    | 4    | 4    | 11   | 12   |

|                                  | 2019   |        | 2018   |        |        |        | 2017   |        |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
|                                  | 30 Jun | 31 Mar | 31 Dec | 30 Sep | 30 Jun | 31 Mar | 31 Dec | 30 Sep |
| Net interest-bearing debt, MSEK  | 28,248 | 27,513 | 27,421 | 26,590 | 26,844 | 26,151 | 25,474 | 19,550 |
| Loan to value, %                 | 49.0   | 48.5   | 49.7   | 49.9   | 50.6   | 50.2   | 50.8   | 47.7   |
| Interest coverage ratio, times   | 4.4    | 3.3    | 3.8    | 4.1    | 4.2    | 3.1    | 4.5    | 4.9    |
| Market value properties, MSEK    | 57,618 | 56,713 | 55,197 | 53,281 | 53,064 | 52,120 | 50,121 | 40,951 |
| EPRA NAV per share, SEK          | 173.83 | 170.52 | 164.04 | 158.44 | 153.97 | 151.81 | 144.54 | 136.47 |
| WAULT (Property Management), yrs | 15.5   | 15.8   | 15.7   | 15.3   | 15.3   | 15.6   | 15.6   | 13.8   |

# Portfolio overview

At the end of the period Pandox's property portfolio consisted of 144 (144) hotel properties with 32,281 (32,268) hotel rooms in fifteen countries, including the sub-markets England, Scotland, Wales and Northern Ireland.

Pandox's main geographical focus is Northern Europe. Sweden (26 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 (18 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 30 June 2019 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.5 years (15.7).

## Portfolio overview by segment and geography

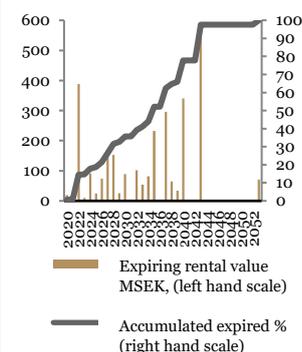
| Property Management            | Number     |               | Market value (MSEK) |               |            |
|--------------------------------|------------|---------------|---------------------|---------------|------------|
|                                | Hotels     | Rooms         | Per country         | In % of total | Per room   |
| Sweden                         | 43         | 8,885         | 15,151              | 26            | 1.7        |
| Germany                        | 22         | 4,463         | 7,706               | 13            | 1.7        |
| UK                             | 19         | 4,675         | 9,202               | 16            | 2.0        |
| Finland                        | 13         | 2,921         | 4,065               | 7             | 1.4        |
| Norway                         | 14         | 2,535         | 3,481               | 6             | 1.4        |
| Denmark                        | 8          | 1,845         | 3,707               | 6             | 2.0        |
| Austria                        | 2          | 639           | 1,462               | 3             | 2.3        |
| Belgium                        | 2          | 519           | 882                 | 2             | 1.7        |
| Ireland                        | 3          | 445           | 1,541               | 3             | 3.5        |
| Switzerland                    | 1          | 206           | 713                 | 1             | 3.5        |
| Netherlands                    | 1          | 189           | 1,116               | 2             | 5.9        |
| <b>Sum Property Management</b> | <b>128</b> | <b>27,322</b> | <b>49,026</b>       | <b>85</b>     | <b>1.8</b> |
| <b>Operator Activities</b>     |            |               |                     |               |            |
| Belgium                        | 7          | 1,955         | 3,625               | 6             | 1.9        |
| Germany                        | 4          | 1,285         | 2,617               | 5             | 2.0        |
| Canada                         | 2          | 952           | 1,407               | 2             | 1.5        |
| UK                             | 2          | 611           | 922                 | 2             | 1.5        |
| Finland                        | 1          | 156           | 21                  | 0             | 0.1        |
| <b>Sum Operator Activities</b> | <b>16</b>  | <b>4,959</b>  | <b>8,592</b>        | <b>15</b>     | <b>1.7</b> |
| <b>Sum total</b>               | <b>144</b> | <b>32,281</b> | <b>57,618</b>       | <b>100</b>    | <b>1.8</b> |

Note: Including the acquisition of three hotel properties in Germany, which was completed 1 July 2019, Pandox owns 147 hotel properties with a total of 32,846 rooms.

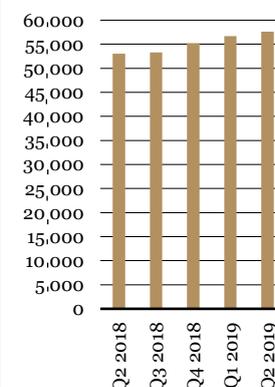
## Portfolio overview by brand

| Brand                | Number     |               | In % of total |
|----------------------|------------|---------------|---------------|
|                      | Hotels     | Rooms         |               |
| Scandic              | 50         | 10,891        | 34            |
| Jurys Inn            | 20         | 4,410         | 14            |
| Leonardo             | 18         | 3,547         | 11            |
| Hilton               | 8          | 2,582         | 8             |
| Radisson Blu         | 8          | 2,033         | 6             |
| Nordic Choice Hotels | 11         | 1,800         | 6             |
| NH                   | 7          | 1,681         | 5             |
| Crowne Plaza         | 2          | 616           | 2             |
| Elite Hotels         | 2          | 493           | 2             |
| Holiday Inn          | 2          | 469           | 1             |
| First Hotels         | 2          | 403           | 1             |
| InterContinental     | 1          | 357           | 1             |
| Meininger            | 1          | 228           | 1             |
| Best Western         | 1          | 103           | 0             |
| Independent brands   | 11         | 2,668         | 8             |
| <b>Total</b>         | <b>144</b> | <b>32,281</b> | <b>100</b>    |

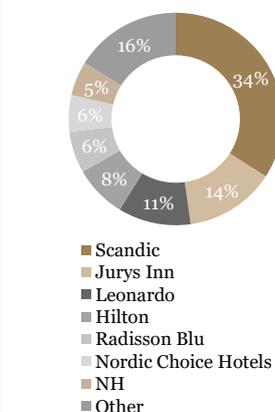
## Lease maturity profile (30 June 2019)



## Market value properties per quarter, MSEK



## Rooms per operator/brand (30 June 2019)



# 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 1–24 and pages 25–27 are thus an integrated part of this financial report.

The accounting principles applied are consistent with those described in Pandox's 2018 Annual Report.

Pandox is applying IFRS 16 prospectively as of 1 January 2019.

## Note 2 Transition to IFRS 16 Leases

Pandox is applying IFRS 16 prospectively as of 1 January 2019. The effects of the transition as of 1 January 2019 are presented in the 2018 Annual Report.

Pandox's lease commitments consist of site leaseholds or other leased land, premises and vehicles. In total these undiscounted commitments amount to MSEK 2,784 based on agreements currently in effect. MSEK 2,602 of these commitments relate to land (site leaseholds or other leased land).

In Sweden site leaseholds were introduced and are still used as a supplement to ownership of a property. Only the national and municipal authorities in Sweden have the right to grant site leaseholds. The holder of a site leasehold has the right to use the land for a very long time, which is sometimes described by municipalities as "essentially infinite". Accordingly, the discounted value of site leasehold rents in Sweden is to be recognised, according to IFRS 16, as an infinite right-of-use asset and a lease liability in the balance sheet. The site leasehold rent paid is recognised in full as a financial expense where in the past it was recognised as an operating cost.

Pandox has site leaseholds or other land leases in countries other than Sweden. These leases are structured differently, but are normally extended. Other clauses exist to ensure that the land can be used after the lease ends or that compensation is paid for the hotel property built on the land in question. In Pandox's experience these leases are normally extended and, accordingly, the leases are expected to be extended and treated in the same way as Swedish site leaseholds.

Premises (mainly Pandox's offices and a few floors rented in The Hotel Brussels) and vehicles (company cars) are recognised at a discounted value in the balance sheet as right-of-use assets and lease liabilities. In the income statement right-of-use assets are depreciated over the term of the lease and payments to the landlord/lessor are recognised as instalments on the lease liability and as interest expense in the income statement.

In connection with the transition to IFRS 16 Pandox has decided to include three new items in the balance sheet: right-of-use assets, long-term lease liabilities and short-term lease liabilities. In the income statement the financial component is recognised net as a financial item in a new line "Financial cost for right-of-use assets". To calculate right-of-use assets and lease liabilities Pandox uses an estimated financing expense in local currencies based on when the various leases mature.

In addition to the effects of the transition to IFRS 16 described above, its introduction also affects performance measures. The definitions of interest-bearing net debt and cash earnings have been adjusted for clarity as of 1 January 2019 for comparability with earlier periods.

On the following page, tables are presented which describe the difference in result and financial position when IFRS 16 is applied and when not applied.

| Condensed consolidated statement of comprehensive income | Jan-Jun 2019 |              | Effect IFRS 16 |
|--|--------------|--------------|----------------|
|  | IFRS 16      | Ex IFRS 16   |                |
| <b>Figures in MSEK</b>                                   |              |              |                |
| Revenues   | 2,647        | 2,647        | —              |
| Costs  | -1,147       | -1,185       | 38             |
| <b>Gross profit</b>                                      | <b>1,500</b> | <b>1,462</b> | <b>38</b>      |
| Central administration                                   | -91          | -92          | 1              |
| Financial income / expenses                              | -447         | -407         | -40            |
| <b>Profit before changes in value</b>                    | <b>962</b>   | <b>963</b>   | <b>-1</b>      |
| Changes in value   | 369          | 369          | 0              |
| <b>Profit before tax</b>                                 | <b>1,331</b> | <b>1,332</b> | <b>-1</b>      |
| Current tax  | -164         | -164         | 0              |
| <b>Profit for the period</b>                             | <b>1,167</b> | <b>1,167</b> | <b>-1</b>      |
| Other comprehensive income for the period                | 495          | 495          | —              |
| <b>Total comprehensive income for the period</b>         | <b>1,662</b> | <b>1,662</b> | <b>-1</b>      |

| Condensed consolidated statement of financial position | 30 Jun 2019   |               | Effect IFRS 16 |
|--|---------------|---------------|----------------|
|  | IFRS 16       | Ex IFRS 16    |                |
| <b>Figures in MSEK</b>                                 |               |               |                |
| <b>ASSETS</b>  |               |               |                |
| Non-current assets                                     | 57,942        | 55,158        | 2,784          |
| Current assets   | 1,642         | 1,642         | —              |
| <b>Total assets</b>                                    | <b>59,584</b> | <b>56,800</b> | <b>2,784</b>   |
| <b>EQUITY</b>  |               |               |                |
| Equity   | 22,413        | 22,413        | 0              |
| <b>LIABILITIES</b>                                     |               |               |                |
| Long-term liabilities                                  | 26,807        | 24,042        | 2,765          |
| Short-term liabilities                                 | 10,364        | 10,345        | 19             |
| <b>Total equity and liabilities</b>                    | <b>59,584</b> | <b>56,800</b> | <b>2,784</b>   |

| Reconciliation alternative performance measurements | 30 Jun 2019  |              | Effect IFRS 16 |
|---|--------------|--------------|----------------|
|   | IFRS 16      | Ex IFRS 16   |                |
| <b>Figures in MSEK</b>                              |              |              |                |
| Net operating income                                |              |              |                |
| Property Management                                 | 1,287        | 1,258        | 29             |
| Operator Activities                                 | 307          | 296          | 11             |
| <b>EBITDA</b>                                       | <b>1,502</b> | <b>1,462</b> | <b>40</b>      |

### Note 3 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, and financial cost for right-of-use assets according to IFRS 16. 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        |              |
|--|---------------------|------------|---------------------|------------|-------------------------------|-------------|--------------|--------------|
|  | Q2 2019             | Q2 2018    | Q2 2019             | Q2 2018    | Q2 2019                       | Q2 2018     | Q2 2019      | Q2 2018      |
| <b>Figures in MSEK</b>                 |                     |            |                     |            |                               |             |              |              |
| Revenue Property Management            | 783                 | 791        | —                   | —          | —                             | —           | 783          | 791          |
| Rental and other property income       | —                   | —          | 673                 | 565        | —                             | —           | 673          | 565          |
| Revenue Operator Activities            | —                   | —          | —                   | —          | —                             | —           | —            | —            |
| <b>Total revenues</b>                  | <b>783</b>          | <b>791</b> | <b>673</b>          | <b>565</b> | <b>—</b>                      | <b>—</b>    | <b>1,456</b> | <b>1,356</b> |
| Costs Property Management              | -79                 | -127       | —                   | —          | —                             | —           | -79          | -127         |
| Costs Operator Activities              | —                   | —          | -508                | -436       | —                             | —           | -508         | -436         |
| <b>Gross profit</b>                    | <b>704</b>          | <b>664</b> | <b>165</b>          | <b>129</b> | <b>—</b>                      | <b>—</b>    | <b>869</b>   | <b>793</b>   |
| Central administration                 | —                   | —          | —                   | —          | -48                           | -37         | -48          | -37          |
| Financial income                       | —                   | —          | —                   | —          | 4                             | 0           | 4            | 0            |
| Financial expenses                     | —                   | —          | —                   | —          | -206                          | -198        | -206         | -198         |
| Financial expenses right-of-use assets | —                   | —          | —                   | —          | -21                           | —           | -21          | —            |
| <b>Profit before changes in value</b>  | <b>704</b>          | <b>664</b> | <b>165</b>          | <b>129</b> | <b>-271</b>                   | <b>-235</b> | <b>598</b>   | <b>558</b>   |
| <i>Changes in value</i>                |                     |            |                     |            |                               |             |              |              |
| Properties, unrealised                 | 509                 | 297        | —                   | —          | —                             | —           | 509          | 297          |
| Properties, realised                   | 1                   | 13         | —                   | —          | —                             | —           | 1            | 13           |
| Derivatives, unrealised                | —                   | —          | —                   | —          | -133                          | -24         | -133         | -24          |
| <b>Profit before tax</b>               | <b>1,214</b>        | <b>974</b> | <b>165</b>          | <b>129</b> | <b>-404</b>                   | <b>-259</b> | <b>975</b>   | <b>844</b>   |
| Current tax                            | —                   | —          | —                   | —          | -75                           | -60         | -75          | -60          |
| Deferred tax                           | —                   | —          | —                   | —          | -140                          | -21         | -140         | -21          |
| <b>Profit for the period</b>           | <b>1,214</b>        | <b>974</b> | <b>165</b>          | <b>129</b> | <b>-619</b>                   | <b>-339</b> | <b>760</b>   | <b>763</b>   |

### Q2 2019

| Figures in MSEK  | Sweden | Denmark | Norway | Finland | Germany | Belgium | UK     | Other | Total  |
|--|--------|---------|--------|---------|---------|---------|--------|-------|--------|
| Total revenues   |        |         |        |         |         |         |        |       |        |
| - Property Management  | 236    | 62      | 58     | 79      | 126     | 15      | 155    | 52    | 783    |
| - Operator Activities  | —      | —       | —      | 12      | 143     | 288     | 73     | 157   | 673    |
| Market value properties  | 15,151 | 3,707   | 3,481  | 4,086   | 10,323  | 4,507   | 11,666 | 4,697 | 57,618 |
| Investments in properties  | 58     | 4       | 10     | 19      | 5       | 30      | 16     | 29    | 171    |
| Acquisitions of properties                                       | —      | —       | —      | —       | 0       | —       | -106   | —     | -106   |
| Realised value change properties                                 | —      | —       | —      | —       | —       | —       | —      | —     | —      |
| Book value Operating Properties                                  | —      | —       | —      | 27      | 1,524   | 2,528   | 890    | 1,025 | 5,994  |
| Total non-current assets at book value, less deferred tax assets | 22,021 | 2,094   | 2,138  | 3,572   | 8,086   | 3,228   | 11,927 | 4,335 | 57,402 |

### Q2 2018

| Figures in MSEK  | Sweden | Denmark | Norway | Finland | Germany | Belgium | UK    | Other | Total  |
|--|--------|---------|--------|---------|---------|---------|-------|-------|--------|
| Total revenues   |        |         |        |         |         |         |       |       |        |
| - Property Management  | 242    | 61      | 55     | 78      | 118     | 14      | 174   | 49    | 791    |
| - Operator Activities  | —      | —       | —      | 11      | 127     | 260     | 35    | 132   | 565    |
| Market value properties  | 14,868 | 3,589   | 3,412  | 3,884   | 9,424   | 4,106   | 9,365 | 4,416 | 53,064 |
| Investments in properties  | 50     | 6       | 9      | 5       | 19      | 21      | —     | 12    | 122    |
| Acquisitions of properties                                       | —      | —       | —      | —       | 1       | —       | 2     | 10    | 13     |
| Realised value change properties                                 | —      | —       | —      | —       | —       | —       | —     | —     | —      |
| Book value Operating Properties                                  | —      | —       | —      | 27      | 1,506   | 2,428   | 406   | 964   | 5,331  |
| Total non-current assets at book value, less deferred tax assets | 19,347 | 2,121   | 2,250  | 3,084   | 7,564   | 3,115   | 9,345 | 3,999 | 50,825 |

## Operating segments

| Operating segments                    | Property Management |              | Operator Activities |            | Group and non-allocated items |             | Total        |              |
|---------------------------------------|---------------------|--------------|---------------------|------------|-------------------------------|-------------|--------------|--------------|
|                                       | Q1-2 2019           | Q1-2 2018    | Q1-2 2019           | Q1-2 2018  | Q1-2 2019                     | Q1-2 2018   | Q1-2 2019    | Q1-2 2018    |
| <b>Figures in MSEK</b>                |                     |              |                     |            |                               |             |              |              |
| Revenue Property Management           | 1,468               | 1,412        | —                   | —          | —                             | —           | 1,468        | 1,412        |
| Rental and other property income      | —                   | —            | 1,179               | 996        | —                             | —           | 1,179        | 996          |
| Revenue Operator Activities           | —                   | —            | —                   | —          | —                             | —           | —            | —            |
| <b>Total revenues</b>                 | <b>1,468</b>        | <b>1,412</b> | <b>1,179</b>        | <b>996</b> | <b>—</b>                      | <b>—</b>    | <b>2,647</b> | <b>2,408</b> |
| Costs Property Management             | -181                | -220         | —                   | —          | —                             | —           | -181         | -220         |
| Costs Operator Activities             | —                   | —            | -966                | -840       | —                             | —           | -966         | -840         |
| <b>Gross profit</b>                   | <b>1,287</b>        | <b>1,192</b> | <b>213</b>          | <b>156</b> | <b>—</b>                      | <b>—</b>    | <b>1,500</b> | <b>1,348</b> |
| Central administration                | —                   | —            | —                   | —          | -91                           | -71         | -91          | -71          |
| Financial income                      | —                   | —            | —                   | —          | 6                             | 1           | 6            | 1            |
| Financial expenses                    | —                   | —            | —                   | —          | -413                          | -385        | -413         | -385         |
| Financial cost right-of-use assets    | —                   | —            | —                   | —          | -40                           | —           | -40          | —            |
| <b>Profit before changes in value</b> | <b>1,287</b>        | <b>1,192</b> | <b>213</b>          | <b>156</b> | <b>-538</b>                   | <b>-455</b> | <b>962</b>   | <b>893</b>   |
| <i>Changes in value</i>               |                     |              |                     |            |                               |             |              |              |
| Properties, unrealised                | 640                 | 445          | —                   | —          | —                             | —           | 640          | 445          |
| Properties, realised                  | 1                   | 27           | —                   | —          | —                             | —           | 1            | 27           |
| Derivatives, unrealised               | —                   | —            | —                   | —          | -272                          | 59          | -272         | 59           |
| <b>Profit before tax</b>              | <b>1,928</b>        | <b>1,664</b> | <b>213</b>          | <b>156</b> | <b>-810</b>                   | <b>-396</b> | <b>1,331</b> | <b>1,424</b> |
| Current tax                           | —                   | —            | —                   | —          | -121                          | -97         | -121         | -97          |
| Deferred tax                          | —                   | —            | —                   | —          | -43                           | -112        | -43          | -112         |
| <b>Profit for the period</b>          | <b>1,928</b>        | <b>1,664</b> | <b>213</b>          | <b>156</b> | <b>-974</b>                   | <b>-604</b> | <b>1,167</b> | <b>1,215</b> |

## Q1-2 2019

| Figures in MSEK  | Sweden | Denmark | Norway | Finland | Germany | Belgium | UK     | Other | Total  |
|--|--------|---------|--------|---------|---------|---------|--------|-------|--------|
| Total revenues   |        |         |        |         |         |         |        |       |        |
| - Property Management  | 436    | 111     | 104    | 137     | 243     | 27      | 316    | 94    | 1,468  |
| - Operator Activities  | —      | —       | —      | 21      | 256     | 538     | 135    | 229   | 1,179  |
| Market value properties  | 15,151 | 3,707   | 3,481  | 4,086   | 10,323  | 4,507   | 11,666 | 4,697 | 57,618 |
| Investments in properties  | 98     | 17      | 24     | 38      | 11      | 62      | 21     | 43    | 314    |
| Acquisitions of properties                                       | —      | —       | —      | —       | —       | 7       | -97    | —     | -90    |
| Realised value change properties                                 | —      | —       | —      | —       | —       | —       | —      | —     | —      |
| Book value Operating Properties                                  | —      | —       | —      | 27      | 1,524   | 2,528   | 890    | 1,025 | 5,994  |
| Total non-current assets at book value, less deferred tax assets | 22,021 | 2,094   | 2,138  | 3,572   | 8,086   | 3,228   | 11,927 | 4,335 | 57,402 |

## Q1-2 2018

| Figures in MSEK  | Sweden | Denmark | Norway | Finland | Germany | Belgium | UK    | Other | Total  |
|--|--------|---------|--------|---------|---------|---------|-------|-------|--------|
| Total revenues   |        |         |        |         |         |         |       |       |        |
| - Property Management  | 444    | 104     | 98     | 137     | 227     | 21      | 288   | 93    | 1,412  |
| - Operator Activities  | —      | —       | —      | 18      | 228     | 489     | 64    | 197   | 996    |
| Market value properties  | 14,868 | 3,589   | 3,412  | 3,884   | 9,424   | 4,106   | 9,365 | 4,416 | 53,064 |
| Investments in properties  | 89     | 21      | 32     | 15      | 35      | 45      | —     | 56    | 293    |
| Acquisitions of properties                                       | —      | —       | —      | —       | 2       | —       | 2     | 11    | 15     |
| Realised value change properties                                 | —      | —       | —      | —       | —       | —       | —     | —     | —      |
| Book value Operating Properties                                  | —      | —       | —      | 27      | 1,506   | 2,428   | 406   | 964   | 5,331  |
| Total non-current assets at book value, less deferred tax assets | 19,347 | 2,121   | 2,250  | 3,084   | 7,564   | 3,115   | 9,345 | 3,999 | 50,825 |

## Note 4 Assets and liabilities classified as held for sale

| Assets and liabilities held for sale           | 2019              | 2018                | 2018     |
|--|-------------------|---------------------|----------|
| Figures in MSEK                                | 30 Jun            | 30 Jun              | 31 Dec   |
| <b>ASSETS</b>                                  |                   |                     |          |
| Investment properties                          | 480 <sup>3)</sup> | 286 <sup>2)</sup>   | —        |
| Operating Activities Vesway                    | —                 | 1,406 <sup>1)</sup> | —        |
| Other operating assets                         | —                 | 41 <sup>1)</sup>    | —        |
| <b>Assets classified as held for sale</b>      | <b>480</b>        | <b>1,734</b>        | <b>—</b> |
| <b>LIABILITIES</b>                             |                   |                     |          |
| Other short term liabilities                   | 0 <sup>3)</sup>   | 1,447 <sup>1)</sup> | —        |
| <b>Liabilities classified as held for sale</b> | <b>0</b>          | <b>1,447</b>        | <b>—</b> |

<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.

<sup>2)</sup> Refers to Scandic Ferrum. Resolved during Q4 2018.

<sup>3)</sup> Refers to divestment of Hotell Hasselbacken which is expected to be completed 2 September 2019.

## Note 5 Reclassifications, acquisitions and divestments with date of consolidation or deconsolidation

### Reclassifications, acquisitions and divestments

| Date            | Hotel property                    | Event                                   |
|-----------------|-----------------------------------|---|
| 1 July 2019     | Three hotel properties in Germany | Acquisition Property Management         |
| 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 |

## Note 6 Currency exchange rates

### Currency exchange rates January-June

| 1 foreign currency = X SEK | Average rate |        |    | Rate at end-of-period |        |     |
|----------------------------|--------------|--------|----|-----------------------|--------|-----|
|                            | 2019         | 2018   | Δ% | 2019                  | 2018   | Δ%  |
| Euro (EUR)                 | 10.515       | 10.145 | 4% | 10.558                | 10.421 | 1%  |
| British pound (GBP)        | 12.044       | 11.529 | 4% | 11.755                | 11.752 | 0%  |
| Danish krone (DKK)         | 1.408        | 1.362  | 3% | 1.415                 | 1.398  | 1%  |
| Norwegian krone (NOK)      | 1.080        | 1.057  | 2% | 1.089                 | 1.100  | -1% |
| Canadian dollar (CAD)      | 6.978        | 6.563  | 6% | 7.085                 | 6.776  | 4%  |
| Swiss franc (CHF)          | 9.308        | 8.672  | 7% | 9.510                 | 9.006  | 5%  |

# 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 147 hotels with approximately 32,800 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 which 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.



## Head office

Pandox AB (publ)  
Box 15  
101 20 Stockholm  
Sweden

## Visiting address

Vasagatan 11, 9<sup>th</sup> floor  
Stockholm, Sweden

Tel: +46 8 506 205 50  
[www.pandox.se](http://www.pandox.se)  
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 financial cost for right-of-use assets according to IFRS 16 less current tax less any unrealised translation gain on bank balances.

EBITDA, MSEK

Total gross profit less central administration (excluding depreciation).

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

Current and non-current interest-bearing liabilities plus arrangement fee for loans less cash and cash equivalents and short-term investments that are equivalent to cash and cash equivalents. Long-term and short-term lease liabilities according to IFRS 16 are not included.

Interest cover ratio, multiple

Profit before changes in value plus interest expense and depreciation, divided by interest expense. Financial cost for right-of-use assets according to IFRS 16 is not included.

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 interests, less financial expense for right-of-use assets according to IFRS 16 less unrealised translation gain on bank balances 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

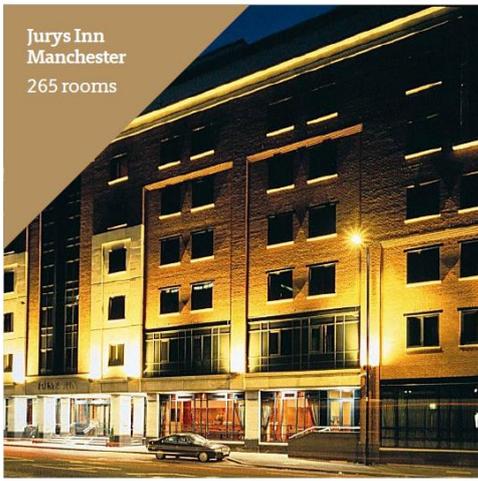
Number of rooms in owned hotel properties at the end of the period.

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.



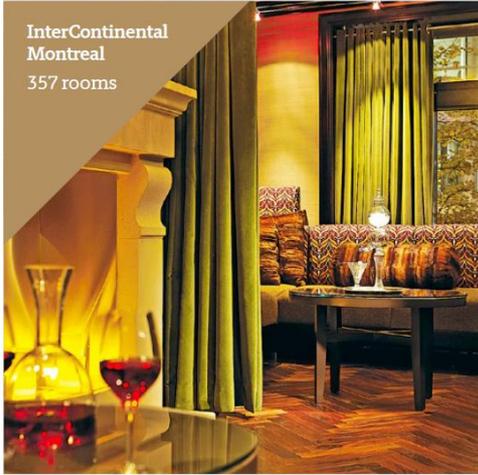
Jurys Inn  
Manchester  
265 rooms



Scandic  
Copenhagen  
486 rooms



Leonardo  
Wolfsburg  
City Centre  
343 rooms



InterContinental  
Montreal  
357 rooms



Park Hotel  
Amsterdam  
189 rooms



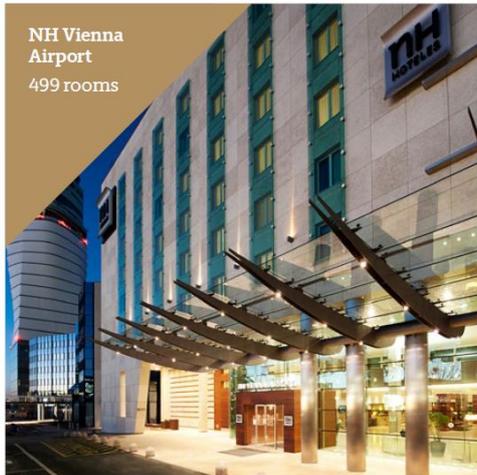
Comfort  
Børsparken,  
Oslo  
248 rooms



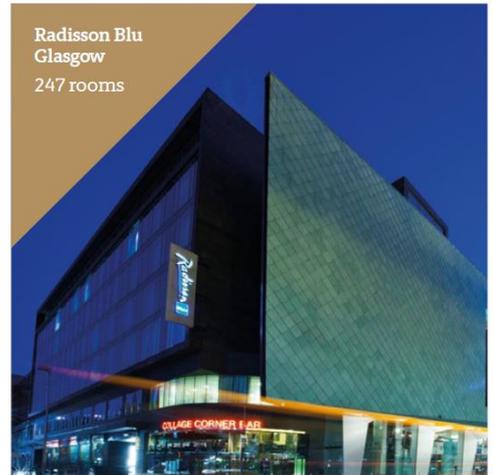
## Check in ... some of Pandox's hotel properties



Radisson Blu  
Basel  
206 rooms



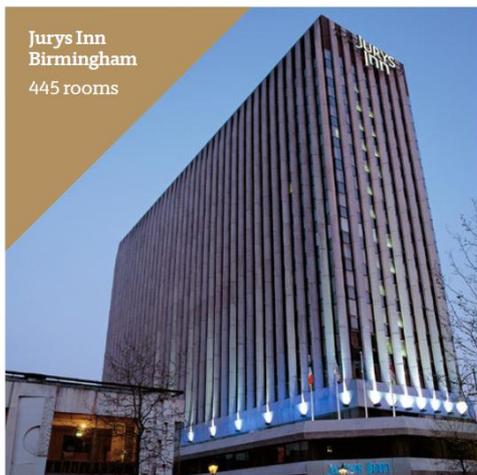
NH Vienna  
Airport  
499 rooms



Radisson Blu  
Glasgow  
247 rooms



Hotel Hubert Grand  
Place Brussels  
100 rooms



Jurys Inn  
Birmingham  
445 rooms



Pepper  
Pandox  
Corporate  
Dog