

A balanced earnings development

July-September 2019

- Revenue from Property Management amounted to MSEK 851 (810). For comparable units the increase was 2.6 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 761 (698), MSEK 748 excl. the effects of IFRS 16. For comparable units the increase was 1.7 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 160 (142), MSEK 153 excl. the effects of IFRS 16. For comparable units the decrease was 1.2 percent, adjusted for currency effects
- EBITDA amounted to MSEK 881 (806), MSEK 861 excl. the effects of IFRS 16
- Cash earnings amounted to MSEK 581 (535)
- Cash earnings per share amounted to SEK 3.47 (3.18)
- Profit for the period amounted to MSEK 242 (833)
- Earnings per share amounted to SEK 1.45 (4.98)

Significant events after the end of the period

- Pandox entered into agreement to acquire two hotels in the Netherlands and Germany for MEUR 83 October 17

January-September 2019

- Revenue from Property Management amounted to MSEK 2,319 (2,222). For comparable units the increase was 1.5 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 2,048 (1,890), MSEK 2,006 excluding the effects of IFRS 16. For comparable units the increase was 1.6 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 467 (375), MSEK 449 excluding the effects of IFRS 16. For comparable units the increase was 10.1 percent, adjusted for currency effects
- EBITDA amounted to MSEK 2,383 (2,160), MSEK 2,323 excluding the effects of IFRS 16
- Cash earnings amounted to MSEK 1,509 (1,410)
- Cash earnings per share amounted to SEK 9.01 (8.39)
- Profit for the period amounted to MSEK 1,409 (2,049)
- Earnings per share amounted to SEK 8.41 (12.20)

Financial summary

Figures in MSEK	Jul-Sep			Jan-Sep			FY
	2019	2018	Δ%	2019	2018	Δ%	2018
Revenue Property Management	851	810	5	2,319	2,222	4	2,971
Net operating income Property Management	761	698	9	2,048	1,890	8	2,517
Net operating income Operator Activities	160	142	12	467	375	24	540
EBITDA	881	806	9	2,383	2,160	10	2,909
Profit for the period	242	833	-71	1,409	2,049	-31	2,823
Earnings per share, SEK ¹⁾	1.45	4.98	-71	8.41	12.20	-31	16.83
Cash earnings	581	535	9	1,509	1,410	7	1,890
Cash earnings per share, SEK ¹⁾	3.47	3.18	9	9.01	8.39	7	11.26
Key data							
Market value properties, MSEK	—	—	—	59,661	53,281	12	55,197
Net interest-bearing debt, MSEK	—	—	—	28,806	26,590	8	27,421
Loan to value net, %	—	—	—	48.3	49.9	n.a.	49.7
Interest cover ratio, times	4.2	4.1	n.a.	4.0	3.8	n.a.	3.8
EPRA NAV per share, SEK ¹⁾	—	—	—	184.03	158.44	16	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	961	926	4	918	849	8	870

¹⁾ 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

Investments for future growth

Good rental growth but investments impacted negatively

Pandox is reporting growth in total net operating income of 10 percent and growth in net asset value, on an annualised basis, of 19 percent for the third quarter. The growth drivers were, once again, add-on acquisitions, positive rental growth in several of Pandox's markets, good development in Brussels and positive currency effects.

Adjusted for currency effects, total revenue and total net operating income increased by 2.5 and 1.2 percent respectively. Renovation disturbances and start-up costs within Operator Activities had a negative effect mainly on net operating income in the quarter.

In Property Management, rental income and net operating income increased for comparable units by 2.6 and 1.7 percent respectively, adjusted for currency effects. Growth was limited to some extent by negative renovation effects in Pandox's portfolio, as well as generally challenging comparative figures.

Underlying demand was positive in the quarter, but supply increases continued to have a negative effect on RevPAR growth, primarily in Oslo, Copenhagen and London Heathrow Airport. The trend in these markets is expected to continue over the next few quarters but should be balanced out by more positive development in other markets in Pandox's portfolio.

Rental income in the UK increased for comparable units by around 1 percent, adjusted for currency effects. Excluding London Heathrow Airport, the increase was a good 3 percent.

Operator Activities experienced growth, but profitability was negatively impacted by larger development and repositioning projects for Hilton Brussels City, as well as start-up costs in connection with the rebranding for DoubleTree by Hilton Montreal. Revenue for comparable units increased by 2.3 percent while net operating income decreased by 1.2 percent, adjusted for currency effects. Adjusted for the above-mentioned hotels, net operating income increased by 5.5 percent.

Underlying demand, productivity and profitability remained good.

Diversification is creating new business opportunities

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 and its business partners are actively looking for development projects that can strengthen the growth and profitability potential of the properties. These projects range from renovation and repositioning to expansion and, in certain cases, building new hotels adjacent to existing hotel properties. Pandox sees significant long-term potential in the portfolio for these types of investments.

During the second half of the year agreements have been signed with Nordic Choice and Scandic on the creation of some 180 new rooms through expansion and conversion, and we hope that more agreements of this kind can be signed in the coming quarters.

New relationships are also creating new opportunities. One example is Pandox's acquisition of three hotel properties in Germany, with HR Group as tenant, where future development projects have already been identified.

Complementary acquisitions in the Netherlands and Germany

After the end of the period, Pandox entered into an agreement to acquire two hotel properties, including operations, in The Hague (Netherlands) and Hannover (Germany) with a total of 421 rooms in Operator Activities. The hotels have strong locations in attractive and growing cities and offer good growth potential. The total transaction value amounts to approximately MEUR 83, which corresponds to the property value. The yield amounts to 6.5 percent based on expected net operating income of MEUR 5.4 for 2020. Through the transaction, Pandox adds a new cooperation partner, a new brand and another destination to the portfolio, which is in line with Pandox's diversification strategy.

Conditions still exist for growth this year

Pandox maintains that the hotel market has growth potential, but that it is in a maturing phase and growth is slowing. In this phase of the hotel cycle RevPAR is mainly driven by higher average prices. In some submarkets, however, increased hotel capacity puts pressure on RevPAR in the short and medium term. All in all, Pandox maintains that conditions for growth still exist this year.

"Pandox is reporting growth in total net operating income of 10 percent and growth in net asset value, on an annualised basis, of 19 percent for the third quarter."

Anders Nissen, CEO



July-September 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.

19%

Growth in net asset value

At annual rate. See definitions on p26.

9%

Growth in total cash earnings

See definitions on p26.

Hotel market development July-September 2019

Continued good global demand

Underlying demand in the international travel industry remains good. However, growth has slowed compared to 2018 due to a prolonged Brexit process, trade tensions and weaker economic indicators.

During the first half of the year, international passenger traffic increased by 4 percent, which is in line with the United Nations World Tourism Organization's (UNWTO) full-year forecast. Generally speaking, the positive demand in the hotel market was maintained, but RevPAR development was unevenly distributed between countries and cities. Demand was affected to varying degrees by new hotel supply, trade show and congress calendars, as well as other local conditions.

A positive quarter in the Nordics

Growth in the Nordics was strong in the third quarter. Both in Sweden and Denmark demand increased by more than 4 percent, while it increased by more than 6 percent in Finland and Norway. However, the increased hotel supply in Norway and Denmark led to a more moderate increase in RevPAR of 1 percent in Norway, while it decreased by 2 percent in Denmark. In Sweden and Finland, RevPAR increased by 4 and 9 percent respectively, primarily driven by a strong month of September.

In Stockholm RevPAR increased by almost 3 percent where hotels within the upscale segment had a stronger development than hotels within the midscale segment. Demand remained good and increased by approximately 4 percent. In Gothenburg, RevPAR increased by almost 5 percent supported by a strong month of July, which reflects the city's strong position as an attractive summer destination. In Malmö, RevPAR increase by more than 1 percent.

In Oslo, demand for hotel rooms increased by more than 8 percent in the quarter. At the same time the hotel supply increased by approximately 11 percent, which resulted in a RevPAR decrease of 4 percent.

The development was similar in Copenhagen with supply growing faster than demand, thereby leading to a decrease in RevPAR by 1 percent.

In Helsinki, RevPAR increased by a solid 9 percent, primarily supported by a good month of September following the EU presidency with both higher occupancy and average prices.

Calendar effects and increased supply in Germany

The German hotel market saw a weaker development due to several concurrent factors. In general terms, underlying demand remained good but also here an increased supply in a number of cities such as Frankfurt, Mannheim and Düsseldorf put pressure on RevPAR. Demand from trade fairs and events was also weaker in September compared with the previous year. The outlook for the fourth quarter, however, is positive and demand should turn out stronger. Total RevPAR in Germany decreased by approximately 4 percent in the quarter.

A stable development 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 and is where Pandox has its main exposure. Both markets are attractive and expansive with stable underlying demand.

RevPAR in UK Regional decreased by approximately 2 percent in the quarter. Although demand was stable, the hotel supply increased at a slightly faster pace and overall this put pressure on both occupancy and RevPAR.

Hotel markets negatively affected by new hotel supply was London Heathrow Airport and Belfast. In Glasgow, hotel supply increased and it also met strong comparative numbers from the European Championship in the summer of 2018.

Markets with good development in the third quarter were, among others, Manchester, Leeds and Brighton.

Sustained good growth in Brussels

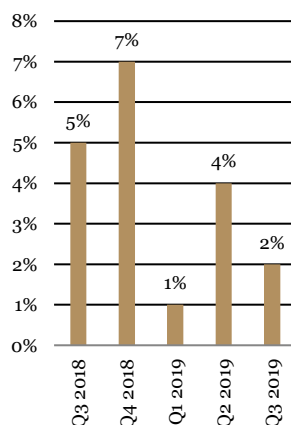
The strong growth in Brussels continued and RevPAR increased by approximately 12 percent during the quarter. Although the business and conference segments have accounted for most of the growth up to now, demand in the leisure segment has been growing stronger over the past few quarters as well. The hotel market in Brussels also benefitted from a limited inflow of new hotel rooms, which contributed to improved occupancy and favourable conditions for increased average prices.

Stable growth in Montreal

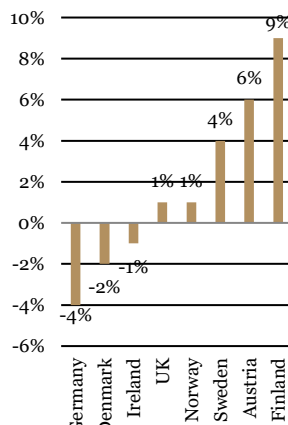
After a weaker start in Montreal, growth picked up in the second quarter – a trend that continued in the third quarter with a RevPAR increase of approximately 5 percent.

July-September 2019

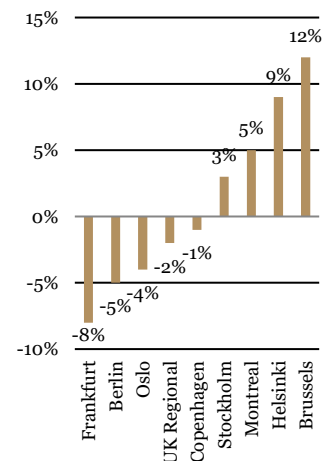
Europe
RevPAR growth y/y



Countries
RevPAR growth y/y



Key markets
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance. Rounded numbers.

Financial development July-September 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 851 (810), an increase of 5 percent, explained by acquisitions, positive currency effects and positive market growth.

The previously communicated change in property tax accounting in the UK and Ireland reduced other property revenue by MSEK 15 for the period compared with 2018.

For comparable units, revenue increased by 2.6 percent adjusted for currency effects.

Revenue from Operator Activities amounted to MSEK 600 (531), an increase of 13 percent, explained by acquisitions, positive market growth and positive currency effects. Growth was negatively affected primarily by the renovation of Hilton Brussels City.

Adjusted for currency effects, revenue and RevPAR for comparable units increased by 2.3 and 3.8 percent respectively.

The Group's net sales amounted to MSEK 1,451 (1,341). For comparable units, net sales increased by 2.5 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 761 (698), an increase of 9 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 748. For comparable units, net operating income increased by 1.7 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 160 (142), an increase of 12 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 153. For comparable units, net operating income decreased by 1.2 percent adjusted for currency effects, mainly due to the cost of renovation disturbances at Hilton Brussels City and start-up costs for DoubleTree by Hilton Montreal. Adjusted for these costs, net operating income increased by 5.5 percent.

Total net operating income amounted to MSEK 921 (840), an increase of 10 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 901.

Administration costs

Central administration costs amounted to MSEK -40 (-34). The increase is explained by a new incentive programme and the Group's growth, geographical expansion and increased complexity.

EBITDA

EBITDA amounted to MSEK 881 (806), an increase of 9 percent. Excluding effects from the introduction of IFRS 16, EBITDA was MSEK 861.

Financial income and expense

Financial expense amounted to MSEK -221 (-207), of which -15 (-13) consists of capitalised loan arrangement fees.

Financial income amounted to MSEK -3 (2) and is explained by exchange rate differences.

Financial expense associated with right-of-use assets relating to the introduction of IFRS 16 amounted to MSEK -20.

Profit before changes in value

Profit before changes in value amounted to MSEK 586 (561), an increase of 4 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 353 (376) 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 110 (13) and are explained by the sale of Hotell Hasselbacken.

Unrealised changes in value of derivatives amounted to MSEK -211 (113).

Current and deferred tax

Current tax amounted to MSEK -60 (-64).

Deferred tax amounted to MSEK -536 (-166). The majority of the increase is explained by the completion of the legal reorganisation of the previous acquisition of Jurys Inn based on completion accounts. In addition, several countries in which Pandox operates have made changes to their corporate tax systems in recent years, which has led to a review of reported deferred tax in each jurisdiction (see page 9 and the section Deferred tax).

Profit for the period

Profit for the period amounted to MSEK 242 (833) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 243 (833), which is equivalent to SEK 1.45 (4.98) per share.

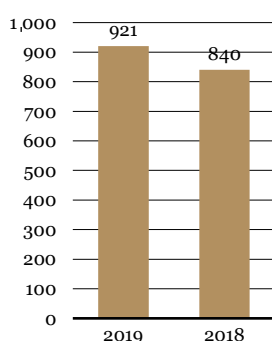
Cash earnings

Total cash earnings amounted to MSEK 581 (535), an increase of 11 percent.

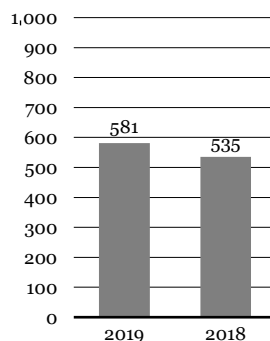
See page 24 for summary of reclassifications, acquisitions and divestments.

July-September 2019

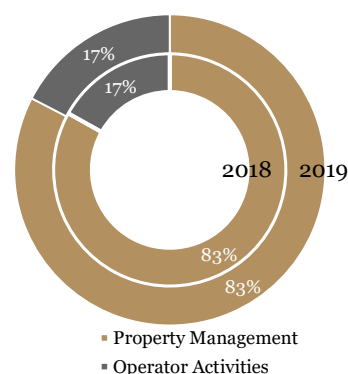
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Financial development January-September 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 2,319 (2,222), an increase of 4 percent, explained by acquisitions, positive currency effects and some market growth.

The previously communicated change in property tax accounting in the UK and Ireland reduced other property revenue by MSEK 45 for the period, equivalent to around MSEK 60 on an annualised basis compared with 2018.

For comparable units, revenue increased by 1.5 percent adjusted for currency effects.

Revenue from Operator Activities amounted to MSEK 1,779 (1,527), an increase of 17 percent mainly driven by good development in Brussels, positive currency effects and acquisitions. Revenue and RevPAR for comparable units increased by 6.1 and 8.1 percent respectively, adjusted for currency effect.

The Group's net sales amounted to MSEK 4,098 (3,749). For comparable units, net sales increased by 3.4 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 2,048 (1,890), an increase of 8 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 2,006. For comparable units, net operating income increased by 1.6 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 467 (375), an increase of 24 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 449. For comparable units, net operating income increased by 10.1 percent, adjusted for currency effects.

Total net operating income amounted to MSEK 2,515 (2,265), an increase of 11 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 2,455.

Administration costs

Central administration costs amounted to MSEK -131 (-105). The increase is explained by a new incentive programme and the Group's growth, geographical expansion and increased complexity.

EBITDA

EBITDA amounted to MSEK 2,383 (2,160), an increase of 10 percent. Excluding effects from the introduction of IFRS 16, EBITDA was MSEK 2,323.

Financial income and expense

Financial expense amounted to MSEK -634 (-592), of which MSEK -42 (-27) consists of capitalised loan arrangement fees.

Financial income amounted to MSEK 3 (3). Financial expense associated with right-of-use assets relating to the introduction of IFRS 16 amounted to MSEK -60.

Profit before changes in value

Profit before changes in value amounted to MSEK 1,548 (1,454), an increase of 6 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 993 (882) 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 111 (40) and are explained by the sale of Hotell Hasselbacken.

Unrealised changes in value of derivatives amounted to MSEK -483 (172).

Current and deferred tax

Current tax amounted to MSEK -181 (-161).

Deferred tax amounted to MSEK -579 (-278). The majority of the increase is explained by the completion of the legal reorganisation of the previous acquisition of Jurys Inn based on completion accounts in the third quarter. In addition, several countries in which Pandox operates have made changes to their corporate tax systems in recent years, which has led to a review of reported deferred tax in each jurisdiction (see page 9 and the section Deferred tax).

Profit for the period

Profit for the period amounted to MSEK 1,409 (2,049) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 1,409 (2,044), which is equivalent to SEK 8.41 (12.20) per share.

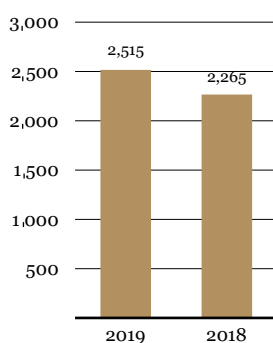
Cash earnings

Cash earnings amounted to MSEK 1,509 (1,410), an increase of 7 percent.

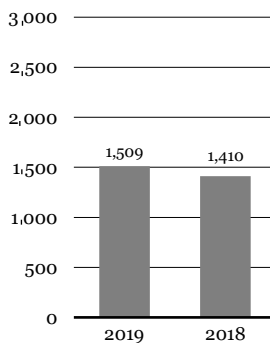
See page 24 for summary of reclassifications, acquisitions and divestments.

January-September 2019

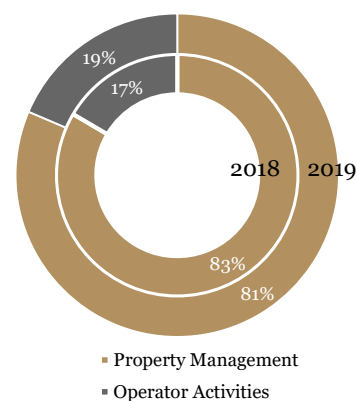
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Segment reporting July-September 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	Jul-Sep		Jan-Sep		FY
	2019	2018	2019	2018	2018
Rental income	820	766	2,233	2,105	2,809
Other property income	31	44	86	117	162
Costs, excluding prop admin	-61	-76	-182	-249	-338
Net operating income, before property admin	790	734	2,137	1,973	2,633
Property administration	-29	-36	-89	-83	-116
Gross profit	761	698	2,048	1,890	2,517
Net operating income, after property admin	761	698	2,048	1,890	2,517

Rental income and other property income were MSEK 851 (810).

Adjusted for the change in property tax accounting in the UK and Ireland (see Financial development July–September on page 4), revenue was 7 percent higher than the corresponding period the previous year, explained by acquisitions, positive growth mainly in Sweden and Finland, and positive currency effects.

Net operating income amounted to MSEK 761 (698), an increase of 9 percent. Excluding effects from the introduction of IFRS 16, net operating income was MSEK 748.

Rental income for comparable units increased by 2.6 percent, while net operating income increased by 1.7 percent, adjusted for currency effects. Rental growth in the comparable portfolio was positive in Austria, Sweden, Finland, Norway and the UK and negative in Switzerland, Ireland, Denmark and Germany.

Individual cities with particularly good rental income growth were Wolfsburg, Belfast, Brussels, Leeds, Helsinki, Vienna and Salzburg and many domestic regional cities in Sweden, Norway and Finland.

In the UK growth in the comparable portfolio was around 1 percent.

In Stockholm rental income increased by around 9 percent during the quarter. In Oslo and Copenhagen, the decrease was 11 and 3 percent respectively, which reflects an increased supply of hotel rooms, albeit in an environment with sustained positive demand.

Revenue was negatively affected by around 800 hotel rooms (net) undergoing various types of renovations during the quarter, including Park Centraal Amsterdam, Radisson Blu Basel, Scandic S:t Jörgen, Scandic Alexandra Molde and Scandic Kramer.

Operator Activities

Figures in MSEK	Jul-Sep		Jan-Sep		FY
	2019	2018	2019	2018	2018
Revenues	600	531	1,779	1,527	2,153
Costs	-491	-429	-1,457	-1,269	-1,776
Gross profit	110	102	323	258	377
Add: Depreciation included in costs	50	40	144	117	163
Net operating income	160	142	467	375	540

Revenue from Operator Activities amounted to MSEK 600 (531), an increase of 13 percent driven by acquisitions, good development in Brussels and in German domestic regional cities, as well as positive currency effects.

Net operating income amounted to MSEK 160 (142), an increase of 12 percent.

Excluding effects from the introduction of IFRS 16, net operating income was MSEK 153.

The operating margin was 26.7 (26.7) percent.

Revenue for comparable units increased by 2.3 percent, while net operating income decreased by 1.2 percent, adjusted for currency effects.

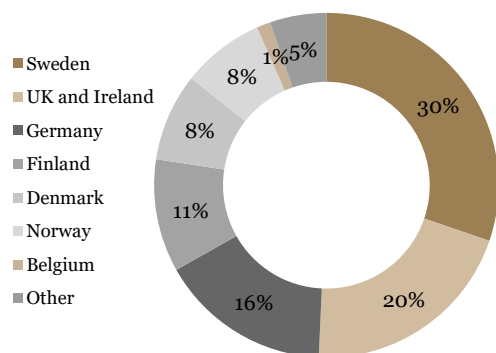
Net operating income for the quarter was negatively affected by the cost of renovating Hilton Brussels City and start-up costs for DoubleTree by Hilton Montreal.

Adjusted for these costs, net operating income increased by 5.5 percent.

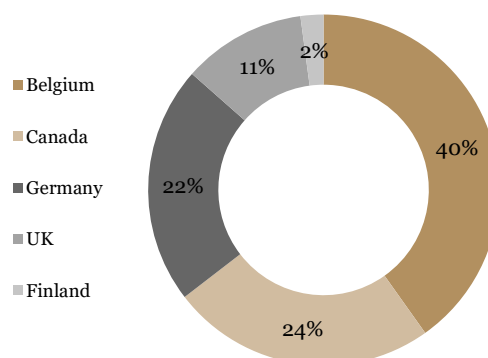
For comparable units, RevPAR increased by 3.8 percent, adjusted for currency effects.

July-September 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 59,661 (55,197), of which Investment Properties accounted for MSEK 50,682 (47,139) and Operating Properties for MSEK 8,979 (8,058). As of the same date the carrying amount of the Operating Properties portfolio was MSEK 6,074 (5,809).

At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 15.5 years (15.7).

In accordance with previously announced agreements, Pandox took over three hotel properties in Germany on 1 July and possession of the Hotell Hasselbacken building in Stockholm was given up on 2 September.

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2019)	47,139
+ Acquisitions ¹⁾	987
+ Investments in current portfolio	277
- Divestments ²⁾	-480
+/- Reclassifications	—
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	993
+/- Realised changes in value ²⁾	96
+/- Change in currency exchange rates	1,670
Investment Properties, closing balance (September 30, 2019)	50,682

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2019)	8,058
+ Acquisitions ³⁾	-25
+ Investments in current portfolio	142
- Divestments	—
+/- Reclassifications	—
+/- Unrealised changes in value	328
+/- Realised changes in value	—
+/- Change in currency exchange rates	476
Operating Properties, market value (September 30, 2019)	8,979

¹⁾ Refers to acquisition of three hotel properties in Germany for MSEK 1,051 and adjustment of previous acquisitions of the Midland Manchester (MSEK 9) and the Jurys Inn portfolio (MSEK -73).

²⁾ Refers to divestment of Hotell Hasselbacken.

³⁾ Refers to adjustment Radisson Blu Glasgow (MSEK 4), Hilton Grand Place (MSEK 7) and Hilton Garden Inn (MSEK -36).

Investments

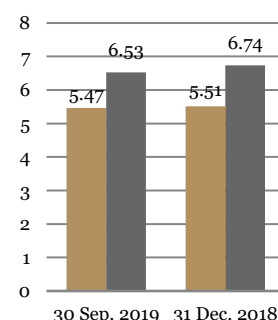
During the January-September 2019 period investments in properties and fixed assets, excluding acquisitions, amounted to MSEK 423 (460), of which MSEK 277 (243) was for Investment Properties, MSEK 142 (217) was for Operating Properties and MSEK 4 (1) was for the head office.

At the end of the period investments had been approved for future projects in an amount equivalent to around MSEK 1,170, 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, Jurys Inn Inverness, 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 30 September, 2019

Investment properties, effect on fair value		
	Change	Effect on value
Yield	+/- 0.5pp	-4,244 / +5,098
Change in currency exchange rates	+/- 1%	+/- 359
Net operating income	+/- 1%	+/- 480
Investment properties, effect on revenues		
	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 25
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%	-/+ 55
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 320
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 1,188

Average valuation yield, % (30 September 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.

In the third quarter Pandox had external valuations performed on approximately 38 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 48.3 (49.7) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 22,238 (21,378). EPRA NAV amounted to SEK 30,825 (27,476), equivalent to SEK 184.03 (164.04) per share. Liquid funds plus unutilised credit facilities amounted to MSEK 3,240 (2,500).

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 29,336 (28,095), excluding loan arrangement fees. Unutilised credit facilities amounted to MSEK 2,710 (1,826).

At the end of the period the volume issued under the commercial paper programme amounted to MSEK 1,779 (1,250) in various tenors ranging from three to 12 months. During the quarter the option to issue commercial papers in EUR was exercised for the first time. 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.

Pandox refinanced loans during the quarter for a total amount of MSEK 1,190 with tenors of around five years.

The average fixed rate period was 4.0 (3.0) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.7 (2.6) percent, including effects 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 September 2019

Year due (MSEK)	Credit facilities ¹⁾
2019	5,208
2020	5,378
2021	3,788
2022	2,368
2023	11,840
2024 and later	3,464
Total	32,046

¹⁾ Excluding contractual amortisation.

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

Loans by currency 30 September 2019

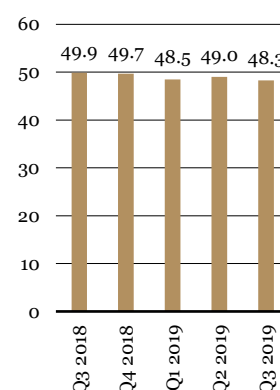
	SEK	DKK	EUR ³⁾	CHF	CAD	NOK	GBP	Total
Sum credit facilities ¹⁾	9,406	2,040	12,595	493	574	1,336	5,602	32,046
Sum interest bearing debt, MSEK ¹⁾	6,290	2,040	13,024	493	552	1,336	5,602	29,336
Share of debt in currency, %	21.4	7.0	44.4	1.7	1.9	4.6	19.1	100
Average interest rate, % ²⁾	3.1	2.1	2.3	0.8	4.2	3.0	3.2	2.7
Average interest rate period, years	4.3	1.1	4.9	0.2	0.1	2.1	4.1	4.0
Market value Properties ¹⁾	14,811	3,761	24,960	803	1,456	3,495	10,376	59,661

¹⁾ Converted to MSEK.

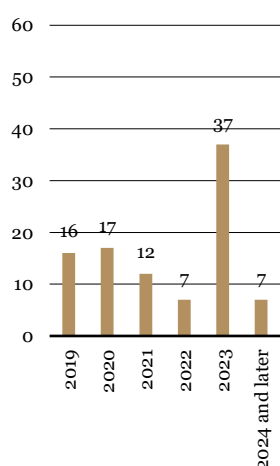
²⁾ Average interest rate including bank margin.

³⁾ Part of the interest bearing debt is part of credit facilities in SEK, which can be drawn in multiple currencies, including EUR.

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 rate swaps. During the quarter Pandox decided to enter into additional interest rate swaps totalling MSEK 5,196, with an average maturity of 8.6 years. At the end of the period interest rate derivatives amounted to MSEK 27,764 gross and MSEK 22,684 net, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 68 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

Interest maturity profile 30 September, 2019

Tenor (MSEK)	Total interest maturity		Interest maturity derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, %
< 1 year	9,361	32	3,324	15	2.2
1-2 year	1,874	6	1,874	8	1.4
2-3 year	3,296	11	3,296	15	1.0
3-4 year	2,712	9	2,712	12	1.7
4-5 year	0	0	0	0	0.0
> 5 year	12,093	41	11,478	51	0.6
Sum	29,336	100	22,684	100	1.1

¹⁾ 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 -1,021 (-538).

Deferred tax

At the end of the period, the deferred tax assets amounted to MSEK 765 (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 4,879 (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.

Several countries in which Pandox has operations have made changes to their corporate tax systems in recent years. For this reason, Pandox has implemented an extensive review of reported deferred tax in each jurisdiction. The review has resulted in effects on both deferred tax liabilities and tax assets. For example, due to a changed tax system, a larger percentage of the tax loss carryforwards in Belgium have been capitalised.

Other information

Important press releases during the period

9 September 2019 Nomination committee for AGM 2020
12 July 2019 Interim report January-June 2019

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

Significant events after the period

17 October 2019 Pandox enters into agreement for acquisition of two hotels in Germany for MEUR 83

Employees

At the end of the period, Pandox had the equivalent of 1,429 (1,134) fulltime employees. Of the total number of employees, 1,389 (1,094) are employed in the Operator Activities segment and 40 (40) 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-September 2019 period totalled MSEK 92 (54), and profit for the period amounted to MSEK 2,144 (748).

At the end of the period the Parent Company's equity amounted to MSEK 5,909 (4,553) and the interest-bearing debt was MSEK 7,252 (7,098), of which MSEK 5,425 (5,555) 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 third quarter revenue from the nine asset management agreements amounted to MSEK 1.2 (1.3), and revenue from Pelican Bay Lucaya amounted to MSEK 0.5 (0.3).

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

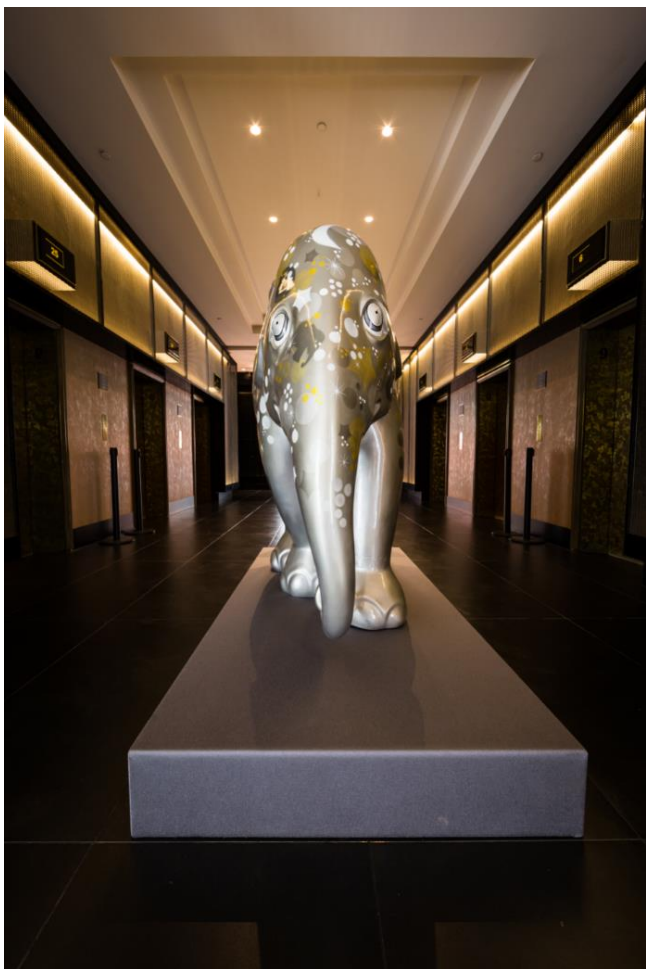
This report contains forward-looking statements. Such statements are subject to risks and uncertainties. Actual developments may differ materially from the expectations expressed, due to various factors, many of which are beyond the control of Pandox

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.

Stockholm 24 October 2019

Anders Nissen, CEO



"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, 24 October at 09:00 CEST.

To follow the presentation online go to <https://edge.media-server.com/mmc/p/xgfkqkq8>. To participate in the conference call and ask questions, please call one of the telephone numbers indicated below about 10 minutes before the start of the presentation. The presentation material will be available at www.pandox.se at approximately 08:00 CEST.

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: 4118107

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

Contact persons

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This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above 24 October 2019, 07:00 CEST.

Financial calendar

Hotel market day 2019	19 November 2019
Year-end report 2019	12 February 2020
AGM 2020	3 April 2020
Interim report Q1 2020	29 April 2020

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

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of Padox AB 556030-7885 as of 30th September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 24 October 2019

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor in charge

Helena Ehrenborg
Authorised Public Accountant

Summary of financial reports

Condensed consolidated statement of comprehensive income

Figures in MSEK	Note	Jul-Sep		Jan-Sep		FY
		2019	2018	2019	2018	2018
Revenues Property Management						
Rental income	3	820	766	2,233	2,105	2,809
Other property income		31	44	86	117	162
Revenue Operator Activities	3	600	531	1,779	1,527	2,153
Total revenues		1,451	1,341	4,098	3,749	5,124
Costs Property Management	3	-90	-112	-271	-332	-454
Costs Operator Activities	3	-491	-429	-1,457	-1,269	-1,776
Gross profit		870	800	2,370	2,148	2,894
- whereof gross profit Property Management	3	761	698	2,048	1,890	2,517
- whereof gross profit Operator Activities	3	110	102	323	258	377
Central administration		-40	-34	-131	-105	-148
Financial income		-3	2	3	3	1
Financial expenses		-221	-207	-634	-592	-804
Financial cost right of use assets	2	-20	—	-60	—	—
Profit before changes in value		586	561	1,548	1,454	1,943
<i>Changes in value</i>						
Properties, unrealised	3	353	376	993	822	1,428
Properties, realised	3	110	13	111	40	67
Derivatives, unrealised		-211	113	-483	172	25
Profit before tax		838	1,063	2,169	2,488	3,463
Current tax		-60	-64	-181	-161	-216
Deferred tax		-536	-166	-579	-278	-424
Profit for the period		242	833	1,409	2,049	2,823
Other comprehensive income						
<i>Items that may not be classified to profit or loss</i>						
This year's revaluation of fixed assets ¹⁾		—	—	—	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		135	-49	314	143	67
Translation differences realisation of foreign operations		-385	-172	-69	416	316
		-250	-220	245	559	383
Other comprehensive income for the period		-250	-220	245	641	465
Total comprehensive income for the period		-8	613	1,654	2,690	3,288
Profit for the period attributable to the shareholders of the parent company		243	833	1,409	2,044	2,820
Profit for the period attributable to non-controlling interests		-1	0	0	5	3
Total comprehensive income for the period attributable to the shareholders of the parent company		-10	616	1,647	2,678	3,278
Total comprehensive income for the period attributable to non-controlling interests		2	-3	7	12	10
Earnings per share, before and after dilution, SEK		1.45	4.98	8.41	12.20	16.83

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

Condensed consolidated statement of financial position

Figures in MSEK	Note	2019 30 Sep	2018 30 Sep	2018 31 Dec
ASSETS				
Non-current assets				
Operating properties		5,590	4,929	5,326
Equipment and interiors		487	402	484
Investment properties		50,682	45,524	47,139
Right-of-use assets	2	2,765	—	—
Deferred tax assets		765	520	465
Derivatives ¹⁾		45	59	12
Other non-current receivables		33	32	31
Total non-current assets		60,367	51,466	53,457
Current assets				
Inventories		16	10	10
Current tax assets		61	47	29
Trade account receivables		338	218	326
Prepaid expenses and accrued income		296	350	305
Other current receivables		121	194	215
Cash and cash equivalents		530	923	674
Assets held for sale	4	—	286	—
Total current assets		1,362	2,028	1,559
Total assets		61,729	53,494	55,016
EQUITY AND LIABILITIES				
Equity				
Share capital		419	419	419
Other paid-in capital		4,556	4,556	4,556
Reserves		453	391	215
Retained earnings, including profit for the period		16,810	15,412	16,188
Equity attributable to the owners of the Parent Company		22,238	20,778	21,378
Non-controlling interests		167	172	160
Sum equity		22,405	20,950	21,538
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities ²⁾³⁾		23,695	23,800	20,719
Other non-current liabilities		19	2	18
Long-term lease liability	2	2,746	—	—
Derivatives ¹⁾		1,066	450	550
Provisions		127	91	100
Deferred tax liability		4,879	3,316	3,430
Total non-current liabilities		32,532	27,659	24,817
Current liabilities				
Provisions		0	14	1
Interest-bearing liabilities ²⁾³⁾		5,463	3,661	7,198
Short-term lease liability	2	20	—	—
Tax liabilities		200	256	109
Trade accounts payable		298	219	286
Other current liabilities		219	245	411
Accrued expenses and prepaid income		592	490	656
Total current liabilities		6,792	4,885	8,661
Total liabilities		39,324	32,544	33,478
Total equity and liabilities		61,729	53,494	55,016

¹⁾ The fair value measurement belongs to level 2 in the fair value hierarchy in IFRS, i.e., it is based on inputs that are observable, either directly or indirectly.

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

³⁾ Arrangement fees of approximately MSEK 178 (52) have reduced interest-bearing liabilities for Q3.

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 ³⁾	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 Q1-3	—	—	—	—	2,044	2,044	5	2,049
Other comprehensive income Q1-3	—	—	552	82	—	634	7	641
New share issue ¹⁾	—	-1	—	—	—	-1	—	-1
Transactions regarding non-controlling interest ²⁾	—	—	—	—	-7	-7	-22	-29
Dividend April 2018	—	—	—	—	-737	-737	—	-737
Closing balance equity September 30, 2018	419	4,556	222	169	15,412	20,778	172	20,950
Profit for the period Q4	—	—	—	—	776	776	-2	774
Other comprehensive income Q4	—	—	-176	—	—	-176	—	-176
Transactions regarding non-controlling interest ²⁾	—	—	—	—	—	0	-10	-10
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 Q1-3	—	—	—	—	1,409	1,409	0	1,409
Other comprehensive income Q1-3	—	—	238	—	—	238	7	245
New share issue	—	—	—	—	—	—	—	—
Transactions regarding non-controlling interest ³⁾	—	—	—	—	—	—	0	0
Dividend	—	—	—	—	-787	-787	—	-787
Closing balance equity September 30, 2019	419	4,556	284	169	16,810	22,238	167	22,405

¹⁾ New share issue amount represents transaction costs of MSEK 1, 2018.

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

³⁾ 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	Jul-Sep		Jan-Sep		FY
	2019	2018	2019	2018	2018
OPERATING ACTIVITIES					
Profit before tax	838	1,063	2,169	2,488	3,463
Reversal of depreciation	52	40	144	117	163
Changes in value, Investment properties, realised	-96	-13	-96	-40	-66
Changes in value, Investment properties, unrealised	-353	-377	-993	-822	-1,429
Changes in value, derivatives, unrealised	211	-114	483	-173	-24
Other items not included in the cash flow	28	-33	14	-12	46
Taxes paid	-42	46	-128	5	-178
Cash flow from operating activities before changes in working capital	638	612	1,593	1,563	1,975
Increase/decrease in operating assets	-93	48	129	-227	-243
Increase/decrease in operating liabilities	70	-505	-84	-336	-22
Change in working capital	-23	-457	45	-563	-265
Cash flow from operating activities	615	155	1,638	1,000	1,710
INVESTING ACTIVITIES					
Acquisition of non-controlling interest	-28	-1	-28	-29	-29
Investments in properties and fixed assets	-105	-167	-423	-460	-720
Divestment of hotel properties, net effect on liquidity	393	—	393	—	286
Acquisitions of hotel properties, net effect on liquidity	-1,019	-2	-1,043	-8	-1,725
Acquisitions of financial assets	-1	-11	-2	-11	-11
Divestment of financial assets	—	0	—	4	9
Cash flow from investing activities	-760	-181	-1,103	-504	-2,190
FINANCING ACTIVITIES					
Transaction cost	—	—	—	-1	-1
New loans	3,666	1,274	8,551	2,814	7,164
Amortisation of debt	-3,488	-1,005	-8,468	-2,650	-6,258
Guaranteed minority dividend	—	—	—	—	-10
Paid dividends	0	—	-787	-737	-737
Cash flow from financing	178	269	-704	-573	158
Cash flow for the period	33	243	-169	-78	-322
Cash and cash equivalents at beginning of period	450	678	674	999	999
Exchange differences in cash and cash equivalents	47	2	25	2	-3
Liquid funds end of period	530	923	530	923	674
Information regarding interest payments					
Interest received amounted to	0	0	1	1	1
Interest paid amounted to	-198	-201	-581	-572	-723
Information regarding cash and cash equivalents end of period	530	923	530	923	674
Cash and cash equivalents consist of bank deposits.					

Condensed income statement for the parent company

	Jul-Sep		Jan-Sep		FY
Figures in MSEK	2019	2018	2019	2018	2018
Net sales	26	11	92	54	106
Administration cost	-48	-47	-161	-138	-190
Operating profit	-22	-36	-69	-84	-84
Profit from participations in Group companies	540	2	2,337	758	760
Other interest income and similar profit/loss items ¹⁾	-91	47	-174	98	-93
Profit after financial items	427	13	2,094	772	583
Year-end appropriations	—	—	—	—	145
Profit before tax	427	13	2,094	772	728
Current tax	-4	3	-4	9	—
Deferred tax	26	-25	53	-34	6
Profit for the period	450	-9	2,144	748	734

¹⁾ Of which MSEK -175 (46) refers to unrealised value changes on interest derivatives in Q3.

Condensed balance sheet for the parent company

	2019	2018	2018
Figures in MSEK	30 Sep	30 Sep	31 Dec
ASSETS			
Non-current assets	17,805	17,489	17,266
Current assets	125	570	130
Total assets	17,930	18,059	17,396
EQUITY AND LIABILITIES			
Equity	5,909	4,598	4,553
Provisions	127	93	100
Non-current liabilities	6,248	5,239	5,977
Current liabilities	5,646	8,129	6,766
Total equity and liabilities	17,930	18,059	17,396

Reconciliation alternative performance measurements

	Jul-Sep		Jan-Sep		FY
Per share, figures in SEK ¹⁾	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	-10	616	1,647	2,678	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	-0.06	3.68	9.83	15.99	19.57
Cash earnings per share, SEK					
Cash earnings attr.to the shareholders of the parent company, MSEK	582	535	1,509	1,405	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	3.47	3.18	9.01	8.39	11.26
Net asset value (EPRA NAV) per share, SEK					
EPRA NAV (net asset value), MSEK	—	—	30,825	26,539	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	—	—	184.03	158.44	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 ³⁾	—	—	—	—	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
PROPERTY RELATED KEY FIGURES					
Number of hotels, end of period ²⁾	—	—	146	143	144
Number of rooms, end of period ²⁾	—	—	32,732	31,655	32,268
WAULT, years	—	—	15.5	15.3	15.7
Market value properties, MSEK	—	—	59,661	53,281	55,197
Market value Investment properties	—	—	50,682	45,810	47,139
Market value Operating properties	—	—	8,979	7,471	8,058
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	961	926	918	849	870

¹⁾ Total number of outstanding shares after dilution amounts to 167,499,999, of which 75,000,000 A shares and 92,499,999 B shares. For a fair comparison the total number of shares is used for the calculation of key ratios. ²⁾ Pandox's owned hotel properties. ³⁾ For 2018 actual dividend is indicated.

Reconciliation alt. performance measurements

Figures in MSEK	Jul-Sep		Jan-Sep		FY
	2019	2018	2019	2018	2018
Net interest-bearing debt					
Non-current interest-bearing liabilities	—	—	23,695	23,800	20,719
Current interest-bearing liabilities	—	—	5,463	3,661	7,198
Arrangement fee for loans	—	—	178	52	178
Cash and cash equivalents	—	—	-530	-923	-674
Net interest-bearing debt	—	—	28,806	26,590	27,421
Loan to value net, %					
Net interest-bearing debt	—	—	28,806	26,590	27,421
Market value properties	—	—	59,661	53,281	55,197
Loan to value net, %	—	—	48.3	49.9	49.7
Interest cover ratio, times					
Profit before changes in value	586	561	1,548	1,454	1,943
Interest expenses	197	192	568	552	746
Depreciation	50	40	144	117	163
Interest cover ratio, times	4.2	4.1	4.0	3.8	3.8
Average interest on debt end of period, %					
Average interest expenses	—	—	773	741	725
Non-current interest-bearing liabilities	—	—	23,695	23,800	20,719
Arrangement fee for loans	—	—	178	52	178
Current interest-bearing liabilities	—	—	5,463	3,661	7,198
Average interest on debt, end of period, %	—	—	2.7	2.7	2.6
<i>See page 7-8 for a complete reconciliation</i>					
Investments, incl. parent company excl. acquisitions	105	167	423	460	720
Net operating income, Property Management					
Rental income	820	766	2,233	2,105	2,809
Other property income	31	44	86	117	162
Costs, excl. property administration	-61	-76	-182	-249	-338
Net operating income, before property administration	790	734	2,137	1,973	2,633
Property administration	-29	-36	-89	-83	-116
Net operating income, Property Management	761	698	2,048	1,890	2,517
Net operating income, Operator Activities					
Revenues Operator Activities	600	531	1,779	1,527	2,153
Costs Operator Activities	-491	-429	-1,457	-1,269	-1,776
Gross profit	110	102	323	258	377
Plus: Depreciation included in costs	50	40	144	117	163
Net operating income, Operator Activities	160	142	467	375	540
EBITDA					
Gross profit from respective operating segment	870	800	2,370	2,148	2,894
Plus: Depreciation included in costs Operator Activities	50	40	144	117	163
Less: Central administration, excluding depreciation	-39	-34	-131	-105	-148
EBITDA	881	806	2,383	2,160	2,909
Cash earnings					
EBITDA	881	806	2,383	2,160	2,909
Plus: Financial income	-3	2	3	3	1
Less: Financial expense	-221	-207	-634	-592	-804
Less: Financial cost for right-of-use assets	-20	—	-60	—	—
Less: Translation gain on bank deposits	4	-2	-2	0	—
Less: Current tax	-60	-64	-181	-161	-216
Cash earnings	581	535	1,509	1,410	1,890
EPRA NAV					
Equity attr. to the shareholders of the parent company	—	—	22,238	20,778	21,378
Plus: Revaluation of Operating Properties	—	—	2,906	2,140	2,249
Plus: Fair value of financial derivatives	—	—	1,021	391	538
Less: Deferred tax assets related to derivatives	—	—	-218	-86	-118
Plus: Deferred tax liabilities	—	—	4,879	3,316	3,430
EPRA NAV	—	—	30,825	26,539	27,476
Growth in EPRA NAV, annual rate, %					
EPRA NAV attributable to the shareholders of the parent company, OB	—	—	26,539	21,494	24,211
EPRA NAV attributable to the shareholders of the parent company, CB	—	—	30,825	26,539	27,476
Dividend added back, current year	—	—	787	737	737
Excluding proceeds from new share issue	—	—	—	-1,461	0
Growth in EPRA NAV, annual rate, %	—	—	19.1	20.1	16.5

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								
	2019			2018				2017
Figures in MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue Property Management								
Rental income	820	772	641	704	766	739	600	549
Other property income	31	11	44	45	44	52	21	22
Revenue Operator Activities	600	673	506	626	531	565	431	528
Total revenues	1,451	1,456	1,191	1,375	1,341	1,356	1,052	1,099
Costs Property Management	-90	-79	-102	-122	-112	-127	-93	-82
Costs Operator Activities	-491	-508	-458	-507	-429	-436	-404	-429
Gross profit	870	869	631	746	800	793	555	589
Central administration	-40	-48	-43	-43	-34	-37	-34	-37
Financial net	-224	-202	-205	-214	-205	-198	-186	-126
Financial cost for right-of-use assets	-20	-21	-19	—	—	—	—	—
Profit before value changes	586	598	364	489	561	558	335	426
Changes in value								
Properties, unrealised	353	509	131	607	376	297	148	490
Properties, realised	110	1	—	27	13	13	14	289
Derivatives, unrealised	-211	-133	-139	-147	113	-24	83	7
Profit before tax	838	975	356	976	1,063	844	580	1,212
Current tax	-60	-75	-46	-55	-64	-60	-37	11
Deferred tax	-536	-140	97	-146	-166	-21	-91	-40
Profit for the period	242	760	407	775	833	763	452	1,183
Other comprehensive income	-250	135	360	-177	-220	134	728	-196
Total comprehensive income for the period	-8	895	767	598	613	897	1,180	986
Condensed consolidated statement of financial position								
	2019			2018				2017
Figures in MSEK	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
ASSETS								
Properties incl equipment and interiors	56,759	54,543	54,371	52,949	50,855	50,789	49,944	48,217
Right of use assets	2,765	2,784	2,738	—	—	—	—	—
Other non-current receivables	78	75	50	43	91	36	59	37
Deferred tax assets	765	540	539	465	520	561	469	613
Current assets	832	1,192	657	885	1,105	2,542	2,262	1,871
Cash and cash equivalents	530	450	923	674	923	678	708	999
Total assets	61,729	59,584	59,278	55,016	53,494	54,606	53,442	51,737
EQUITY AND LIABILITIES								
Equity	22,405	22,413	22,305	21,538	20,950	20,347	20,206	19,027
Deferred tax liability	4,879	3,633	3,544	3,430	3,316	3,237	3,153	3,026
Interest-bearing liabilities	29,158	28,541	28,266	27,917	27,461	27,451	26,792	26,298
Leasing liabilities	2,766	2,784	2,738	—	—	—	—	—
Non interest-bearing liabilities	2,521	2,213	2,425	2,131	1,767	3,571	3,292	3,386
Total equity and liabilities	61,729	59,584	59,278	55,016	53,494	54,606	53,442	51,737
Key ratios								
	2019			2018				2017
Figures in MSEK	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
NOI, Property Management	761	704	583	627	698	664	528	490
NOI, Operator Activities	160	212	95	165	142	167	66	144
EBITDA	881	868	634	749	806	794	560	597
Earnings per share before and after dilution, SEK	1.45	4.53	2.43	4.63	4.98	4.53	2.69	7.47
Cash earnings	581	565	362	480	537	536	336	482
Cash earnings per share before and after dilution, SEK	3.47	3.37	2.16	2.88	3.20	3.18	2.00	3.06
RevPAR growth (Operator Activities) for comparable units and constant currency, %	4	12	9	12	6	4	4	11
	2019			2018				2017
	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
Net interest-bearing debt, MSEK	28,806	28,248	27,513	27,421	26,590	26,844	26,151	25,474
Loan to value, %	48.3	49.0	48.5	49.7	49.9	50.6	50.2	50.8
Interest coverage ratio, times	4.2	4.4	3.3	3.8	4.1	4.2	3.1	4.5
Market value properties, MSEK	59,661	57,618	56,713	55,197	53,281	53,064	52,120	50,121
EPRA NAV per share, SEK	184.03	173.83	170.52	164.04	158.44	153.97	151.81	144.54
WAULT (Property Management), yrs	15.5	15.5	15.8	15.7	15.3	15.3	15.6	15.6

Portfolio overview

At the end of the period Pandox's property portfolio consisted of 146 (144) hotel properties with 32,732 (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 (25 percent) is Pandox's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by Germany (20 percent), UK (18 percent), Belgium (7 percent) and Finland (7 percent).

130 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 September 2019 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.5 years (15.7).

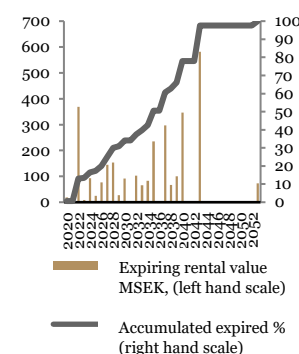
Portfolio overview by segment and geography

	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	% of total	Per room
Property Management					
Sweden	42	8,771	14,811	25	1.7
Germany	25	5,028	9,206	15	1.8
UK	19	4,675	9,455	16	2.0
Finland	13	2,921	4,085	7	1.4
Norway	14	2,535	3,495	6	1.4
Denmark	8	1,845	3,761	6	2.0
Austria	2	639	1,486	2	2.3
Belgium	2	519	885	1	1.7
Ireland	3	445	1,551	3	3.5
Switzerland	1	206	803	1	3.9
Netherlands	1	189	1,145	2	6.1
Sum Property Management	130	27,773	50,682	85	1.8
Operator Activities					
Belgium	7	1,955	3,725	6	1.9
Germany	4	1,285	2,854	5	2.2
Canada	2	952	1,456	2	1.5
UK	2	611	921	2	1.5
Finland	1	156	24	0	0.2
Sum Operator Activities	16	4,959	8,979	15	1.8
Sum total	146	32,732	59,661	100	1.8

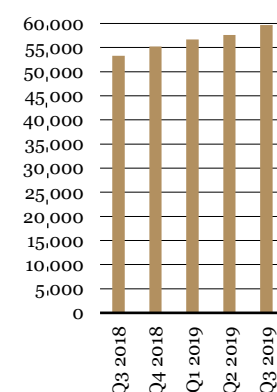
Portfolio overview by brand

Brand	Number		% of total
	Hotels	Rooms	
Scandic	50	10,890	33
Jurys Inn	20	4,410	13
Leonardo	18	3,547	11
Hilton	8	2,582	8
Radisson Blu	8	2,033	6
Nordic Choice Hotels	11	1,800	5
NH	7	1,681	5
Crowne Plaza	2	616	2
Dorint	3	565	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	10	2,555	8
Total	146	32,732	100

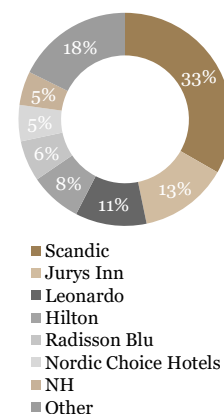
Lease maturity profile (30 September 2019)



Market value properties per quarter, MSEK



Rooms per operator/brand (30 September 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 2,765 based on agreements currently in effect. MSEK 2,633 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 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 Figures in MSEK	Jan-Sep 2019		Effect IFRS 16
	IFRS 16	Ex IFRS 16	
Revenues	4,098	4,098	—
Costs	-1,728	-1,785	57
Gross profit	2,370	2,313	57
Central administration	-131	-132	1
Financial income / expenses	-691	-631	-60
Profit before changes in value	1,548	1,549	-1
Changes in value	621	621	0
Profit before tax	2,169	2,170	-1
Current tax	-760	-760	0
Profit for the period	1,409	1,410	-1
Other comprehensive income for the period	245	245	—
Total comprehensive income for the period	1,654	1,655	-1

Condensed consolidated statement of financial position Figures in MSEK	30 Sep 2019		Effect IFRS 16
	IFRS 16	Ex IFRS 16	
ASSETS			
Non-current assets	60,367	57,602	2,765
Current assets	1,362	1,362	—
Total assets	61,729	58,964	2,765
EQUITY			
Equity	22,405	22,405	0
LIABILITIES			
Long-term liabilities	32,532	29,786	2,746
Short-term liabilities	6,792	6,773	20
Total equity and liabilities	61,729	58,964	2,765

Reconciliation alternative performance measurements Figures in MSEK	Jan-Sep 2019		Effect IFRS 16
	IFRS 16	Ex IFRS 16	
Net operating income			
Property Management	2,048	2,006	42
Operator Activities	467	449	18
EBITDA	2,383	2,323	60

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	
Figures in MSEK	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2018
Revenue Property Management	851	810	—	—	—	—	851	810
Rental and other property income	—	—	600	531	—	—	600	531
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	851	810	600	531	—	—	1,451	1,341
Costs Property Management	-90	-112	—	—	—	—	-90	-112
Costs Operator Activities	—	—	-491	-429	—	—	-491	-429
Gross profit	761	698	110	102	—	—	870	800
Central administration	—	—	—	—	-40	-34	-40	-34
Financial income	—	—	—	—	-3	2	-3	2
Financial expenses	—	—	—	—	-221	-207	-221	-207
Financial expenses right-of-use assets	—	—	—	—	-20	—	-20	—
Profit before changes in value	761	698	110	102	-284	-239	586	561
Changes in value	—	—	—	—	—	—	—	—
Properties, unrealised	353	376	—	—	—	—	353	376
Properties, realised	110	13	—	—	—	—	110	13
Derivatives, unrealised	—	—	—	—	-211	113	-211	113
Profit before tax	1,224	1,087	110	102	-495	-126	838	1,063
Current tax	—	—	—	—	-60	-64	-60	-64
Deferred tax	—	—	—	—	-536	-166	-536	-166
Profit for the period	1,224	1,087	110	102	-1,091	356	242	833

Q3 2019

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	257	70	66	90	137	11	174	46	851
- Operator Activities	—	—	—	13	135	231	70	151	600
Market value properties	14,811	3,761	3,495	4,109	12,060	4,610	11,927	4,888	59,661
Investments in properties	29	4	6	15	11	24	4	12	105
Acquisitions of properties	—	—	—	—	1,051	—	2	—	1,053
Realised value change properties	96	—	—	—	—	—	—	—	96
Book value Operating Properties	—	—	—	27	1,489	2,579	910	1,069	6,074
Total non-current assets at book value, less deferred tax assets	15,399	3,774	3,499	4,834	11,198	3,463	12,724	4,711	59,602

Q3 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	243	71	65	83	121	10	173	44	810
- Operator Activities	—	—	—	10	135	205	38	143	531
Market value properties	15,005	3,555	3,398	3,934	9,595	4,097	9,308	4,389	53,281
Investments in properties	51	4	7	5	25	39	—	36	167
Acquisitions of properties	—	—	—	—	4	—	—	—	4
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	27	1,502	2,418	398	986	5,331
Total non-current assets at book value, less deferred tax assets	19,811	2,102	2,222	3,043	7,514	3,101	9,203	3,950	50,946

Operating segments

	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q1-3 2019	Q1-3 2018	Q1-3 2019	Q1-3 2018	Q1-3 2019	Q1-3 2018	Q1-3 2019	Q1-3 2018
Revenue Property Management								
Rental and other property income	2,319	2,222	—	—	—	—	2,319	2,222
Revenue Operator Activities	—	—	1,779	1,527	—	—	1,779	1,527
Total revenues	2,319	2,222	1,779	1,527	—	—	4,098	3,749
Costs Property Management	-271	-332	—	—	—	—	-271	-332
Costs Operator Activities	—	—	-1,457	-1,269	—	—	-1,457	-1,269
Gross profit	2,048	1,890	323	258	—	—	2,370	2,148
Central administration	—	—	—	—	-131	-105	-131	-105
Financial income	—	—	—	—	3	3	3	3
Financial expenses	—	—	—	—	-634	-592	-634	-592
Financial cost right-of-use assets	—	—	—	—	-60	—	-60	—
Profit before changes in value	2,048	1,890	323	258	-822	-694	1,548	1,454
<i>Changes in value</i>								
Properties, unrealised	993	822	—	—	—	—	993	822
Properties, realised	111	40	—	—	—	—	111	40
Derivatives, unrealised	—	—	—	—	-483	172	-483	172
Profit before tax	3,152	2,752	323	258	-1,305	-522	2,169	2,488
Current tax	—	—	—	—	-181	-161	-181	-161
Deferred tax	—	—	—	—	-579	-278	-579	-278
Profit for the period	3,152	2,752	323	258	-2,065	-961	1,409	2,049

Q1-3 2019

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	693	181	170	227	380	38	490	140	2,319
- Operator Activities	—	—	—	34	391	769	204	381	1,779
Market value properties	14,811	3,761	3,495	4,109	12,060	4,610	11,927	4,888	59,661
Investments in properties	127	21	30	53	22	86	25	55	419
Acquisitions of properties	—	—	—	—	1,051	7	-96	—	962
Realised value change properties	96	—	—	—	—	—	—	—	96
Book value Operating Properties	—	—	—	27	1,489	2,579	910	1,069	6,074
Total non-current assets at book value, less deferred tax assets	15,399	3,774	3,499	4,834	11,198	3,463	12,724	4,711	59,602

Q1-3 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	687	175	163	219	348	32	461	137	2,222
- Operator Activities	—	—	—	28	362	693	102	342	1,527
Market value properties	15,005	3,555	3,398	3,934	9,595	4,097	9,308	4,389	53,281
Investments in properties	139	25	40	20	60	85	—	91	460
Acquisitions of properties	—	—	—	—	6	—	2	—	8
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	27	1,502	2,418	398	986	5,331
Total non-current assets at book value, less deferred tax assets	19,811	2,102	2,222	3,043	7,514	3,101	9,203	3,950	50,946

Note 4 Assets and liabilities classified as held for sale

Assets and liabilities held for sale

Figures in MSEK	2019 30 Sep	2018 30 Sep	2018 31 Dec
ASSETS			
Investment properties	—	286 ¹⁾	—
Assets classified as held for sale	—	286 ¹⁾	—

¹⁾ Refers to Scandic Ferrum. Resolved during Q4 2018.

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

Reclassifications, acquisitions and divestments

Date	Hotel property	Event
2 September 2019	Hotell Hasselbacken	Divestment Property Management
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

Note 6 Currency exchange rates

Currency exchange rates January-September

1 foreign currency = X SEK	Average rate			Rate at end-of-period		
	2019	2018	Δ%	2019	2018	Δ%
Euro (EUR)	10.566	10.235	3%	10.729	10.295	4%
British pound (GBP)	11.962	11.574	3%	12.070	11.575	4%
Danish krone (DKK)	1.415	1.374	3%	1.437	1.380	4%
Norwegian krone (NOK)	1.081	1.067	1%	1.080	1.086	-1%
Canadian dollar (CAD)	7.077	6.660	6%	7.412	6.806	9%
Swiss franc (CHF)	9.454	8.818	7%	9.883	9.076	9%

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 146 hotels with approximately 32,700 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 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.



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Definitions

FINANCIAL INFORMATION

Average interest on debt, %

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

Cash earnings, MSEK

EBITDA plus financial income less financial expense less 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.

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

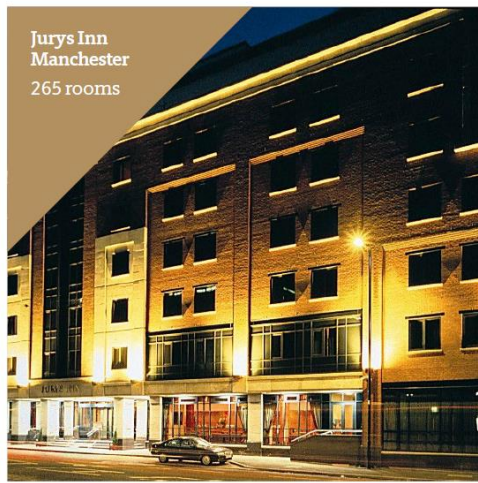
Number of rooms in owned hotel properties at the end of the period.

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.



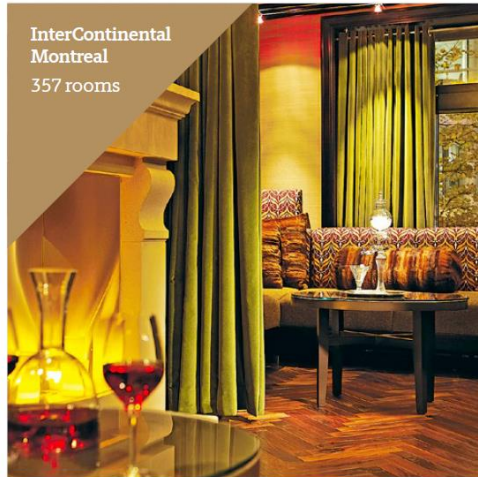
Jurys Inn
Manchester
265 rooms



Scandic
Copenhagen
486 rooms



Leonardo
Wolfsburg
City Centre
343 rooms



InterContinental
Montreal
357 rooms



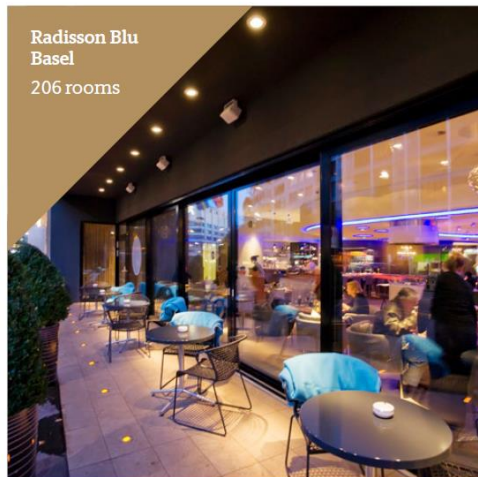
Park Hotel
Amsterdam
189 rooms



Comfort
Børsparken,
Oslo
248 rooms



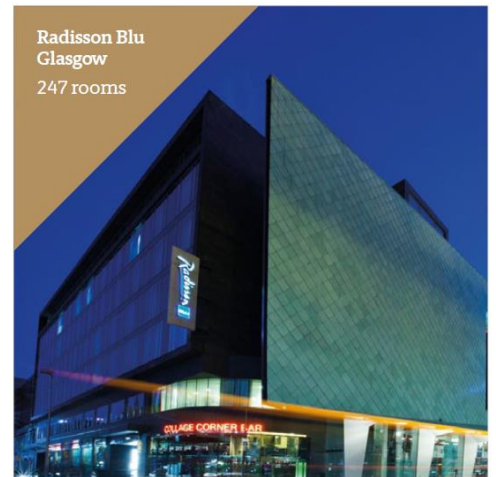
Check in ... some of Pandox's hotel properties



Radisson Blu
Basel
206 rooms



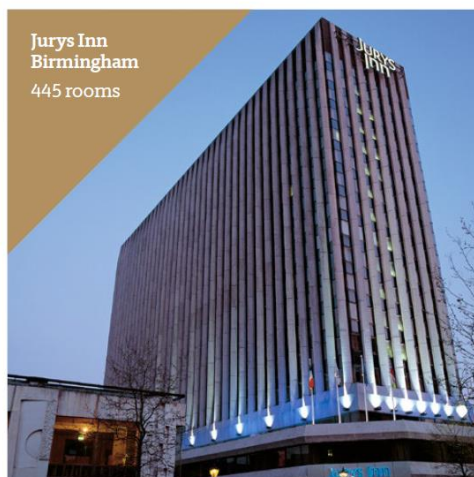
NH Vienna
Airport
499 rooms



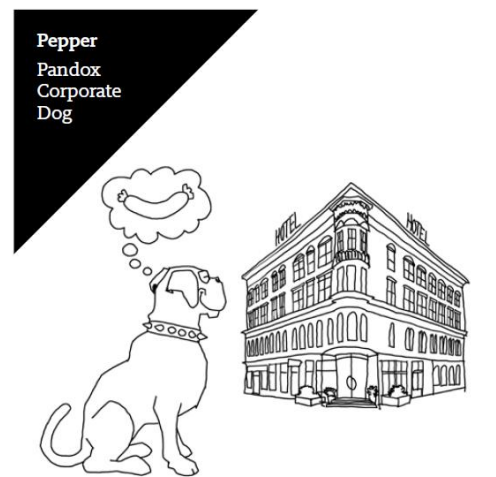
Radisson Blu
Glasgow
247 rooms



Hotel Hubert Grand
Place Brussels
100 rooms



Jurys Inn
Birmingham
445 rooms



Pepper
Pandox
Corporate
Dog