

A clear game plan in a difficult situation

January-March 2020

- Revenue from Property Management amounted to MSEK 672 (685). For comparable units the decrease was 11 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 561 (583). For comparable units the decrease was 12 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 20 (95). For comparable units the decrease was 78 percent, adjusted for currency effects
- EBITDA amounted to MSEK 538 (639)
- Cash earnings amounted to MSEK 262 (367)
- Cash earnings per share amounted to SEK 1.43 (2.18)
- Profit for the period amounted to MSEK -668 (407)
- Earnings per share amounted to SEK -3.63 (2.43)
- The result includes unrealised changes in value Investment Properties of MSEK -611

Financial summary

Figures in MSEK	Jan-Mar			Full-year
	2020	2019	Δ%	2019
Revenue Property Management	672	685	-2	3,129
Net operating income Property Management	561	583	-4	2,764
Net operating income Operator Activities	20	95	-79	625
EBITDA	538	639	-16	3,231
Profit for the period	-668	407	n.a.	2,700
Earnings per share, SEK ¹⁾	-3.63	2.43	n.a.	15.91
Cash earnings	262	367	-29	2,177
Cash earnings per share, SEK ¹⁾	1.43	2.18	-34	12.84
Key data				
Market value properties, MSEK	65,345	56,713	—	63,469
Net interest-bearing debt, MSEK	30,862	27,513	—	29,191
Loan to value net, %	47.2	48.5	—	46.0
Interest cover ratio, times	2.4	3.3	n.a.	4.0
EPRA NAV per share, SEK ¹⁾	186.97	170.52	—	186.40
WAULT (Investment Properties), years	15.3	15.8	—	15.6
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	537	763	-30	929

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 15. See note 3 on page 21 for a summary of reclassifications, acquisitions and divestments. For complete definitions see page 23.

CEO comment

Respond, Restart, Reinvent!

One quarter, two faces

The first quarter began with stable growth in January and February but ended with an historic collapse in demand due to COVID-19 and the extraordinary steps taken by the authorities in March to reduce the spread of the virus.

As a consequence of a strong decline in economic activity in all key markets, Pandox is reporting lower revenue and net operating income for the first quarter compared with the previous year. The fall in revenue and earnings was offset to some extent by minimum and fixed rents as well as contribution from acquisitions completed previously.

At this time the occupancy rate in Pandox's key markets is 5–25 percent, depending on the market and demand segment. The situation is expected to remain the same throughout the second quarter. Most of Pandox's revenue will therefore consist of minimum and fixed rents.

From crisis to a new normal

Pandox was formed in 1995 as a spin-off from Securum in the Swedish financial crisis. Pandox has successfully navigated many serious crises since then and has advanced its business position each time. Today Pandox has world-class co-workers who are used to moving swiftly throughout the hotel value chain. This, combined with Pandox's past crisis experience, has made it possible to quickly organise and address important issues in this unique and challenging time. Pandox is currently focusing on three main areas: Respond, Restart and Reinvent.

Respond – actions to alleviate the acute crisis

Pandox has five main priorities in this area:

1. *Ensure good liquidity in order to weather the storm for an extended period.* Pandox has a constructive and open dialogue with all its business partners and lenders. Per 31 March, Pandox had approximately SEK 4.3 billion in cash and cash equivalents and unutilised credit facilities.
2. *Balance revenue and costs.* Revenue in the form of minimum and fixed rents amounts to around MSEK 2,000 on an annualised basis. The Group's costs have been significantly reduced and are now on a par with revenue.
3. *Stay alive!* Pandox is keeping its hotels open as far as possible. From a cost perspective the difference is marginal between keeping a hotel open with limited service and closing it. By keeping hotels open we are maintaining a presence and showing optimism. We are also in contact with the local markets and will be first out of the starting blocks when business picks up again.
4. *Ready to act to defend the value of our hotel properties.* Pandox has the capacity to take over and operate hotels in hotel properties we already own. At the beginning of April Pandox took over the operation of Hotel Mayfair and Hotel Twentyseven – both centrally located in Copenhagen.
5. *Open, active and present leadership – we don't shy away!* I'm very proud of my colleagues at Pandox who are showing such a strong team spirit in this very difficult situation.

Restart – plan for recovery

Pandox believes that the activity level in the economy and hotel market has now bottomed out. Even if it is hard to assess when a recovery can be expected to take place, it is important to create a vision for what it could look like. We believe that the hotel market will develop in different phases. Based on experience from previous crises, it is likely that demand from the leisure and business segment will come back to life first, and that it will take longer for large meetings and group travel. The pace and strength of the recovery will depend entirely on how and at what pace the authorities choose to open each country/market and what type of restrictions remain in place. A possible new wave of infection is the main risk factor.

It is likely that the current low occupancy rates will continue until mid-May when many countries are expected to ease certain restrictions. Based on development in China – where the hotel market is now growing from a low level – it is most likely not until June–July before we can expect to see some increase in occupancy rates and a gradual reopening of hotels in Europe. Provided that the easing of restrictions continues without setbacks, most of the hotels should be able to be open in September with a possible occupancy rate in Europe of around 25 percent, or potentially somewhat higher. The meeting segment for smaller groups will probably have started to show signs of recovery by then as well. Provided that the easing of restrictions continues without major setbacks, an occupancy rate of around 40 percent or potentially somewhat higher – depending on the market, situation and demand profile – could be possible in Europe by the end of the fourth quarter.

Pandox expects budget and mid-range hotels with a domestic and regional demand profile – in locations easily reached by car or train – to develop the best once the market turns around. This is also the segment in which Pandox has most of its hotel properties. The recovery will probably take a longer time for international luxury and premium hotels.

Reinvent – knowledge and insights into the new normal

Although Pandox's primary focus is on efforts to alleviate the acute crisis, it is important to start trying to understand how the hotel market may change due to COVID-19. We have started this work in close cooperation with international hotel companies. Exactly what changes will come is too soon to say, but it is clear that there will be new demands placed on both our operating structure and hotel properties. Requirements with respect to increased cleaning and sanitising, social distancing and restrictions on larger groups will probably remain in place for a long time.

Significantly greater negative impact on earnings in the second quarter

Based on continuing extensive restrictions in all Pandox's key markets, the negative impact on earnings is expected to be significantly greater in the second quarter. Pandox is hoping that the second quarter could be the bottom from which the hotel market will gradually be able to recover in the second half of the year. With a strong financial position, good liquidity and balance between revenue and costs, Pandox remains in a good position to not only weather the storm but also strengthen its business position.

Anders Nissen, CEO

January–March 2020 (change compared with the corresponding period previous year)

-14%

Growth in total NOI

See definitions on p23.

10%

Growth in net asset value

At annual rate. See definitions on p23.

-29%

Growth in total cash earnings

See definitions on p23.

Summary of COVID-19 effects for Pandox

Business segment Property Management

Pandox is monitoring and evaluating the business situation on an ongoing basis and is in close dialogue with business partners in the business segment Property Management regarding earnings development and liquidity for the respective party. Contractual minimum guaranteed rent and fixed rent, combined, amount to the equivalent of approximately MSEK 2,000 on an annualised basis.

Discussions are under way on temporary changes to payment terms where this is possible. Tenants have also taken advantage of government relief regulations relating to COVID-19 that make it possible to defer rent payment for a certain period of time (see the section “Government relief programmes” below).

On 2 April 2020 Pandox took over the operation of two hotels in central Copenhagen in line with the Company’s strategy to secure the value of the hotel properties and ensure their long-term development potential. The hotels were reclassified from the Property Management segment to Operator Activities on the same date.

For more information, see pages 5, 6 and 20.

Business segment Operator Activities

Pandox has taken powerful actions in the business segment Operator Activities in the form of staff reductions and increased coordination of operations between hotels. The business situation in each individual market is evaluated on an ongoing basis with consideration for Pandox’s guests and employees, as well as government requirements. The hotels will remain open with limited service to the extent possible.

For more information, see pages 5, 6 and 20.

Current earnings

Through active cost-saving measures, mainly within the business segment Operator Activities, Pandox’s total costs are now on a par with revenue from minimum and fixed rents.

For more information, see pages 5 and 6.

Investments

Planned investments in 2020 amount to the equivalent of around MSEK 550, of which around MSEK 50 is for maintenance. Practical limitations due to COVID-19 in most of Pandox’s markets can, however, mean that the planned investment volume may not be fully reached in 2020.

For more information, see page 7.

Hotel property valuations

At the end of the first quarter of 2020, Pandox has valued the hotel properties according to the same method and model used since the IPO in 2015. The valuation model is an established and accepted model where the future cash flows the hotel properties are expected to generate are discounted by a valuation yield obtained from external property appraisers.

Due to uncertainty about the long-term effects of COVID-19 on the economy in general, it is also more difficult to assess future cash flows and valuation yields for Pandox’s hotel properties.

Due to COVID-19, no external valuations have been made in the first quarter, partly because it has not been possible to conduct physical inspections of the hotel properties. In the first quarter the hotel property market value was adjusted downwards as a result of lower anticipated cash flows in 2020 as a direct result of COVID-19. Effects on valuation

yields have, however, not been possible to establish due, among other things, to insufficient evidence from the transaction markets for hotel properties.

The valuation effects will be monitored closely in coming quarters, as both valuation yields and future cash flows are expected to be able to be estimated with greater precision.

For more information, see pages 7 and 18.

Financing

Pandox has a strong financial position. As of 31 March 2020, the loan-to-value ratio net was 47.2 percent and cash and cash equivalents plus unutilised credit facilities amounted to MSEK 4,309.

In addition, there are other credit facilities that fully cover the issued volume under Pandox’s commercial paper programme in which MSEK 1,775 had been issued as of 31 March 2020.

Pandox’s debt financing consists exclusively of credit facilities from eleven Nordic and international banks secured mainly by mortgage collateral. In 2020 credit facilities worth MSEK 5,822 will mature – the majority of them at the end of 2020.

New financing of MSEK 935 for previously completed acquisitions was secured in the first quarter.

Pandox has a positive and close dialogue with its lenders on refinancing, new financing and adjustment of terms in existing credit agreements with consideration to COVID-19.

For more information, see pages 8 and 9.

Shareholders and dividend

The number of shareholders doubled in March, amounting to around 7,500 as of 31 March 2020.

As a consequence of the deteriorating business situation and great uncertainty about the market development and in order to further strengthen the Company’s financial position, Pandox’s Board of Directors decided on 17 March 2020 to withdraw its previous dividend proposal for 2019 of SEK 3.60 per share.

Government relief programmes

Pandox has operations in 15 countries. The government relief programmes that have been launched vary significantly from country to country. The relief is in the form of lay-off/furlough support and business loans with varying degrees of state guarantees.

In certain countries, such as Denmark and Germany and to some extent Norway, there are programmes that cover a specific percentage of companies’ fixed costs. There is in general no rent support for property owners. On the other hand, tenants in Germany and the UK can opt to delay rent payment during the second quarter and capitalise and pay the rent in arrears over an extended period.

Pandox has taken advantage of relief programmes in Operator Activities in Belgium, Germany, the Netherlands, Denmark and Canada.

Tax actions

To address the financial impact for Pandox due to COVID-19, certain tax actions have been taken, for example re-assessment of advance corporate tax payments, deferral of VAT payments and property tax. Pandox has taken a cautious approach regarding certain relief support which entails additional cost e.g. interest and deferral of tax payments, to lower the one-time impact when the COVID-19 crisis is over and the support packages expire.

Pandox is continuously monitoring all new tax incentives that are presented in all jurisdictions and will act when appropriate.

Hotel market development January-March 2020

Record strong 2019

2019 was another in a series of strong years for the global hospitality industry. According to UNWTO the number of international arrivals increased by around 4 percent globally to 1.5 billion, which is a record in absolute figures. In Europe RevPAR increased by 2 percent for the full year and the hotel industry looked forward to continued stability in 2020 – albeit with slightly lower anticipated growth in demand and slightly higher expected growth in supply of hotel rooms.

Split first quarter

The year started in line with expectations and RevPAR increased by a total of 0.4 percent in January and February in Europe. Certain European markets were already being impacted at that time by the outbreak of COVID-19 in China and other countries in Western Asia due to a weaker inbound travel market. The negative trend then picked up speed when airlines cancelled flights and many countries closed their borders.

When the WHO confirmed that COVID-19 was a pandemic on 11 March, numerous restrictions were introduced in many countries. With respect to domestic and international travel, these included guidelines for certain business and conference activities as well as social distancing aimed at preventing the rapid spread of the virus and avoiding overloading health care systems. Certain countries, such as Germany, France, Norway and Finland acted faster and imposed stricter restrictions than other countries, such as the UK.

Significantly negative COVID-19 effects throughout Europe

RevPAR in Europe decreased as a whole by around 25 percent in the quarter, mainly due to lower occupancy, but average prices were also negatively impacted (-2 percent). RevPAR decreased gradually throughout the month of March, initially through a fall in demand from Asian inbound markets. Meanwhile, conference activity declined sharply or was cancelled altogether. Altogether RevPAR decreased by around 65 percent in March, with most of the demand in all segments disappearing in the final week.

The picture is similar in all countries and markets. Italy, which experienced the crisis early, had the biggest RevPAR decline in March (-93 percent) while the UK, where measures were introduced later, saw a slightly lower decline (-55 percent).

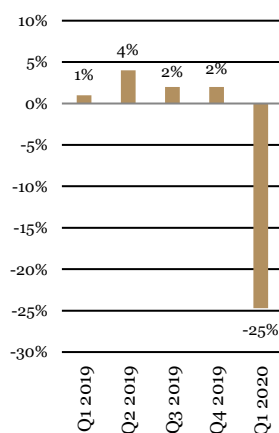
Not much better in the Nordics

The Nordic region experienced a similar trend to Europe as a whole. However, the Nordic countries, except for Denmark, maintained their average prices relatively well and experienced a positive trend compared to the previous year.

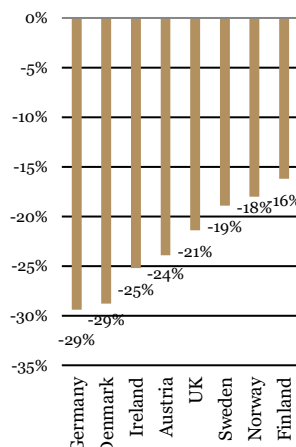
In Sweden and Norway RevPAR decreased by around 20 percent in the quarter, while RevPAR in Copenhagen and Denmark decreased by around 30 percent, partly due to a weaker start to the year compared to the rest of the Nordic countries.

January-March 2020

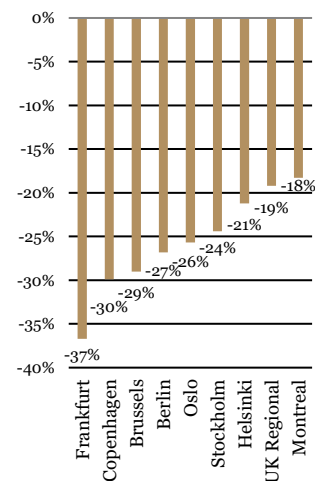
Europe
RevPAR growth y/y



Countries
RevPAR growth y/y



Key markets
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance. Rounded numbers.

Financial development January-March 2020

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2019 for balance sheet items, unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 672 (685), a decrease of 2 percent. For comparable units revenue decreased by 11 percent, adjusted for currency effects. The decrease is explained by the extraordinary steps taken by the authorities in response to COVID-19 and mainly affected March negatively. The negative effects of COVID-19 in the quarter were offset to some extent by stable positive market development in January and February, as well as good development of the acquisitions implemented over the previous 12 months.

The previously communicated change in property tax accounting in the UK and Ireland reduced other property revenue by around MSEK 21 in the quarter compared with 2019.

Revenue from Operator Activities amounted to MSEK 419 (506), a decrease of 17 percent. For comparable units revenue and RevPAR decreased by 25 and 30 percent respectively, adjusted for currency effects.

Here too, the decline is explained by the extraordinary steps taken by the authorities in response to COVID-19. A small portion of the decrease can also be attributed to the effect of renovations reducing revenue at Hotel Indigo Brussels City and Hilton Garden Inn Heathrow Airport. Recent acquisitions of Novotel Den Haag World Forum and Novotel Hannover made a certain positive contribution to the quarter.

The Group's net sales amounted to MSEK 1,091 (1,191). For comparable units net sales decreased by 17 percent, adjusted for currency effects.

Net operating income

Revenue from Property Management amounted to MSEK 561 (583), a decrease of 4 percent. For comparable units revenue decreased by 12 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 20 (95), a decrease of 79 percent. For comparable units revenue decreased by 78 percent, adjusted for currency effects, explained entirely by steps taken by the authorities in response to COVID-19. Powerful actions have been taken in the form of staff reductions and increased coordination of operations between hotels.

Total net operating income amounted to MSEK 581 (678), a decrease of 14 percent.

Administration costs

Central administration costs amounted to MSEK -47 (-43).

EBITDA

EBITDA amounted to MSEK 538 (639), a decrease of 16 percent.

Financial income and expense

Financial expenses amounted to MSEK -228 (-207), of which MSEK -16 (-14) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK 2 (2).

Financial expenses associated with right-of-use assets amounted to MSEK -22 (-19).

Profit before changes in value

Profit before changes in value amounted to MSEK 229 (364), a decrease of 37 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK -611 (131) and is explained by lower anticipated future cash flows in 2020.

Unrealised changes in value of derivatives amounted to MSEK -359 (-139).

Current and deferred tax

Current tax amounted to MSEK -27 (-46), which is mainly explained by intra-Group equalisation and other adjustments. That current tax is charged despite a negative result is explained by full intra-Group equalisation, for example across countries, not being possible. The deferred tax expense amounted to MSEK 100 (97). See also page 9 and the section "Deferred tax".

Profit for the period

Profit for the period amounted to MSEK -688 (407) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK -667 (407), which is equivalent to SEK -3.63 (2.43) per share.

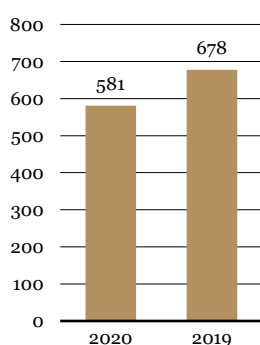
Cash earnings

Cash earnings amounted to MSEK 262 (367), a decrease of 29 percent.

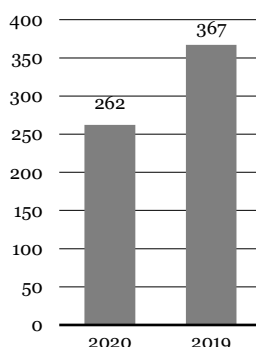
See page 21 for summary of reclassifications, acquisitions and divestments.

January-March 2020

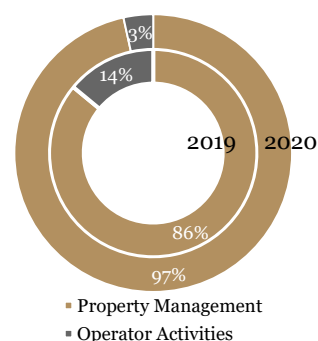
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Segment reporting January-March 2020

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2019 for balance sheet items, unless otherwise stated.

Property Management

Figures in MSEK	Jan-Mar		Full-year
	2020	2019	2019
Rental income	640	641	3,017
Other property income	32	44	112
Costs, excluding prop admin	-68	-75	-247
Net operating income, before property admin	604	610	2,882
Property administration	-43	-27	-118
Gross profit	561	583	2,764
Net operating income, after property admin	561	583	2,764

January-March 2020

Rental income and other property revenue amounted to MSEK 672 (685). The decrease is a consequence of the extraordinary steps taken by the authorities in response to COVID-19, which had a significantly negative effect in March. The decrease in rental income was limited to some extent by the fact that many of Pandox's leases contain minimum rent provisions and that the percentage of fixed rents was higher than in the corresponding period the previous year. Additionally, market development in January and February was stable and positive, and recently completed acquisitions developed according to plan.

Adjusted for the change in property tax accounting in the UK and Ireland (see "Financial development January-March" on page 5), revenue increased by 1 percent compared to the corresponding period the previous year.

Net operating income amounted to MSEK 561 (583), a decrease of 4 percent.

For comparable units revenue decreased by 11 percent, while net operating income decreased by 12 percent, adjusted for currency effects.

Rental growth in the comparable portfolio was negative in most countries.

Individual hotel markets that saw rental income growth were Wolfsburg, Vienna, Düsseldorf, Bergen, Belfast, Kolmården and Tampere.

In Stockholm rental income decreased by 20 percent during the quarter. In Oslo and Copenhagen, the decreases were 21 and 20 percent, respectively.

Operator Activities

Figures in MSEK	Jan-Mar		Full-year
	2020	2019	2019
Revenues	419	506	2,424
Costs	-456	-458	-1,993
Gross profit	-37	48	431
Add: Depreciation included in costs	57	47	194
Net operating income	20	95	625

January-March 2020

Revenue from Operator Activities amounted to MSEK 419 (506), a decrease of 17 percent. The decrease is a consequence of the extraordinary steps taken by the authorities in response to COVID-19, which had a significantly negative effect in March. The quarter was also negatively affected by the effects of renovations reducing revenue at Hotel Indigo Brussels City and Hilton Garden Inn Heathrow Airport. The hotels taken over in December 2019, Novotel Den Haag World Forum and Novotel Hannover, contributed MSEK 29 in revenue for the quarter.

Net operating income amounted to MSEK 20 (95), a decrease of 79 percent.

The net operating margin was 4.8 (18.8) percent.

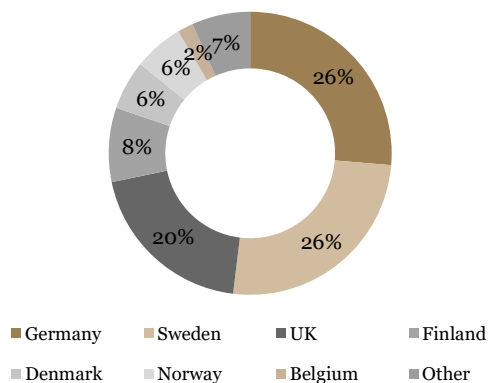
For comparable units revenue decreased by 25 percent while net operating income decreased by 78 percent, adjusted for currency effects.

For comparable units RevPAR decreased by 30 percent, adjusted for currency effects.

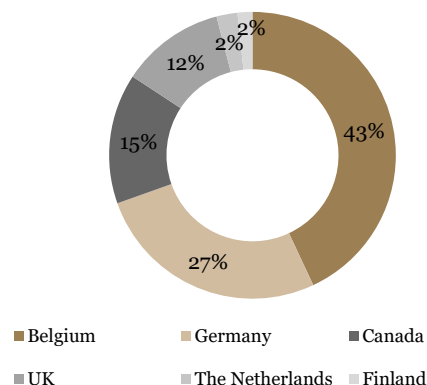
Powerful actions were taken in the first quarter in the form of staff reductions and increased coordination of operations between hotels, the full impact of which is expected in the second quarter.

January-March 2020

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 2019 for balance sheet items, unless otherwise stated.

Change in property value

At the end of the period, Pandox's property portfolio had a total market value of MSEK 65,345 (63,469), of which Investment Properties accounted for MSEK 55,357 (53,697) and Operating Properties for MSEK 9,988 (9,772). As of the same date the carrying amount of the Operating Properties portfolio was MSEK 7,209 (6,857).

At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 15.3 years (15.8).

During the quarter, Pandox took over one Investment Property in Nuremberg, Germany as well as complementary premises in the hotel property that accommodates Jurys Inn Cardiff in the UK.

On 2 April, 2020, Pandox took over the operation of Hotel Mayfair and Hotel Twentyseven in Copenhagen, which were simultaneously reclassified from Property Management to Operator Activities.

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2020)	53,697
+ Acquisitions ¹⁾	697
+ Investments in current portfolio	139
- Divestments	—
+/- Reclassifications	—
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-611
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,435
Investment Properties, closing balance (March 31, 2020)	55,357

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2020)	9,772
+ Acquisitions ²⁾	-8
+ Investments in current portfolio	99
- Divestments	—
+/- Reclassifications	—
+/- Unrealised changes in value	-347
+/- Realised changes in value	—
+/- Change in currency exchange rates	472
Operating Properties, market value (March 31, 2020)	9,988

¹⁾ Refers to acquisition of Maritim Hotel Nürnberg in Germany of MSEK 648 and of complementing premises to Jurys Inn Cardiff.

²⁾ Refers to adjustment of Novotel Hannover (MSEK -5) and Novotel Den Haag World Forum (MSEK -3).

Investments

During the January-March 2020 period, investments in properties and fixed assets, excluding acquisitions, amounted to MSEK 238 (143), of which MSEK 139 (99) was for Investment Properties, MSEK 98 (44) was for Operating Properties and MSEK 1 (0) was for the head office.

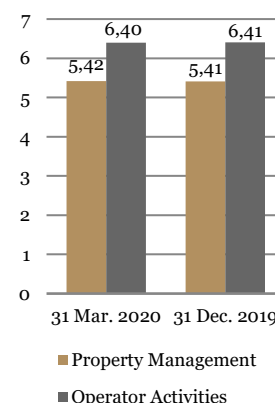
At the end of the first quarter of 2020, approved investments for ongoing and future projects amounted to approximately MSEK 1,200, of which approximately MSEK 500 is expected to be completed during 2020. In addition, approximately MSEK 50 will be maintenance.

Larger projects are Crowne Plaza Brussels Le Palace, Scandic Luleå, Hotel Berlin Berlin, Airport Bonus Inn Vantaa, Hotel Pullman Stuttgart Fontana, Dorint Parkhotel Bad Neuenahr, Jurys Inn Oxford, Jurys Inn Inverness, The Midland Manchester, Quality Park Södertälje, Hilton Garden Inn Heathrow Airport, NH Brussels Bloom, and the investment programme for green investments.

Financial effects of changes in certain key valuation parameters as of 31 March, 2020

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-4,673 / +5,622
Change in currency exchange rates	+/- 1%	+/- 406
Net operating income	+/- 1%	+/- 558
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 27
Operating properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 22
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates	+/- 1%	-/+ 102
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 321
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 1,099

Average valuation yield, % (31 March 2020)



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.

At the end of the first quarter of 2020, Pandox has valued the hotel properties according to the same method and model used since the IPO in 2015. Due to uncertainty about the long-term effects of COVID-19 on the economy in general, it is also more difficult to assess future cash flows and valuation yields for Pandox's hotel properties. Due to COVID-19, no external valuations have been made in the first quarter, partly because it has not been possible to conduct physical inspections of the hotel properties. In the first quarter the hotel property market value was adjusted downwards as a result of lower anticipated cash flows in 2020 as a direct result of COVID-19. Effects on valuation yields have, however, not been able to be established due, among other things, to evidence in the hotel property transaction market having been deemed insufficient. The valuation effects will be monitored closely in coming quarters, as both valuation yield and future cash flows are expected to be able to be estimated with greater precision.

Financing

Figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2019 for balance sheet items, unless otherwise stated.

Financial position and net asset value

At the end of the period the loan-to-value net was 47.2 (46.0) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 26,237 (26,350). EPRA NAV (net asset value) amounted to MSEK 34.375 (34,270), equivalent to SEK 186.97 (186.40) per share. Liquid funds plus unutilised credit facilities amounted to MSEK 4,309 (4,215). In addition, there are additional credit facilities that, at any given time, fully cover the issued volume under the Pandox commercial paper programme.

Interest-bearing liabilities

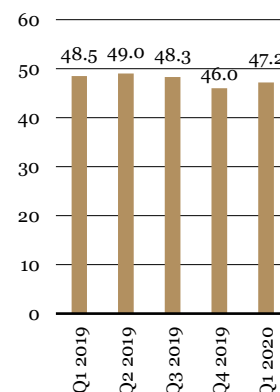
At the end of the period the loan portfolio amounted to MSEK 32,083 (29,824), excluding loan arrangement fees. Unutilised credit facilities amounted to MSEK 3,089 (3,583).

At the end of the period the volume issued under the commercial paper programme amounted to MSEK 1,775 (1,688) in various tenors ranging from 1 to 12 months.

In the first quarter, liquidity was further strengthened by refinancing of three previously completed acquisitions, amounting to approximately MSEK 935 with a maturity of 3 years.

The average fixed rate period was 3.5 (3.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.5 (2.6) percent, including effects from interest-rate derivatives, but excluding accrued arrangement fees. The average repayment period was 3.1 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Loan to value per quarter, %



Maturity structure credit facilities 31 March 2020

Year due (MSEK)	Credit facilities ¹⁾
<1 year	5,822
1-2 years	1,106
2-3 years	8,787
3-4 years	15,948
4-5 years	1,185
<5 years	2,325
Total	35,172

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 31 March 2020

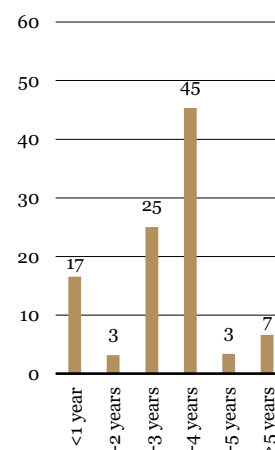
	SEK	DKK	EUR ³⁾	CHF	CAD	NOK	GBP	Total
Sum credit facilities ¹⁾	9,291	2,106	15,817	517	547	1,187	5,708	35,172
Sum interest bearing debt, MSEK ¹⁾	5,084	2,106	16,947	517	534	1,187	5,708	32,083
Share of debt in currency, %	15.8	6.6	52.8	1.6	1.7	3.7	17.8	100
Average interest rate, % ²⁾	3.4	2.0	2.0	0.8	4.1	2.9	3.1	2.5
Average interest rate period, years	4.8	0.8	3.6	0.2	0.1	2.2	3.8	3.5
Market value Properties ¹⁾	14,766	3,776	30,804	863	1,356	3,096	10,684	65,345

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.

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. At the end of the period interest rate derivatives amounted to MSEK 26,714 gross and MSEK 21,745 net, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Approximately 59 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

Interest maturity profile 31 March, 2020

Tenor (MSEK)	Total interest maturity		Interest maturity derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, %
< 1 year	13,160	41	2,831	13	2.0
1-2 year	3,384	11	3,384	16	1.5
2-3 year	5,458	17	5,758	26	1.1
3-4 year	-1,580	-5	-1,880	-9	0.2
4-5 year	300	1	300	1	0.0
> 5 year	11,361	35	11,361	52	0.6
Sum	32,083	100	21,754	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 -936 (-577).

Deferred tax

At the end of the period, the deferred tax assets amounted to MSEK 546 (383). 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 4,623 (4,552) and relate mainly to temporary differences between fair value and the taxable value of Investment Properties, as well as temporary differences between the book value and the taxable value of Operating Properties.

Other information

Important events during and after the period

3 April 2020	Pandox annual shareholders' meeting 2020
2 April 2020	Pandox takes over operations of two hotels in Copenhagen
17 March 2020	Pandox estimates impact due to COVID-19 and withdraws previous proposed dividend
31 January 2020	Pandox has completed previously announced acquisition of Maritim Hotel Nürnberg

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

Employees

At the end of the period, Pandox had the equivalent of 1,229 (1,325) fulltime employees. Of the total number of employees, 1,183 (1,286) are employed in the Operator Activities segment and 46 (39) in the Property Management segment and in central administration.

Green investments

Pandox's green investment programme of MEUR 8 remains in place but the time frame for completion has been extended from 2023 to 2024 due to practical conditions relating to COVID-19. The investment programme focuses on projects to reduce energy and water consumption and on technical installations. The programme is expected to generate an average return of around 20 percent.

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-March 2020 period totalled MSEK 30 (27), and profit for the period amounted to MSEK -175 (95).

At the end of the period the Parent Company's equity amounted to MSEK 8,914 (9,089) and the interest-bearing debt was MSEK 6,822 (6,305), of which MSEK 4,351 (3,427) 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 22 hotel properties in Germany and 9.9 percent of another hotel property in Germany. The acquisitions were made by Pandox in 2015, 2016 and 2019.

The management agreement regarding Pelican Bay Lucaya Report in the Bahamas owned by affiliates of Helene Sundt AS and CGS Holding AS is still in place. During the first quarter revenue from Pelican Bay Lucaya amounted to MSEK 0.2 (0.4).

Alternative performance measurements

Pandox applies the European Securities and Market Authority's (ESMA) guidelines for Alternative Performance Measurements. The guidelines aim at making alternative Performance Measurements in financial reports more understandable, trustworthy and comparable and thereby enhance their usability. According to these guidelines, an Alternative Performance Measurement is a financial key ratio of past or future earnings development, financial position, financial result or cash flows which are not defined or mentioned in current legislation for financial reporting; IFRS and the Swedish Annual Accounts Act. Reconciliations of Alternative Performance Measurements are available on pages 15-16.

Number of shares

At the end of the period, the total number of shares before and after dilution amounted to 75,000,000 A shares and 108,849,999 B shares. For the first quarter 2020 the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 108,849,999 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 130-133 of the 2019 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 84-88 in the section "Risk and risk management" in the 2019 Annual Report.

Besides the effects of COVID-19 described on page 3, there has been no significant change to Pandox's risk assessment after the publication of the 2019 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 29 April 2020

Anders Nissen, CEO

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



Lobby, Radisson Blu Hotel, Basel, 206 rooms

Presentation of the interim report

Pandox will present the interim report for investors, analysts and media via a webcasted telephone conference, 29 April at 09:00 CEST. The presentation of the interim report has been expanded with an in-depth business and hotel market update as follows:

- Interim report and business update
Anders Nissen CEO, Liia Nõu CFO
- The hotel market
David Goodger, Managing Director EMEA Oxford Economics, Robin Rossmann, Managing Director International STR, Johan Johander, Partner and Head of Research, Benchmarking Alliance
- Summary
Anders Nissen CEO, Liia Nõu CFO

The presentation material will be available at www.pandox.se at approximately 08:00 CEST.

To follow the telephone conference online, go to <https://edge.media-server.com/mmc/p/5kicca8r>. Here you can also ask written questions.

To participate in the conference via telephone, please call in using any number indicated below at least 30 minutes before the start of the conference.

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: 1799675

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 29 April 2020, 07:00 CEST.

Financial calendar

Interim report Q2 2020	15 July 2020
Interim report Q3 2020	23 October 2020
Year-end report 2020	11 February 2021

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

Summary of financial reports

Condensed consolidated statement of comprehensive income

		Jan-Mar		Full-year
Figures in MSEK	Note	2020	2019	2019
Revenues Property Management				
Rental income	2	640	641	3,017
Other property income		32	44	112
Revenue Operator Activities	2	419	506	2,424
Total revenues		1,091	1,191	5,553
Costs Property Management	2	-111	-102	-365
Costs Operator Activities	2	-456	-458	-1,993
Gross profit		524	631	3,195
- whereof gross profit Property Management	2	561	583	2,764
- whereof gross profit Operator Activities	2	-37	48	431
Central administration		-47	-43	-175
Financial income		2	2	1
Financial expenses		-228	-207	-866
Financial cost right of use assets	2	-22	-19	-81
Profit before changes in value		229	364	2,074
<i>Changes in value</i>				
Properties, unrealised	2	-611	131	1,389
Properties, realised	2	—	—	70
Derivatives, unrealised		-359	-139	-39
Profit before tax		-741	356	3,494
Current tax		-27	-46	-122
Deferred tax		100	97	-672
Profit for the period		-668	407	2,700
<i>Items that may be classified to profit or loss</i>				
Net investment hedge of foreign operations		-22	395	520
Translation differences realisation of foreign operations		682	-35	-474
		660	360	46
Other comprehensive income for the period		660	360	46
Total comprehensive income for the period		-8	767	2,746
Profit for the period attributable to the shareholders of the parent company		-667	407	2,706
Profit for the period attributable to non-controlling interests		-1	0	-6
Total comprehensive income for the period attributable to the shareholders of the parent company		-22	765	2,749
Total comprehensive income for the period attributable to non-controlling interests		14	2	-3
Earnings per share, before and after dilution, SEK		-3.63	2.43	15.91

Condensed consolidated statement of financial position

	2020	2019	2019
Figures in MSEK	31 Mar	31 Mar	31 Dec
ASSETS			
Non-current assets			
Operating properties	6,650	5,482	6,307
Equipment and interiors	563	503	554
Investment properties	55,357	48,386	53,697
Right-of-use assets	3,101	2,838	2,994
Deferred tax assets	546	539	383
Derivatives ¹⁾	72	18	117
Other non-current receivables	36	32	34
Total non-current assets	66,325	57,798	64,086
Current assets			
Inventories	14	11	14
Current tax assets	110	32	106
Trade account receivables	458	245	367
Prepaid expenses and accrued income	107	166	288
Other current receivables	204	203	250
Cash and cash equivalents	1,220	923	632
Total current assets	2,113	1,580	1,657
Total assets	68,438	59,378	65,743
EQUITY AND LIABILITIES			
Equity			
Share capital	460	419	460
Other paid-in capital	7,525	4,556	7,525
Reserves	911	573	258
Retained earnings, including profit for the period	17,341	16,595	18,107
Equity attributable to the owners of the Parent Company	26,237	22,143	26,350
Non-controlling interests	261	162	156
Sum equity	26,498	22,305	26,506
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities ²⁾³⁾	25,722	20,753	23,587
Other non-current liabilities	18	19	18
Long-term lease liability	3,071	2,819	2,964
Derivatives ¹⁾	1,008	694	694
Provisions	46	110	41
Deferred tax liability	4,623	3,544	4,552
Total non-current liabilities	34,488	27,939	31,856
Current liabilities			
Provisions	101	1	97
Interest-bearing liabilities ²⁾³⁾	6,160	7,513	6,034
Short-term lease liability	31	19	30
Tax liabilities	75	122	109
Trade accounts payable	288	275	304
Other current liabilities	278	565	226
Accrued expenses and prepaid income	519	639	581
Total current liabilities	7,452	9,134	7,381
Total liabilities	41,940	37,073	39,237
Total equity and liabilities	68,438	59,378	65,743

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 MSEK 200 have reduced interest-bearing liabilities in Q1 2020, compared to MSEK 170 in Q1 2019.

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, 2019	419	4,556	46	169	16,188	21,378	160	21,538
Profit for the period	—	—	—	—	2,706	2,706	-6	2,700
Other comprehensive income	—	—	43	—	—	43	3	46
New share issue ¹⁾	41	2,969	—	—	—	3,010	—	3,010
Transactions regarding non-controlling interest	—	—	—	—	—	—	-1	-1
Dividend	—	—	—	—	-787	-787	—	-787
Closing balance equity December 31, 2019	460	7,525	89	169	18,107	26,350	156	26,506
Opening balance equity January 1, 2020	460	7,525	89	169	18,107	26,350	156	26,506
Profit for the period	—	—	—	—	-667	-667	-1	-668
Other comprehensive income	—	—	645	—	—	645	15	660
Transfer holding with non-controlling interest ²⁾	—	—	8	—	-99	-91	91	—
Closing balance equity March 31, 2020	460	7,525	742	169	17,341	26,237	261	26,498

¹⁾ The new issue amount is reported net after deduction of transaction costs of MSEK -39.

²⁾ Transfer from the Parent Company's shareholders to non-controlling interests.

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	Jan-Mar		Full-year
	2020	2019	2019
OPERATING ACTIVITIES			
Profit before tax	-741	356	3,494
Reversal of depreciation	58	46	195
Changes in value, Investment properties, realised	—	—	-96
Changes in value, Investment properties, unrealised	611	-131	-1,389
Changes in value, derivatives, unrealised	359	139	39
Other items not included in the cash flow	-127	-2	84
Taxes paid	-61	-43	-208
Cash flow from operating activities before changes in working capital	99	365	2,119
Increase/decrease in operating assets	176	256	-23
Increase/decrease in operating liabilities	-47	118	-162
Change in working capital	129	375	-185
Cash flow from operating activities	228	739	1,934
INVESTING ACTIVITIES			
Investments in properties and fixed assets	-238	-143	-674
Divestment of hotel properties, net effect on liquidity	—	—	390
Acquisitions of hotel properties, net effect on liquidity	-689	-16	-4,901
Acquisitions of financial assets	-1	-1	-3
Cash flow from investing activities	-928	-161	-5,188
FINANCING ACTIVITIES			
New share issue	—	—	3,049
Transaction cost	—	—	-39
New loans	2,270	1,898	12,565
Amortisation of debt	-1,134	-2,216	-11,584
Guaranteed minority dividend	—	—	-11
Paid dividends	—	—	-787
Cash flow from financing	1,136	-318	3,193
Cash flow for the period	436	261	-61
Cash and cash equivalents at beginning of period	632	674	674
Exchange differences in cash and cash equivalents	152	-12	19
Liquid funds end of period	1,220	923	632
Information regarding interest payments			
Interest received amounted to	0	0	1
Interest paid amounted to	-206	-192	-782
Financial costs related to rights of use	-22	-19	-81
Information regarding cash and cash equivalents end of period	1,220	923	632
Cash and cash equivalents consist of bank deposits.			

Condensed income statement for the parent company

	Jan-Mar		Full-year
Figures in MSEK	2020	2019	2019
Net sales	30	27	122
Administration cost	-60	-54	-226
Operating profit	-30	-27	-104
Profit from participations in Group companies	—	—	2,337
Other interest income and similar profit/loss items	-33	304	376
Derivates, unrealised	-157	-155	-58
Profit after financial items	-220	122	2,551
Year-end appropriations	—	—	-252
Profit before tax	-220	122	2,299
Current tax	-7	-34	—
Deferred tax	52	7	14
Profit for the period	-175	95	2,313

Condensed balance sheet for the parent company

	2020	2019	2019
Figures in MSEK	31 Mar	31 Mar	31 Dec
ASSETS			
Non-current assets	22,063	17,684	21,702
Current assets	653	238	119
Total assets	22,716	17,922	21,821
EQUITY AND LIABILITIES			
Equity	8,914	4,649	9,089
Provisions	146	110	137
Non-current liabilities	5,040	5,782	3,945
Current liabilities	8,616	7,381	8,650
Total equity and liabilities	22,716	17,922	21,821

Reconciliation alternative performance measurements

	Jan-Mar		Full-year
Per share, figures in SEK ¹⁾	2020	2019	2019
Total comprehensive income per share, SEK			
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	-22	765	2,749
Weighted average number of share, before and after dilution	183,849,999	167,499,999	170,053,287
Total comprehensive income per share, SEK	-0.12	4.57	16.17
Cash earnings per share, SEK			
Cash earnings attr.to the shareholders of the parent company, MSEK	263	367	2,183
Weighted average number of share, before and after dilution	183,849,999	167,499,999	170,053,287
Cash earnings per share, SEK	1.43	2.18	12.84
Net asset value (EPRA NAV) per share, SEK			
EPRA NAV (net asset value), MSEK	34,375	28,561	34,270
Number of shares at the end of the period	183,849,999	167,499,999	183,849,999
Net asset value (EPRA NAV) per share, SEK	186.97	170.52	186.40
Dividend per share, SEK			
Dividend, MSEK	—	—	—
Number of shares at dividend	183,849,999	167,499,999	183,849,999
Dividend per share, SEK ³⁾	—	—	—
Weighted average number of shares outstanding, before and after dilution	183,849,999	167,499,999	170,053,287
Number of shares at end of period	183,849,999	167,499,999	183,849,999
PROPERTY RELATED KEY FIGURES			
Number of hotels, end of period ²⁾	156	144	155
Number of rooms, end of period ²⁾	35,018	32,273	34,685
WAULT, years	15.3	15.8	15.6
Market value properties, MSEK	65,345	56,713	63,469
Market value Investment properties, MSEK	55,357	48,386	53,697
Market value Operating properties, MSEK	9,988	8,327	9,772
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	537	763	929

¹⁾ Total number of outstanding shares after dilution amounts to 183,849,999, of which 75,000,000 A shares and 108,849,999 B shares. Based on total number of shares for balance sheet items and weighted number for shares for profit and loss items. ²⁾ Pandox's owned hotel properties. ³⁾ For 2019 actual dividend is indicated.

Reconciliation alt. performance measurements

Figures in MSEK	Jan-Mar		Full-year
	2020	2019	2019
Net interest-bearing debt			
Non-current interest-bearing liabilities	25,722	20,753	23,587
Current interest-bearing liabilities	6,160	7,513	6,034
Arrangement fee for loans	200	170	202
Cash and cash equivalents	-1,220	-923	-632
Net interest-bearing debt	30,862	27,513	29,191
Loan to value net, %			
Net interest-bearing debt	30,862	27,513	29,191
Market value properties	65,345	56,713	63,469
Loan to value net, %	47.2	48.5	46.0
Interest cover ratio, times			
Profit before changes in value	229	364	2,074
Interest expenses	204	181	765
Depreciation	57	47	194
Interest cover ratio, times	2.4	3.3	4.0
Average interest on debt end of period, %			
Average interest expenses	794	735	782
Non-current interest-bearing liabilities	25,722	20,753	23,587
Arrangement fee for loans	200	170	202
Current interest-bearing liabilities	6,160	7,513	6,034
Average interest on debt, end of period, %	2.5	2.6	2.6
<i>See page 8-9 for a complete reconciliation</i>			
Investments, incl. parent company excl. acquisitions	238	143	674
Net operating income, Property Management			
Rental income	640	641	3,017
Other property income	32	44	112
Costs, excl. property administration	-68	-75	-247
Net operating income, before property administration	604	610	2,882
Property administration	-43	-27	-118
Net operating income, Property Management	561	583	2,764
Net operating income, Operator Activities			
Revenues Operator Activities	419	506	2,424
Costs Operator Activities	-456	-458	-1,993
Gross profit	-37	48	431
Plus: Depreciation included in costs	57	47	194
Net operating income, Operator Activities	20	95	625
EBITDA			
Gross profit from respective operating segment	524	631	3,195
Plus: Depreciation included in costs Operator Activities	57	47	194
Less: Central administration, excluding depreciation	-43	-39	-158
EBITDA	538	639	3,231
Cash earnings			
EBITDA	538	639	3,231
Plus: Financial income	2	2	1
Less: Financial expense	-228	-207	-866
Less: Financial cost for right-of-use assets	-22	-19	-81
Plus/Less: Translation gain on bank deposits	-1	-2	14
Less: Current tax	-27	-46	-122
Cash earnings	262	367	2,177
EPRA NAV			
Equity attr. to the shareholders of the parent company	26,237	22,143	26,350
Plus: Revaluation of Operating Properties	2,779	2,343	2,915
Plus: Fair value of financial derivatives	936	676	577
Less: Deferred tax assets related to derivatives	-200	-145	-123
Plus: Deferred tax liabilities	4,623	3,544	4,552
EPRA NAV	34,375	28,561	34,270
Growth in EPRA NAV, annual rate, %			
EPRA NAV attributable to the shareholders of the parent company, OB	28,561	25,428	27,476
EPRA NAV attributable to the shareholders of the parent company, CB	34,375	28,561	34,270
Dividend added back, current year	—	737	787
Excluding proceeds from new share issue	-3,010	—	-3,010
Growth in EPRA NAV, annual rate, %	9.8	15.2	16.6

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 23.

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

income	2020	2019				2018			
Figures in MSEK	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	
Revenue Property Management									
Rental income	640	784	820	772	641	704	766	739	
Other property income	32	26	31	11	44	45	44	52	
Revenue Operator Activities	419	645	600	673	506	626	531	565	
Total revenues	1,091	1,455	1,451	1,456	1,191	1,375	1,341	1,356	
Costs Property Management	-111	-94	-90	-79	-102	-122	-112	-127	
Costs Operator Activities	-456	-536	-491	-508	-458	-507	-429	-436	
Gross profit	524	825	870	869	631	746	800	793	
Central administration	-47	-44	-40	-48	-43	-43	-34	-37	
Financial net	-226	-234	-224	-202	-205	-214	-205	-198	
Financial cost for right-of-use assets	-22	-21	-20	-21	-19	—	—	—	
Profit before value changes	229	526	586	598	364	489	561	558	
Changes in value									
Properties, unrealised	-611	396	353	509	131	607	376	297	
Properties, realised	—	-41	110	1	—	27	13	13	
Derivatives, unrealised	-359	444	-211	-133	-139	-147	113	-24	
Profit before tax	-741	1,325	838	975	356	976	1,063	844	
Current tax	-27	59	-60	-75	-46	-55	-64	-60	
Deferred tax	100	-93	-536	-140	97	-146	-166	-21	
Profit for the period	-668	1,291	242	760	407	775	833	763	
Other comprehensive income	660	-199	-250	135	360	-177	-220	134	
Total comprehensive income for the period	-8	1,092	-8	895	767	598	613	897	

Condensed consolidated statement of financial position

Condensed consolidated statement of financial position	2020	2019				2018		
Figures in MSEK	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun
ASSETS								
Properties incl equipment and interiors	62,570	60,558	56,759	54,543	54,371	52,949	50,855	50,789
Right of use assets	3,101	2,994	2,868	2,886	2,838	—	—	—
Other non-current receivables	108	151	78	75	50	43	91	36
Deferred tax assets	546	383	765	540	539	465	520	561
Current assets	893	1,025	832	1,192	657	885	1,105	2,542
Cash and cash equivalents	1,220	632	530	450	923	674	923	678
Total assets	68,438	65,743	61,832	59,686	59,378	55,016	53,494	54,606
EQUITY AND LIABILITIES								
Equity	26,498	26,506	22,405	22,413	22,305	21,538	20,950	20,347
Deferred tax liability	4,623	4,552	4,879	3,633	3,544	3,430	3,316	3,237
Interest-bearing liabilities	31,882	29,621	29,158	28,541	28,266	27,917	27,461	27,451
Leasing liabilities	3,102	2,994	2,869	2,886	2,838	—	—	—
Non interest-bearing liabilities	2,333	2,070	2,521	2,213	2,425	2,131	1,767	3,571
Total equity and liabilities	68,438	65,743	61,832	59,686	59,378	55,016	53,494	54,606

Key ratios

Key ratios		2019					2018		
Figures in MSEK	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	
NOI, Property Management	561	716	761	704	583	627	698	664	
NOI, Operator Activities	20	159	160	212	95	165	142	167	
EBITDA	538	831	881	868	634	749	806	794	
Earnings per share before and after dilution, SEK	-3.63	7.30	1.45	4.53	2.43	4.63	4.98	4.53	
Cash earnings	262	651	581	565	362	480	537	536	
Cash earnings per share before and after dilution, SEK	1.43	3.70	3.47	3.37	2.16	2.88	3.20	3.18	
RevPAR growth (Operator Activities) for comparable units and constant currency, %	-30	-4	4	12	9	12	6	4	

		2019					2018		
	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	
Net interest-bearing debt, MSEK	30,862	29,191	28,806	28,248	27,513	27,421	26,590	26,844	
Loan to value, %	47.2	46.0	48.3	49.0	48.5	49.7	49.9	50.6	
Interest coverage ratio, times	2.4	3.9	4.2	4.4	3.3	3.8	4.1	4.2	
Market value properties, MSEK	65,345	63,469	59,661	57,618	56,713	55,197	53,281	53,064	
EPRA NAV per share, SEK	186.97	186.40	184.03	173.83	170.52	164.04	158.44	153.97	
WAULT (Property Management), yrs	15.3	15.6	15.5	15.5	15.8	15.7	15.3	15.3	

Portfolio overview

At the end of the period Pandex's property portfolio consisted of 156 (144) hotel properties with 35,018 (32,273) hotel rooms in fifteen countries, including the sub-markets England, Scotland, Wales and Northern Ireland.

Pandex's main geographical focus is Northern Europe. Germany (26 percent) is Pandex's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by Sweden (23 percent), UK (16 percent), Belgium (7 percent) and Finland (7 percent).

138 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. Pandex's tenant base consists of highly reputable hotel operators with strong hotel brands.

On 31 March 2020 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.3 years (15.8).

Portfolio overview by segment and geography

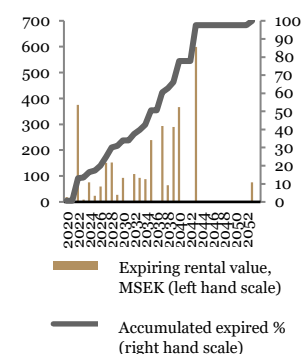
Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Sweden	42	8,787	14,766	23	1.7
Germany	33	6,876	13,427	21	2.0
UK	19	4,675	9,758	15	2.1
Finland	13	2,921	4,252	7	1.5
Norway	14	2,536	3,096	5	1.2
Denmark	8	1,845	3,776	6	2.0
Austria	2	639	1,597	2	2.5
Belgium	2	519	974	1	1.9
Ireland	3	445	1,537	2	3.5
Switzerland	1	206	863	1	4.2
The Netherlands	1	189	1,311	2	6.9
Sum Property Management	138	29,638	55,357	85	1.9
Operator Activities					
Belgium	7	1,955	3,844	6	2.0
Germany	5	1,490	3,447	5	2.3
Canada	2	952	1,356	2	1.4
The Netherlands	1	216	391	1	1.8
UK	2	611	926	1	1.5
Finland	1	156	24	0	0.2
Sum Operator Activities	18	5,380	9,988	15	1.9
Sum total	156	35,018	65,345	100	1.9

Note: On 2 April 2020 Pandex took over the operation of two hotels in Copenhagen in hotel properties that Pandex already owns. Including this change, there are now 136 hotels in the Property Management segment and 20 hotels in Operator Activities.

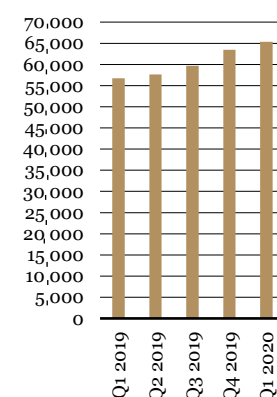
Portfolio overview by brand

Brand	Number		In % of total
	Hotels	Rooms	
Scandic	50	10,907	31
Jurys Inn	20	4,410	13
Leonardo	18	3,547	10
Hilton	7	2,298	7
Radisson Blu	8	2,033	6
Nordic Choice Hotels	11	1,800	5
NH	7	1,681	5
Mercure	4	760	2
Crowne Plaza	2	616	2
Dorint	5	1,085	3
Elite Hotels	2	493	1
Novotel	2	421	1
Holiday Inn	2	469	1
First Hotels	2	403	1
InterContinental	1	357	1
Maritim	1	316	1
Indigo	1	284	1
Pullman	1	252	1
Meininger	1	228	1
Best Western	1	103	0
Independent brands	10	2,555	7
Total	156	35,018	100

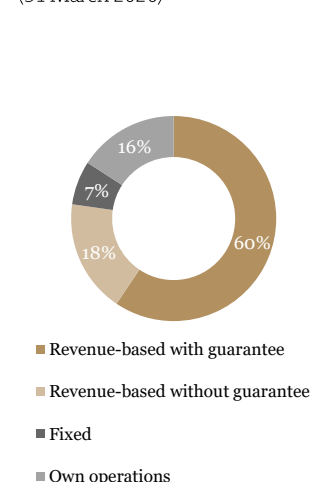
Lease maturity profile (31 March 2020)



Market value properties per quarter, MSEK



Distribution of lease and operating models (31 March 2020)



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 1–21 and pages 22–24 are thus an integrated part of this financial report.

The accounting principles applied are consistent with those described in Pandox's 2019 Annual Report.

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

Note 2 Operating segments

Pandox's operating segments consist of the Property Management and Operator Activities business streams. The Property Management segment owns, improves and manages hotel properties and provides external customers with premises for hotel operations, as well as other types of premises adjacent to hotel properties. The Operator Activities segment owns hotel properties and operates hotels in such owned properties. The Operator Activities segment also includes 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	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Revenue Property Management	672	685	—	—	—	—	672	685
Rental and other property income	—	—	419	506	—	—	419	506
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	672	685	419	506	—	—	1,091	1,191
Costs Property Management	-111	-102	—	—	—	—	-111	-102
Costs Operator Activities	—	—	-456	-458	—	—	-456	-458
Gross profit	561	583	-37	48	—	—	524	631
Central administration	—	—	—	—	-47	-43	-47	-43
Financial income	—	—	—	—	2	2	2	2
Financial expenses	—	—	—	—	-228	-207	-228	-207
Financial expenses right-of-use assets	—	—	—	—	-22	-19	-22	-19
Profit before changes in value	561	583	-37	—	-295	-267	229	364
Changes in value	—	—	—	—	—	—	—	—
Properties, unrealised	-611	131	—	—	—	—	-611	131
Properties, realised	—	—	—	—	—	—	—	—
Derivatives, unrealised	—	—	—	—	-359	-139	-359	-139
Profit before tax	-50	714	-37	48	-654	-406	-741	356
Current tax	—	—	—	—	-27	-46	-27	-46
Deferred tax	—	—	—	—	100	97	100	97
Profit for the period	-50	714	-37	48	-581	-355	-668	407

Q1 2020

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	172	38	38	57	177	12	133	45	672
- Operator Activities	—	—	—	7	111	180	49	72	419
Market value properties	14,766	3,776	3,096	4,277	16,874	4,818	12,221	5,517	65,345
Investments in properties	51	12	10	40	20	48	32	25	238
Acquisitions of properties	—	—	—	—	643	—	49	-3	689
Book value Operating Properties	—	—	—	26	2,098	2,703	963	1,419	7,209
Total non-current assets at book value, less deferred tax assets	15,385	3,790	3,099	5,026	16,193	3,804	13,079	5,404	65,780

Q1 2019

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	200	48	46	59	117	12	160	43	685
- Operator Activities	—	—	—	9	113	250	61	73	506
Market value properties	15,007	3,603	3,391	4,035	10,057	4,341	11,675	4,604	56,713
Investments in properties	39	13	14	19	6	32	5	15	143
Acquisitions of properties	—	—	—	—	—	7	9	—	16
Book value Operating Properties	—	—	—	27	1,510	2,487	959	1,002	5,985
Total non-current assets at book value, less deferred tax assets	21,393	2,117	2,204	3,792	8,006	3,181	12,212	4,254	57,159

Note 3 Reclassifications, acquisitions and divestments with date of consolidation or deconsolidation

Reclassifications, acquisitions and divestments

Date	Hotel property	Event
2 April 2020	Hotel Twentyseven	Reclassification to Operator Activities
2 April 2020	Hotel Mayfair	Reclassification to Operator Activities
31 March 2020	Premises in hotel property of Jurys Inn Cardiff	Acquisition Property Management
31 January 2020	Maritim Hotel Nürnberg	Acquisition Property Management
11 December 2019	Seven hotel properties in Germany	Acquisition Property Management
3 December 2019	Two hotels in Germany and the Netherlands	Acquisition Operator Activities
2 September 2019	Hotell Hasselbacken	Divestment Property Management
1 July 2019	Three hotel properties in Germany	Acquisition Property Management

Note 4 Currency exchange rates

Currency exchange rates January-March

1 foreign currency = X SEK	Average rate			Rate at end-of-period		
	2020	2019	Δ%	2020	2019	Δ%
Euro (EUR)	10.665	10.417	2%	11.083	10.422	6%
British pound (GBP)	12.369	11.942	3%	12.388	12.082	2%
Danish krone (DKK)	1.427	1.396	2%	1.484	1.396	6%
Norwegian krone (NOK)	1.021	1.069	-5%	0.959	1.075	-12%
Canadian dollar (CAD)	7.200	6.899	4%	7.104	6.912	4%
Swiss franc (CHF)	9.996	9.199	8%	10.464	9.320	12%

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 156 hotels with approximately 35,000 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.



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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, adjusted any unrealised translation effect 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 adjusted any unrealised translation effect 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

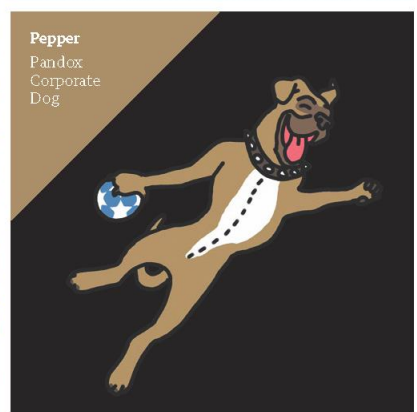
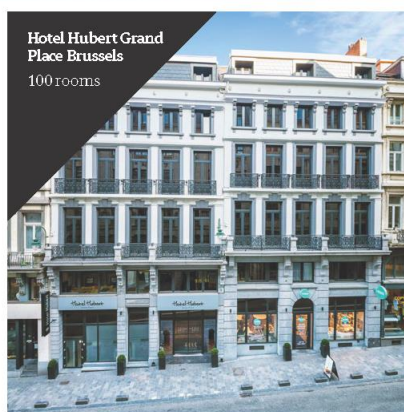
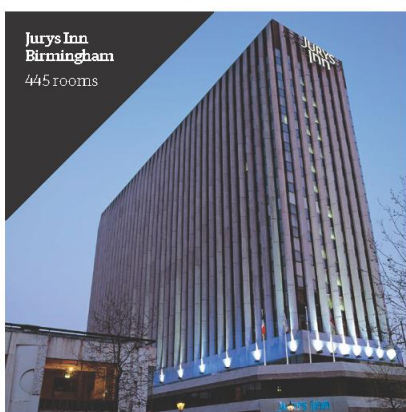
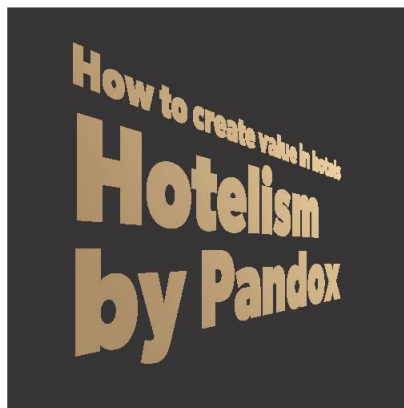
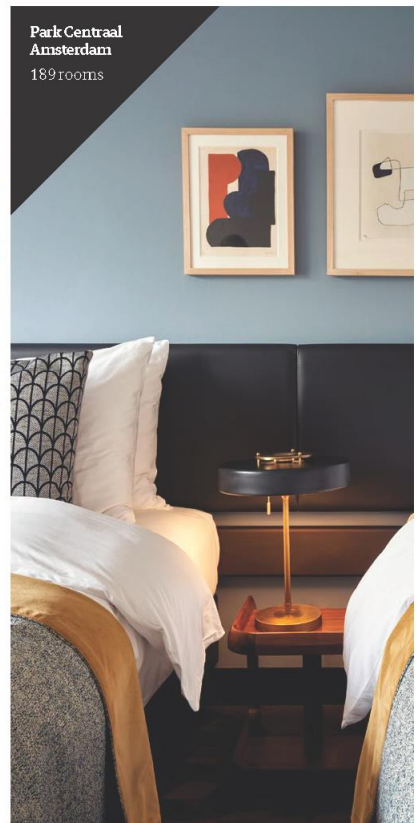
Number of rooms in owned hotel properties at the end of the period.

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.



A selection from Pandox's hotel properties