

Two steps forward, one step back

July–September 2020

- Revenue from Property Management amounted to MSEK 630 (851), which includes a one-time revenue of MSEK 28. For comparable units the decrease was 35 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 531 (761). For comparable units the decrease was 37 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK -39 (160)
- EBITDA amounted to MSEK 456 (886)
- Cash earnings amounted to MSEK 194 (586)
- Cash earnings per share amounted to SEK 1.06 (3.51)
- Profit for the period amounted to MSEK -103 (242), including unrealised changes in value for Investment Properties of MSEK -315
- Earnings per share amounted to SEK -0.56 (1.45)
- Per 30 September 2020, liquid funds and unutilised credit facilities amounted to MSEK 5,348, compared with MSEK 5,516 per 30 June 2020

January–September 2020

- Revenue from Property Management amounted to MSEK 1,829 (2,319). For comparable units, the decrease was 30 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 1,540 (2,048). For comparable units the decrease was 32 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK -104 (467)
- EBITDA amounted to MSEK 1,321 (2,397)
- Cash earnings amounted to MSEK 531 (1,523)
- Cash earnings per share amounted to SEK 2.91 (9.09)
- Profit for the period amounted to MSEK -1,103 (1,409), including unrealised changes in value for Investment Properties of MSEK -1,246
- Earnings per share amounted to SEK -5.98 (8.41)

Financial summary

Figures in MSEK	Jul-Sep			Jan-Sep			FY
	2020	2019	Δ%	2020	2019	Δ%	2019
Revenue Property Management	630	851	-26	1,829	2,319	-21	3,129
Net operating income Property Management	531	761	-30	1,540	2,048	-25	2,764
Net operating income Operator Activities	-39	160	n.a.	-104	467	n.a.	625
EBITDA	456	886	-49	1,321	2,397	-45	3,231
Profit for the period	-103	242	n.a.	-1,103	1,409	n.a.	2,700
Earnings per share, SEK ¹⁾	-0.56	1.45	n.a.	-5.98	8.41	n.a.	15.91
Cash earnings	194	586	-67	531	1,523	-65	2,177
Cash earnings per share, SEK ¹⁾	1.06	3.51	-70	2.91	9.09	-68	12.84
Key data							
Market value properties, MSEK	—	—	—	62,022	59,661	4	63,469
Net interest-bearing debt, MSEK	—	—	—	30,056	28,806	4	29,191
Loan to value net, %	—	—	—	48.5	48.3	n.a.	46.0
Interest cover ratio, times	2.0	4.2	n.a.	2.0	4.0	n.a.	4.0
EPRA NAV per share, SEK ¹⁾	—	—	—	175.33	184.03	-5	186.40
WAULT (Investment Properties), years	—	—	—	14.9	15.5	n.a.	15.6
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	186	964	-81	265	917	-71	912

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 17. See note 3 on page 24 for a summary of reclassifications, acquisitions and divestments. For complete definitions see page 26.

CEO comment

Focusing on things we can influence

Development in line with expectations

The hotel market in the third quarter recovered in line with Pandox's expectations. The summer season was actually stronger than expected, driven by good domestic demand in the leisure segment in regional cities in all countries. Most of Pandox's revenue in the third quarter still consisted of contractual minimum rents and fixed rents, but revenue from purely revenue-based leases and Operator Activities was higher than in the second quarter. Overall, Pandox's total revenue and net operating income decreased in the third quarter by 54 and 47 percent respectively compared with the corresponding period the previous year, but increased sequentially by 5 and 36 percent respectively.

A clear game plan in a difficult situation

Pandox has continued to focus on three areas in response to the difficult situation created by COVID-19:

Respond – Steps to help alleviate the acute crisis

Restart – Plan for recovery

Reinvent – Create insights into how the hotel market will change

The focus is still mainly on issues relating to the acute crisis, i.e.

Respond, with the following priorities:

- *Cash is king!* On 30 September 2020, Pandox had liquid funds and unutilised credit facilities of MSEK 5,348. All credit agreements maturing in 2020 have been refinanced
- *Defend our profitability!* Pandox's costs are in line with our contractual minimum rents and fixed rents, amounting to around MSEK 2,000 a year. Moreover, revenue-based leases with no guaranteed minimum level are contributing positively to some extent to both revenue and profit
- *Stay alive, stay open!* Pandox has kept as many hotels as possible open throughout the crisis, which has facilitated both maintenance and start-up
- *Protect the assets!* Pandox is prepared to protect the value of the hotel properties and take over hotel operations if necessary
- *Active leadership!* Leadership that is open, active and present is more important than ever in the difficult situation presented by COVID-19

Clear trends in the hotel market

Within the framework of *Restart* Pandox is constantly focusing on various scenarios for the recovery of the hotel market. So far, the hotel market development is in line with the outlook we provided in our second quarter interim report. In the third quarter we also noted an intensification of the trends we identified in the second quarter.

The most obvious trend is that it is the restrictions that have lowered demand in the hotel market rather than behavioural changes. When restrictions are eased, demand increases and vice versa. This may sound trivial, but it is highly significant for how the hotel market's potential for recovery is perceived when restrictions are actually eased. One example is that people not currently permitted to travel on business are still travelling within the country in their leisure time, and this has contributed to the strong comeback in the most important segment for the hotel industry – domestic travel, while international demand has remained low. Economy, mid-scale, and resort hotels and holiday apartment hotels in regional hubs and attractive leisure destinations – easy to reach by car or train – have been the winners. Those losing out are mainly premium hotels and large conference hotels with an international profile.

Room prices by segment have been relatively stable, but average prices have fallen due to mix effects explained by a lower percentage of international travel, fewer conferences and fewer compression nights*.

Recovering in phases with different development levels

Pandox is expecting recovery – provided that restrictions are eased and economic activity increases – to take place in phases, with six development levels where different market segments gradually building up demand in the hotel market:

1. Cities and countries are opening up and restrictions are gradually easing
2. Hotels open up
3. Domestic leisure travel with a growing high-paying segment
4. Domestic business travel
5. Conferences and international travel
6. Group travel

Each phase will help to raise occupancy and revenue, which in turn will create more compression nights* and lay the foundations for higher average prices and increased revenue per room.

The hotel market is currently in "Phase 3" with good underlying demand from domestic leisure travel and some initial demand from domestic business travel.

Phase 1 – Bottom

- Total lockdown in most countries
- Demand bottom at the end of April
- Weak recovery starting in May
- Occupancy in Europe around 5–25 percent

Phase 2 – Summer

- The easing of restrictions in May–June opened the door for domestic travel and in certain cases international travel as well
- Domestic leisure travel increased more or less right away
- Occupancy rose in the Nordics from around 20 to around 60 percent during the holiday period, which was higher than expected

Phase 3 – Autumn and winter

- Lower leisure demand during the week but good on weekends
- SMEs have started to travel, some demand for smaller conferences
- Initial occupancy in Germany around 40–45 percent, in the Nordics around 45–50 percent and in UK Regional around 50–55 percent
- Some increase in international markets from a low level
- New restrictions in October resulted in increased uncertainty and reduced demand

New restrictions are the biggest challenge

The biggest challenge facing the hotel market is new restrictions that limit various aspects of social life and result in a more drawn-out recovery. There is good basic demand in the hotel market and the conditions for a fast recovery are good once the restrictions are eased. In the fourth quarter rental income is expected to be stable within Property Management while Operator Activities is expected to weaken somewhat compared with the third quarter. Contractual minimum rents and fixed rents are still expected to make up the majority of Pandox's total revenue in the fourth quarter.

Constant effort to understand changes

In the *Reinvent* part of the game plan, analysis and evaluation of the effects of possible structural changes in the hotel market are in progress. Certain behavioural changes cannot be ruled out, but when restrictions are eased and activity levels in society are normalised, travel will follow. So far, we have not seen any significant changes in guest behaviour. Changes we implemented in Operator Activities include enhanced cleaning and sanitising protocols in cooperation with certification company Bureau Veritas, accelerated digital investments to facilitate contactless check-in and check-out and the creation of multifunctional rooms that can better meet various types of demand and guest requests. At Pandox's Hotel Market Day 2020 on 17 November we will look more closely at the effects of COVID-19 on our society, our minds and naturally the hotel market too. I can venture to promise an interesting and action-packed programme. You can read more about the event and register to attend at www.pandox.se.

Anders Nissen, CEO

* When occupancy rate in a market is above 90 percent

Summary of COVID-19 effects for Pandox

Business segment Property Management

Pandox is monitoring and evaluating the business conditions on an ongoing basis and is in close dialogue with business partners in the Property Management business segment regarding the respective party's earnings development and liquidity.

An easing of restrictions that had an impact on the hotel market took place in most of Pandox's key markets during the third quarter. However, during the end of the quarter some new local restrictions impacted some aspects of social life including in the Netherlands and the UK. As of 30 September 2020, essentially all hotel properties in this business segment were open.

Contractual minimum guaranteed rent combined with fixed rent amount to the equivalent of around MSEK 2,000 on an annualised basis and is also expected to constitute the majority of Pandox's total revenue in the fourth quarter.

Revenue from revenue-based leases without minimum rent levels in the Nordics amounted to the equivalent of around MSEK 69 in the third quarter.

Agreements on temporary changes to payment terms are made with tenants where this is possible and appropriate. During the third quarter, rent collection has progressed according to new and temporary payment terms. No reductions in hotel rents have been granted. As of 30 September 2020, accounts receivable relating to deferred rent under the new temporary payment terms amounted to the equivalent of MSEK 421.

Tenants have taken advantage of government relief regulations allowing them to defer rent payment for a certain period of time (see the section "Government relief programmes" below).

Pandox received transition relief in government programmes in Norway and Sweden totalling an amount equivalent to MSEK 16 in the third quarter, which was recognised in Other property income.

For more information, see pages 5, 6, 7, 22 and 23.

Business segment Operator Activities

Pandox has taken advantage of government relief programmes in each of its market, totalling around MSEK 84 in the third quarter.

For more information, see pages 5, 6, 7, 22 and 23.

Current earnings level

At the end of the third quarter Pandox's total costs were on a par with revenues from contractual minimum rent and fixed rent.

For more information, see pages 5, 6 and 7.

Investments

Planned investments in 2020 amount to the equivalent of around MSEK 850–860, to which will be added approximately MSEK 50 for maintenance. Possible practical restrictions due to COVID-19 in most of Pandox's markets still pose a risk that planned investment volumes may not be fully reached in 2020.

For more information, see page 8.

Hotel property valuations

At the end of the third quarter of 2020 Pandox valued the hotel properties based on the same method and model used since the IPO in 2015. The valuation model is an accepted and established 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 material uncertainty about the long-term effects of COVID-19 on the economy in general, it is more difficult to assess future cash flows and valuation yields for Pandox's hotel properties. Effects on valuation yields cannot yet be established as there is still insufficient evidence in the hotel properties' transaction markets.

Due to COVID-19 only a few external valuations have been carried out.

In the third quarter, unrealised changes in value amounted to MSEK -315 for Investment Properties and MSEK -284 for Operating Properties, reflecting lower anticipated cash flows in 2020 and up to 2022 due to COVID-19. Unrealised changes in value of Operating Properties are reported according to IFRS for disclosure purposes only and are included in EPRA NAV.

The valuation effects will be monitored closely as the COVID-19 situation becomes clearer and as valuation yields and future cash flows can be estimated with greater precision.

For more information, see pages 8 and 20.

Financing

Pandox has a strong financial position. As of 30 September 2020, the net loan-to-value ratio was 48.5 percent and cash and cash equivalents plus unutilised credit facilities amounted to MSEK 5,348.

Other credit facilities are also in place that fully cover the issued volume under Pandox's commercial paper programme in which MSEK 105 had been issued as of 30 September 2020.

Pandox's debt financing consists exclusively of credit facilities from 11 Nordic and international banks secured mainly by mortgage collateral. In the third quarter all credit facilities maturing in 2020, equivalent to MSEK 4,272, were extended between 12 and 18 months. Credit facilities maturing in less than one year amount to MSEK 1,818.

At the Group level, Pandox's financial covenants are:

1. Loan-to-value ratio at a level where Pandox's financial target for loan-to-value provides comfortable headroom
2. Interest cover ratio at a level where only revenue from contractual minimum rents and fixed rents provide satisfactory headroom

Pandox has a positive and close dialogue with its lenders on new financing, refinancing and adjustment of existing terms and covenants taking COVID-19 into account. In the third quarter lenders provided waivers in individual credit agreements.

For more information, see pages 9 and 10.

Government relief programmes

In certain countries there are programmes that cover a specific percentage of a company's fixed costs. There is in general no rent support for property owners. On the other hand, tenants in Germany and the UK were able to delay rent payment in the second quarter and capitalise and pay their rents subsequently over an extended period. The programme has been extended until 1 January 2021 in the UK but has expired in Germany.

Pandox has taken advantage of government relief programmes in Operator Activities in Belgium, Germany, the Netherlands, Denmark, Canada and Finland and in Property Management in Norway and Sweden.

In the third quarter the programmes that are still active and can be utilised are mainly lay-off/furlough support in Pandox's various markets.

Tax actions

To address the financial impact of COVID-19 for Pandox, certain tax actions have been implemented, for example correction of preliminary tax payments, deferral of VAT payments and property tax. Pandox has taken a cautious approach with respect to certain relief programmes that involve additional cost – for example interest and deferral of tax payments – to lower the one-time effect when the COVID-19 crisis is over and the relief packages expire. Pandox is continually monitoring all new tax incentives that are offered in the jurisdictions where the company operates and will act when it is deemed appropriate to do so.

Hotel market development July–September 2020

Closures reduced demand in the second quarter

When the WHO confirmed on 11 March that COVID-19 was a pandemic, a long list of restrictions were introduced in many countries. They included restrictions on domestic and international travel, guidelines for certain business and conference activities, and social distancing requirements aimed at preventing the spread of the virus and to avoid overloading healthcare systems.

Irrespective of the extent of the restrictions, all hotel markets have been significantly affected by COVID-19 and its consequences. Europe's hotel market bottomed out in mid-April and then gradually recovered in the second quarter. In connection with the start of the European holiday season and the gradual removal of travel restrictions, a significant increase in demand was noted. The link was clear between the degree of restrictions and hotel market demand.

Eased restrictions resulted in a stronger summer season

By and large, the third quarter developed in line with Pandox's expectations with some markets even performing above expectations during the summer months. The Nordic region, where the European summer season started first, saw a strong increase, mainly in domestic demand and especially in regional markets that are easily reached by car or train and have an attractive offering for the leisure traveller. The total Nordic market saw an occupancy peak at around 64 percent* at the end of July, measured on a weekly basis, compared with 76 percent in the corresponding period 2019. In the latter part of July occupancy in several regional markets was higher than the same period the previous year. The Nordic capitals did not develop as well however due, among other things, to higher dependence on international tourism and fewer activities due to the closure of amusement parks and other tourist attractions.

The pattern was similar in Europe where demand also increased as restrictions were eased. At the end of June Europe had occupancy of around 25 percent**, which gradually improved to just over 40 percent at the height of the tourist season in August. Winners were destinations such as coastal resorts by the Baltic Sea or North Sea and holiday destinations in the UK and Ireland. Similar to in the Nordic region, large cities had the weakest occupancy, especially those highly dependent on international airborne tourism.

Stable basic demand, business travel increases from low levels

As the holiday season came to an end the market returned to a situation with business-driven demand during the week and leisure-driven demand at weekends. For the Nordics where the holiday period ended first (in mid-August), this resulted in a decline in demand in the hotel market with basic occupancy at around 40 percent. The pattern from

before – with good occupancy in many local and regional cities and lower occupancy in capital cities – remained the same.

It is worth noting that the underlying demand from leisure travellers at weekends is stable despite a limited leisure offering. Initial demand was also noted in the conference segment in certain markets. Activity during the week was lowered by weaker business demand due to travel restrictions and a general restrictive travel policy among many businesses.

The pattern was the same in Europe where occupancy declined again after the holiday period. There was, however, a significantly higher level of activity in most of Pandox's markets compared with the pre-summer period. Overall, occupancy amounted to 39 percent in Europe for September driven, for example, by the Germany market where occupancy was at 44 percent. The UK also experienced a strong recovery at the beginning of September but expanded restrictions in the latter part of the month led to a decline in demand. Despite this, occupancy in the UK as a whole amounted to 46 percent and UK Regional to 53 percent in the third quarter.

Recovery in line with the course of events after previous crises

So far, development in Europe is more or less tracking the development in China, which is about two months ahead of Europe in its recovery. Certain parallels can also be drawn from past crises and virus outbreaks, where domestic leisure demand normally recovers first followed by domestic business demand. Markets that are more dependent on international incoming flights normally see a longer recovery period. Demand in the group and conference segments is not expected to recover until restrictions on gatherings are eased and economic activity increases further.

Pandox's trendspotting

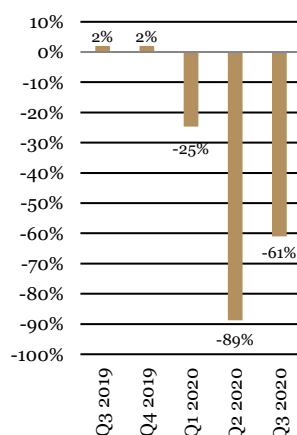
- Markets with clear local and/or regional demand recover the fastest
- Hotels that are easy to reach by car and train have recovered faster
- Destinations with a strong leisure offering are most attractive in earlier phases, such as coastal towns in the Nordics, Germany and the Netherlands
- Hotels in the economy and mid-scale segments have shown the most resilience and are also the first out of the gate in the reopening phase
- Premium hotels and hotels with significant conference activity that are dependent on international demand will have a longer recovery period
- Markets with significant new capacity are especially vulnerable in the recovery phase

* Benchmarking Alliance based on open hotels

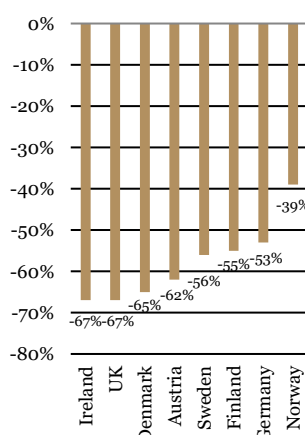
** STR based on open hotels

July–September 2020

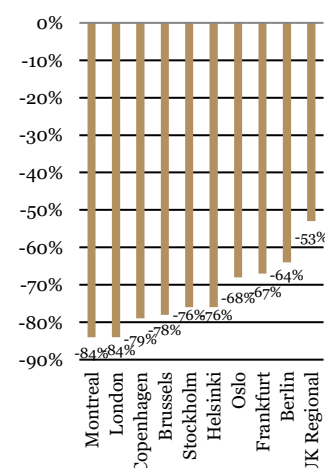
Europe
RevPAR growth y/y



Countries
RevPAR growth y/y



Key markets
RevPAR growth y/y



Source: STR, Benchmarking Alliance. Rounded numbers.

Financial development July–September 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 630 (851), a decrease of 26 percent. The decrease was offset by contractual minimum rent and fixed rent. Revenue includes one-time revenue equivalent to MSEK 28* as well as transition relief equivalent to MSEK 16. For comparable units revenue decreased by 35 percent, adjusted for currency effects. The reduction compared to the equivalent period the previous year is explained by effects related to COVID-19. Compared with the second quarter, an improvement was noted due to eased restrictions in most of Pandox's markets, mainly driven by domestic leisure travel during the holiday period. When this ended, the market returned to a situation with business-driven demand during the week and leisure-driven demand at weekends, but at a lower level overall compared to during the holiday period. Basic demand was significantly higher than in the second quarter.

Revenue from Operator Activities amounted to MSEK 169 (600), a decrease of 72 percent. For comparable units revenue decreased by 78 percent and RevPAR by 81 percent, adjusted for currency effects.

This reduction was also explained by effects related to COVID-19. The relatively large loss of revenue compared with Property Management is partly explained by higher direct market exposure and partly by a higher percentage of large conference hotels in international markets, particularly in Brussels. The decline was, however, offset by good development for Pandox hotels located in markets with a higher percentage of domestic demand, mainly from the leisure segment.

The Group's net sales amounted to MSEK 799 (1,451). For comparable units net sales decreased by 54 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 531 (761), a decrease of 30 percent. For comparable units net operating income decreased by 37 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -39 (160). Pandox took advantage of government relief programmes equivalent to around MSEK 84 during the quarter, mainly in the form of salary support for furloughed personnel.

Total net operating income amounted to MSEK 492 (921), a decrease of 47 percent.

Administration costs

Central administration costs amounted to MSEK -41 (-40).

EBITDA

EBITDA amounted to MSEK 456 (886), a decrease of 49 percent.

Financial income and expense

Financial expense amounted to MSEK -227 (-221), of which MSEK -17 (-15) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK 0 (-3).

Financial expense associated with right-of-use assets amounted to MSEK -21 (-20).

Profit before changes in value

Profit before changes in value amounted to MSEK 145 (586), a decrease of 75 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK -315 (353) and is explained by lower anticipated cash flows in 2020, 2021 and 2022.

Unrealised changes in value of derivatives amounted to MSEK 51 (-211).

Current and deferred tax

Current tax amounted to MSEK -17 (-60), which is mainly explained by intra-Group equalisation. Current tax being charged despite a negative result is explained by the fact that full intra-Group equalization – for example across national borders – is not possible. Deferred tax amounted to MSEK 33 (-536). See also page 10 and the section "Deferred tax".

Profit for the period

Profit for the period amounted to MSEK -103 (242) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK -102 (243), which is equivalent to SEK -0.56 (1.45) per share.

Cash earnings

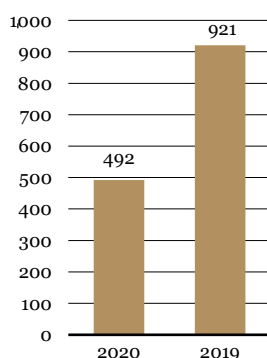
Total cash earnings amounted to MSEK 194 (586), a decrease of 67 percent.

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

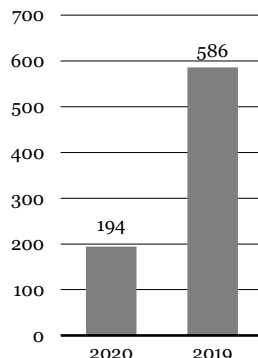
*Relating to mediation with Tribe Invest AS (in bankruptcy) relating to a long-term lease where the tenant declared bankruptcy in 2013. In 2015 Pandox received around MSEK 60 from the bankruptcy estate in the same case.

July–September 2020

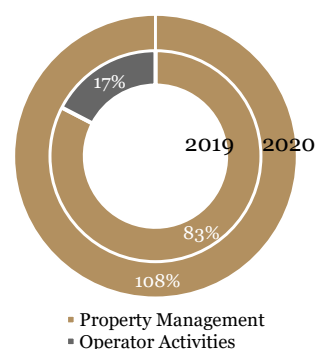
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Financial development January–September 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 1,829 (2,319), a decrease of 21 percent. Revenue includes one-time revenue equivalent to MSEK 28* as well as transition relief equivalent to MSEK 16 attributable to the third quarter.

For comparable units revenue decreased by 30 percent, adjusted for currency effects. The decrease is explained by low demand – from March onwards – due to extensive government restrictions in response to COVID-19, which reduced the ability to operate hotels. Certain markets, such as the UK, were largely shut down throughout the second quarter. The negative effects of COVID-19 were offset to some extent by stable development in January and February, revenue from contractual minimum rents and fixed rents and some improvement in demand in the third quarter.

Revenue from Operator Activities amounted to MSEK 662 (1,779), a decrease of 63 percent. For comparable units revenue and RevPAR decreased by 68 and 71 percent respectively, adjusted for currency effects.

Here too, the decrease is a consequence of low demand due to COVID-19. The relatively large loss of revenue compared with Property Management is partly explained by higher direct market exposure and partly by a higher percentage of large conference hotels in international markets, particularly in Brussels.

The Group's net sales amounted to MSEK 2,491 (4,098). For comparable units net sales decreased by 47 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 1,540 (2,048), a decrease of 25 percent. For comparable units net operating income decreased by 32 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -104 (467). The decrease is explained in its entirety by low demand as a result of COVID-19.

Pandox took advantage of government relief programmes equivalent to around MSEK 144 during the period, mainly in the form of salary support for furloughed personnel.

Total net operating income amounted to MSEK 1,436 (2,515), a decrease of 43 percent.

Administration costs

Central administration costs amounted to MSEK -130 (-131).

EBITDA

EBITDA amounted to MSEK 1,321 (2,397), a decrease of 45 percent.

Financial income and expense

Financial expense amounted to MSEK -674 (-634), of which MSEK -50 (-42) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK 1 (3).

Financial expense associated with right-of-use assets amounted to MSEK -65 (-60).

Profit before changes in value

Profit before changes in value amounted to MSEK 396 (1,548), a decrease of 74 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK -1,246 (993) and is explained by lower anticipated cash flows in 2020, 2021 and 2022.

Unrealised changes in value of derivatives amounted to MSEK -330 (-483).

Current and deferred tax

Current tax amounted to MSEK -55 (-181), mainly explained by intra-Group equalisation. Current tax being charged despite a negative result is explained by the fact that full intra-Group equalization – for example across national borders – is not possible. Deferred tax amounted to MSEK 132 (-579). See also page 10 and the section "Deferred tax".

Profit for the period

Profit for the period amounted to MSEK -1,103 (1,409) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK -1,099 (1,409), which is equivalent to SEK -5.98 (8.41) per share.

Cash earnings

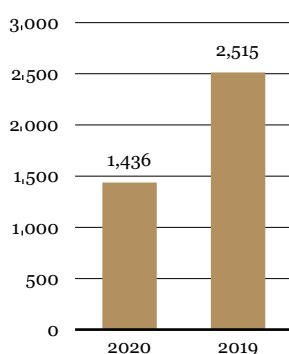
Total cash earnings amounted to MSEK 531 (1,523), a decrease of 65 percent.

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

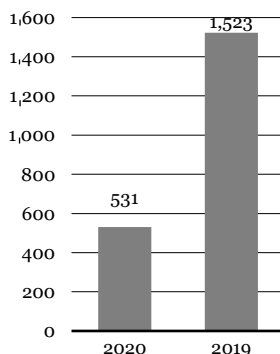
*Relating to mediation with Tribe Invest AS (in bankruptcy) relating to a long-term lease where the tenant declared bankruptcy in 2013. In 2015 Pandox received around MSEK 60 from the bankruptcy estate in the same case.

January–September 2020

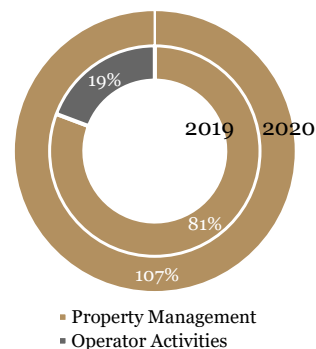
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Segment reporting July–September 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	Jul-Sep		Jan-Sep		FY
	2020	2019	2020	2019	2019
Rental income	563	820	1,705	2,233	3,017
Other property income	67	31	124	86	112
Costs, excluding prop admin	-65	-61	-180	-182	-247
Net operating income, before property admin	565	790	1,649	2,137	2,882
Property administration	-34	-29	-109	-89	-118
Gross profit	531	761	1,540	2,048	2,764
Net operating income, after property admin	531	761	1,540	2,048	2,764

July–September 2020

Rental income and Other property income amounted to MSEK 630 (851), of which MSEK 28 consists of one-time revenue for mediation* and MSEK 16 in transition relief, which is recognised under Other property income. The underlying decrease is a consequence of low demand due to COVID-19.

The hotel market strengthened in the third quarter as restrictions were eased and domestic leisure travel increased. Demand declined towards the end of the quarter due to the holiday period ending, in combination with new restrictions in certain markets. Basic demand in the hotel markets improved significantly, however, compared with the second quarter.

The decline in rental income was limited to some extent by the fact that a significant portion of Pandox's leases contain provisions on contractual minimum rent and fixed rent. Overall, occupancy in Pandox's key markets has been low but with large variations between markets and segments. Some regional markets with attractive leisure offerings developed well, while large international markets with a high percentage of international demand experienced weak development.

Individual markets with relatively higher occupancy were domestic hotel markets in Germany, the UK, Finland, Norway and Sweden, and included Bodø, Galway, Brighton, Salzburg, Aachen, Halmstad and Kuopio.

Net operating income amounted to MSEK 531 (761), a decrease of 30 percent.

For comparable units revenue fell by 35 percent while net operating income decreased by 37 percent, adjusted for currency effects.

*Relating to mediation with Tribe Invest AS (in bankruptcy) relating to a long-term lease where the tenant declared bankruptcy in 2013. In 2015 Pandox received around MSEK 60 from the bankruptcy estate in the same case.

Operator Activities

Figures in MSEK	Jul-Sep		Jan-Sep		FY
	2020	2019	2020	2019	2019
Revenues	169	600	662	1,779	2,424
Costs	-266	-491	-938	-1,457	-1,993
Gross profit	-97	110	-276	323	431
Add: Depreciation included in costs	58	50	172	144	194
Net operating income	-39	160	-104	467	625

July–September 2020

Revenue from Operator Activities amounted to MSEK 169 (600), a decrease of 72 percent. The decrease is a consequence of low demand and hotel closures due to COVID-19 as well as ongoing renovation projects. The relatively large loss of revenue compared with Property Management is partly explained by the fact that in Operator Activities Pandox has full exposure to the hotels' revenue, and partly by a higher percentage of large conference hotels in international markets, in particular Brussels. The decrease was, however, offset by hotels located in markets with a higher percentage of domestic demand, mainly from the leisure segment, such as Lübeck and The Hague.

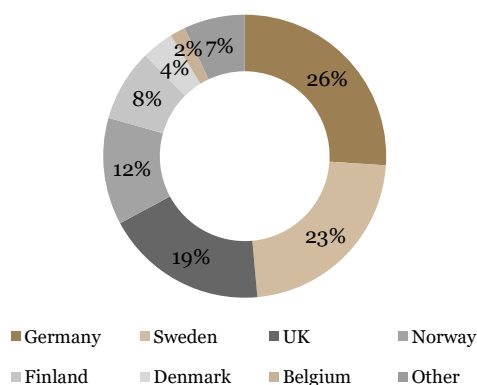
For comparable units revenue and RevPAR decreased by 78 and 81 percent respectively, adjusted for currency effects.

Net operating income amounted to MSEK -39 (160).

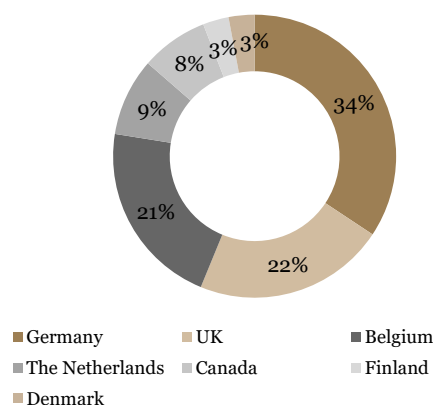
Pandox took advantage of government relief programmes equivalent to around MSEK 84 in the third quarter, mainly in the form of salary support for furloughed personnel.

July–September 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 62,022 (63,469), of which Investment Properties accounted for MSEK 52,208 (53,697) and Operating Properties for MSEK 9,814 (9,772). As of the same date the carrying amount of the Operating Properties portfolio was MSEK 7,643 (6,857).

At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 14.9 (15.6) years.

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (1 January, 2020)	53,697
+ Acquisitions ¹⁾	702
+ Investments in current portfolio	414
- Divestments	—
+/- Reclassifications ²⁾	-739
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-1,246
+/- Realised changes in value	—
+/- Change in currency exchange rates	-620
Investment Properties, closing balance (30 September, 2020)	52,208

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (1 January, 2020)	9,772
+ Acquisitions ³⁾	-9
+ Investments in current portfolio	274
- Divestments	—
+/- Reclassifications ²⁾	739
+/- Unrealised changes in value	-913
+/- Realised changes in value	—
+/- Change in currency exchange rates	-49
Operating Properties, market value (30 September, 2020)	9,814

¹⁾ Refers to acquisition of a hotel property in Germany of MSEK 645, of complementing premises to Jurys Inn Cardiff and adjustments of previously completed acquisitions.

²⁾ Refers to reclassification of two hotel properties in Denmark from Property Management to Operator Activities.

³⁾ Refers to adjustment of Novotel Hannover (MSEK -6) and Novotel Den Haag World Forum (MSEK -3).

Investments

During the January-September 2020 period, investments in properties and fixed assets, excluding acquisitions, amounted to MSEK 694 (423), of which MSEK 414 (277) was for Investment Properties, MSEK 274 (142) was for Operating Properties and MSEK 6 (4) was for the head office.

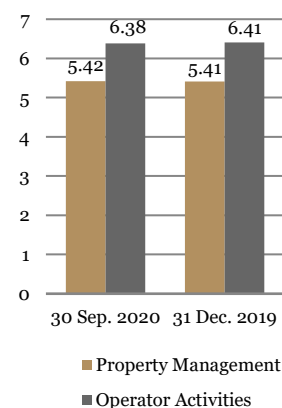
At the end of the third quarter of 2020, approved investments for ongoing and future projects amounted to approximately MSEK 811, whereof approximately MSEK 170 is expected to be completed during the fourth quarter. In addition, approximately MSEK 50 will be maintenance.

Larger projects are Crowne Plaza Brussels Le Palace, Scandic Luleå, Hotel Berlin Berlin, Skyline Airport Hotel, 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 30 September, 2020

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-4,410 / +5,306
Change in currency exchange rates	+/- 1%	+/- 375
Net operating income	+/- 1%	+/- 543
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 26
Operating properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 23
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates	+/- 1%	-/+ 119
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 324
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 949

Average valuation yield, % (30 September 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 third quarter of 2020 Pandox valued the hotel properties based on the same method and model used since the IPO in 2015. The valuation model is an accepted and established 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 material uncertainty about the long-term effects of COVID-19 on the economy in general, it is more difficult to assess future cash flows and valuation yields for Pandox's hotel properties. Effects on valuation yield cannot yet be established as there is still insufficient evidence in the hotel properties' transaction markets.

Due to COVID-19 only a few external valuations have been carried out.

The valuation effects will be monitored closely as the COVID-19 situation becomes clearer and as valuation yields and future cash flows can 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 48.5 (46.0) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 24,944 (26,350). EPRA NAV (net asset value) amounted to MSEK 32,234 (34,270), equivalent to SEK 175.33 (186.40) per share. Liquid funds plus unutilised credit facilities amounted to MSEK 5,348 (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 32,366 (29,824), excluding loan arrangement fees. Unutilised credit facilities amounted to MSEK 3,039 (3,583) and the volume issued under the commercial paper programme amounted to MSEK 105 (1,688).

In the third quarter, all credit facilities maturing in 2020, corresponding to MSEK 4,272, were extended by between 12 and 18 months.

Pandox has a positive and close dialogue with its lenders on new financing, refinancing as well as adjustment of terms and covenants in existing credit agreements with consideration to COVID-19. In the third quarter, lenders have given waivers in individual credit agreements.

The average fixed rate period was 3.0 (3.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.4 (2.6) percent, including effects from interest-rate derivatives, but excluding accrued arrangement fees. The average repayment period was 3.0 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Maturity structure credit facilities 30 September 2020

Year due (MSEK)	Credit facilities ¹⁾
<1 year	1,818
1-2 years	4,871
2-3 years	9,779
3-4 years	8,344
4-5 years	9,003
<5 years	1,590
Total	35,405

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 2020

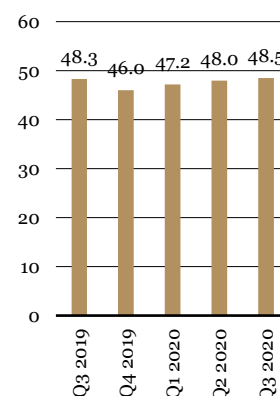
	SEK	DKK	EUR ³⁾	CHF	CAD	NOK	GBP	Total
Sum credit facilities ¹⁾	10,250	2,006	15,728	477	512	1,163	5,269	35,405
Sum interest bearing debt, MSEK ¹⁾	7,139	2,006	15,813	477	500	1,163	5,269	32,366
Share of debt in currency, %	22.1	6.2	48.9	1.5	1.5	3.6	16.3	100
Average interest rate, % ²⁾	2.7	1.8	2.2	0.8	2.7	1.9	3.0	2.4
Average interest rate period, years	3.2	0.6	3.3	0.2	0.1	2.3	3.4	3.0
Market value Properties ¹⁾	14,696	3,554	28,857	796	1,217	3,090	9,812	62,022

¹⁾ Converted to MSEK.

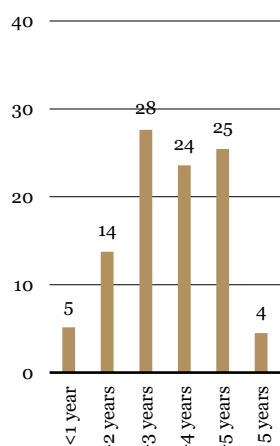
²⁾ Average interest rate including bank margin.

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, %



Financial covenants

On group level, Pandox's financial covenants are:

- Loan to value, at a level where Pandox's financial target for loan to value offers comfortable headroom
- Interest cover ratio, at a level, where also revenues from contractual minimum guaranteed rent and fixed rent only, offers satisfactory headroom

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 23,909 gross and MSEK 18,958 net, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Approximately 53 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

Interest maturity profile 30 September, 2020

Tenor (MSEK)	Total interest maturity		Interest maturity derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, %
< 1 year	15,276	47	1,868	10	1.4
1–2 year	3,248	10	3,248	17	1.1
2–3 year	2,614	8	2,614	14	1.8
3–4 year	0	0	0	0	-
4–5 year	432	1	432	2	-0.1
> 5 year	10,796	33	10,796	57	0.6
Sum	32,366	100	18,958	100	0.9

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 -907 (-577).

Deferred tax

At the end of the period, the deferred tax assets amounted to MSEK 559 (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 4,407 (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

18 September 2020	Invitation to Hotel Market Day 2020
8 September	Nomination committee for the AGM 2021
15 July 2020	Interim report January-June 2020

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

Mediation with Tribe Invest AS

Other property income for the third quarter 2020 includes one-time revenue in the equivalent of MSEK 28 after mediation with the Norwegian company Tribe Invest AS (in bankruptcy) relating to a long-term lease where the tenant declared bankruptcy in 2013. In 2015 Pandox received an amount equivalent to around MSEK 60 from the bankruptcy estate in the same case. The total amount therefore amounts to the equivalent of MSEK 88.

Employees

At the end of the period, Pandox had the equivalent of 700 (1,429) full-time employees, based on number of worked hours translated to full-time employees. Of the total number of employees, 653 (1,389) are employed in the Operator Activities segment and 47 (40) 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-September 2020 period totalled MSEK 116 (92), and profit for the period amounted to MSEK -459 (2,144).

At the end of the period the Parent Company's equity amounted to MSEK 8,631 (9,089) and the interest-bearing debt was MSEK 4,986 (6,305), of which MSEK 4,980 (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.

Pandox has a management agreement regarding Pelican Bay Lucaya Resort in the Bahamas owned by affiliates of Helene Sundt AS and CGS Holding AS. During the first nine months of 2020, revenue from Pelican Bay Lucaya amounted to MSEK 0.4 (1).

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 17–18.

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 third 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.

Considering the extraordinary situation created by COVID-19, a situation cannot be excluded where for example representations and covenants in the Company's credit agreements may not be met. In such cases, there are several actions that can be taken to, should there be a need, to cure non-compliance, such as payment of interest to an escrow account, adjustment of covenants, covenant holidays or certain repayments.

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, 23 October 2020

Anders Nissen, CEO



Exterior, Hilton Garden Inn London Heathrow Airport, 364 rooms

Presentation of the interim report

Pandox will present the interim report for investors, analysts and media via a webcasted telephone conference, 23 October at 08:30 CEST. The presentation also includes an external update of the hotel market.

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

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/p5wxpp3z>. Here you can also ask written questions.

To participate in the conference via telephone, please call in using any number indicated below well before the start of the conference.

Standard International: +44 (0) 2071 928338
SE LocalCall: +46 (0) 856 618 467
SE Tollfree: 200125160
UK LocalCall: +44 (0) 8444819752
UK Tollfree: 8002796619
US LocalCall: +1 6467413167
Conference ID: 2782856

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

Contact persons

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+46 (0) 760 95 19 40

This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above 23 October 2020, 07:00 CEST.

Financial calendar

Hotel Market Day	17 November 2020
Year-end report 2020	11 February 2021
Annual General Meeting 2021	12 April 2021
Interim report Q1 2021	27 April 2021
Interim report Q2 2021	16 July 2021

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 2020 and the ninemonth 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, 23 October 2020

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor in charge

Linda Andersson
Authorised Public Accountant

Summary of financial reports

Condensed consolidated statement of comprehensive income

Figures in MSEK	Note	Jul-Sep		Jan-Sep		FY
		2020	2019	2020	2019	2019
Revenues Property Management						
Rental income	2	563	820	1,705	2,233	3,017
Other property income		67	31	124	86	112
Revenue Operator Activities	2	169	600	662	1,779	2,424
Total revenues		799	1,451	2,491	4,098	5,553
Costs Property Management	2	-99	-90	-289	-271	-365
Costs Operator Activities	2	-266	-491	-938	-1,457	-1,993
Gross profit		434	870	1,264	2,370	3,195
- whereof gross profit Property Management	2	531	761	1,540	2,048	2,764
- whereof gross profit Operator Activities	2	-97	110	-276	323	431
Central administration		-41	-40	-130	-131	-175
Financial income		0	-3	1	3	1
Financial expenses		-227	-221	-674	-634	-866
Financial cost right of use assets	2	-21	-20	-65	-60	-81
Profit before changes in value		145	586	396	1,548	2,074
<i>Changes in value</i>						
Properties, unrealised	2	-315	353	-1,246	993	1,389
Properties, realised	2	0	110	0	111	70
Derivatives, unrealised		51	-211	-330	-483	-39
Profit before tax		-119	838	-1,180	2,169	3,494
Current tax		-17	-60	-55	-181	-122
Deferred tax		33	-536	132	-579	-672
Profit for the period		-103	242	-1,103	1,409	2,700
<i>Items that may be classified to profit or loss</i>						
Net investment hedge of foreign operations		-151	135	-559	314	520
Translation differences realisation of foreign operations		197	-385	345	-69	-474
		46	-250	-214	245	46
Other comprehensive income for the period		46	-250	-214	245	46
Total comprehensive income for the period		-57	-8	-1,317	1,654	2,746
Profit for the period attributable to the shareholders of the parent company		-102	243	-1,099	1,409	2,706
Profit for the period attributable to non-controlling interests		-1	-1	-4	0	-6
Total comprehensive income for the period attributable to the shareholders of the parent company		-57	-10	-1,315	1,647	2,749
Total comprehensive income for the period attributable to non-controlling interests		1	2	-2	7	-3
Earnings per share, before and after dilution, SEK		-0.56	1.45	-5.98	8.41	15.91

Condensed consolidated statement of financial position

Figures in MSEK	Note	2020 30 Sep	2019 30 Sep	2019 31 Dec
ASSETS				
Non-current assets				
Operating properties		7,148	5,590	6,307
Equipment and interiors		503	487	554
Investment properties		52,208	50,682	53,697
Right-of-use assets		3,071	2,940	3,064
Deferred tax assets		559	765	383
Derivatives ¹⁾		47	45	117
Other non-current receivables		37	33	34
Total non-current assets		63,573	60,542	64,156
Current assets				
Inventories		12	16	14
Current tax assets		96	61	106
Trade account receivables		375	338	367
Deferred rent attributable to new temporary payment terms		421	—	—
Prepaid expenses and accrued income		159	296	288
Other current receivables		198	121	250
Cash and cash equivalents		2,309	530	632
Total current assets		3,570	1,362	1,657
Total assets		67,143	61,904	65,813
EQUITY AND LIABILITIES				
Equity				
Share capital		460	419	460
Other paid-in capital		7,525	4,556	7,525
Reserves		50	453	258
Retained earnings, including profit for the period		16,909	16,810	18,107
Equity attributable to the owners of the Parent Company		24,944	22,238	26,350
Non-controlling interests		245	167	156
Sum equity		25,189	22,405	26,506
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities ²⁾³⁾		30,110	23,695	23,587
Other non-current liabilities		17	19	18
Long-term lease liability		3,043	2,921	3,034
Derivatives ¹⁾		953	1,066	694
Provisions		57	127	41
Deferred tax liability		4,407	4,879	4,552
Total non-current liabilities		38,587	32,707	31,926
Current liabilities				
Provisions		110	0	97
Interest-bearing liabilities ²⁾³⁾		2,063	5,463	6,034
Short-term lease liability		30	20	30
Tax liabilities		106	200	109
Trade accounts payable		227	298	304
Other current liabilities		333	219	226
Accrued expenses and prepaid income		498	592	581
Total current liabilities		3,367	6,792	7,381
Total liabilities		41,954	39,499	39,307
Total equity and liabilities		67,143	61,904	65,813

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 192 have reduced interest-bearing liabilities in the period, compared to MSEK 178 same period 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	—	—	—	—	-1,099	-1,099	-4	-1,103
Other comprehensive income	—	—	-216	—	—	-216	2	-214
Transfer holding with non-controlling interest ²⁾	—	—	8	—	-99	-91	91	—
Closing balance equity 30 September, 2020	460	7,525	-119	169	16,909	24,944	245	25,189

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	Jul-Sep		Jan-Sep		FY
	2020	2019	2020	2019	2019
OPERATING ACTIVITIES					
Profit before tax	-119	838	-1,180	2,169	3,494
Reversal of depreciation	59	52	174	144	195
Changes in value, Investment properties, realised	—	-96	—	-96	-96
Changes in value, Investment properties, unrealised	315	-353	1,246	-993	-1,389
Changes in value, derivatives, unrealised	-52	211	329	483	39
Other items not included in the cash flow	9	28	-93	14	84
Taxes paid	24	-42	-42	-128	-208
Cash flow from operating activities before changes in working capital	236	638	434	1,593	2,119
Increase/decrease in operating assets	-232	-93	-260	129	-23
Increase/decrease in operating liabilities	138	70	8	-84	-162
Change in working capital	-94	-23	-252	45	-185
Cash flow from operating activities	142	615	182	1,638	1,934
INVESTING ACTIVITIES					
Acquisition of non-controlling interest	—	-28	—	-28	—
Investments in properties and fixed assets	-179	-105	-694	-423	-674
Divestment of hotel properties, net effect on liquidity	—	393	—	393	390
Acquisitions of hotel properties, net effect on liquidity	0	-1,019	-693	-1,043	-4,901
Acquisitions of financial assets	-2	-1	-3	-2	-3
Cash flow from investing activities	-181	-760	-1,390	-1,103	-5,188
FINANCING ACTIVITIES					
New share issue	—	—	—	—	3,049
Transaction cost	—	—	—	—	-39
New loans	1,172	3,666	8,680	8,551	12,565
Amortisation of debt	-1,128	-3,488	-5,907	-8,468	-11,584
Guaranteed minority dividend	—	—	—	—	-11
Paid dividends	—	0	—	-787	-787
Cash flow from financing	44	178	2,773	-704	3,193
Cash flow for the period	5	33	1,565	-169	-61
Cash and cash equivalents at beginning of period	2,298	450	632	674	674
Exchange differences in cash and cash equivalents	6	47	112	25	19
Liquid funds end of period	2,309	530	2,309	530	632
Information regarding interest payments					
Interest received amounted to	0	1	1	1	1
Interest paid amounted to	-191	-198	-628	-581	-782
Financial costs related to rights of use	-21	-20	-65	-60	-81
Information regarding cash and cash equivalents end of period	2,309	530	2,309	530	632
Cash and cash equivalents consists of bank deposits.					

Condensed income statement for the parent company

	Jul-Sep		Jan-Sep		FY
Figures in MSEK	2020	2019	2020	2019	2019
Net sales	38	26	116	92	122
Administration cost	-51	-48	-166	-161	-226
Operating profit	-13	-22	-50	-69	-104
Profit from participations in Group companies	—	540	—	2,337	2,337
Other interest income and similar profit/loss items	18	84	-263	202	376
Derivates, unrealised	7	-175	-232	-376	-58
Profit after financial items	12	427	-545	2,094	2,551
Year-end appropriations	—	—	—	—	-252
Profit before tax	12	427	-545	2,094	2,299
Current tax	0	-4	0	-4	—
Deferred tax	-14	27	86	53	14
Profit for the period	-2	450	-459	2,144	2,313

Condensed balance sheet for the parent company

	2020	2019	2019
Figures in MSEK	30 Sep	30 Sep	31 Dec
ASSETS			
Non-current assets	19,885	17,805	21,702
Current assets	2,254	125	119
Total assets	22,139	17,930	21,821
EQUITY AND LIABILITIES			
Equity	8,631	5,909	9,089
Provisions	174	127	137
Non-current liabilities	7,926	6,248	3,945
Current liabilities	5,408	5,646	8,650
Total equity and liabilities	22,139	17,930	21,821

Reconciliation alternative performance measurements

	Jul-Sep		Jan-Sep		FY
Per share, figures in SEK ¹⁾	2020	2019	2020	2019	2019
Total comprehensive income per share, SEK					
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	-57	-10	-1,315	1,647	2,749
Weighted average number of share, before and after dilution	183,849,999	167,499,999	183,849,999	167,499,999	170,053,287
Total comprehensive income per share, SEK	-0.31	-0.06	-7.15	9.83	16.17
Cash earnings per share, SEK					
Cash earnings attr.to the shareholders of the parent company, MSEK	195	587	535	1,523	2,183
Weighted average number of share, before and after dilution	183,849,999	167,499,999	183,849,999	167,499,999	170,053,287
Cash earnings per share, SEK	1.06	3.51	2.91	9.09	12.84
Net asset value (EPRA NAV) per share, SEK					
EPRA NAV (net asset value), MSEK	—	—	32,234	30,825	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	—	—	175.33	184.03	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	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	167,499,999	183,849,999
PROPERTY RELATED KEY FIGURES					
Number of hotels, end of period ²⁾	—	—	156	146	155
Number of rooms, end of period ²⁾	—	—	35 059	32,732	34,685
WAULT, years	—	—	14.9	15.5	15.6
Market value properties, MSEK	—	—	62,022	59,661	63,469
Market value Investment properties, MSEK	—	—	52,208	50,682	53,697
Market value Operating properties, MSEK	—	—	9,814	8,979	9,772
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	186	964	265	917	912

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	Jul-Sep		Jan-Sep		FY
	2020	2019	2020	2019	2019
Net interest-bearing debt					
Non-current interest-bearing liabilities	—	—	30,110	23,695	23,587
Current interest-bearing liabilities	—	—	2,063	5,463	6,034
Arrangement fee for loans	—	—	192	178	202
Cash and cash equivalents	—	—	-2,309	-530	-632
Net interest-bearing debt	—	—	30,056	28,806	29,191
Loan to value net, %					
Net interest-bearing debt	—	—	30,056	28,806	29,191
Market value properties	—	—	62,022	59,661	63,469
Loan to value net, %	—	—	48.5	48.3	46.0
Interest cover ratio, times					
Profit before changes in value	145	586	396	1,548	2,074
Interest expenses	197	197	595	568	765
Depreciation	58	50	172	144	194
Interest cover ratio, times	2.0	4.2	2.0	4.0	4.0
Average interest on debt end of period, %					
Average interest expenses	—	—	766	773	782
Non-current interest-bearing liabilities	—	—	30,110	23,695	23,587
Arrangement fee for loans	—	—	192	178	202
Current interest-bearing liabilities	—	—	2,063	5,463	6,034
Average interest on debt, end of period, %	—	—	2.4	2.7	2.6
<i>See page 9-10 for a complete reconciliation</i>					
Investments, incl. parent company excl. acquisitions	179	105	694	423	674
Net operating income, Property Management					
Rental income	563	820	1,705	2,233	3,017
Other property income	67	31	124	86	112
Costs, excl. property administration	-65	-61	-180	-182	-247
Net operating income, before property administration	565	790	1,649	2,137	2,882
Property administration	-34	-29	-109	-89	-118
Net operating income, Property Management	531	761	1,540	2,048	2,764
Net operating income, Operator Activities					
Revenues Operator Activities	169	600	662	1,779	2,424
Costs Operator Activities	-266	-491	-938	-1,457	-1,993
Gross profit	-97	110	-276	323	431
Plus: Depreciation included in costs	58	50	172	144	194
Net operating income, Operator Activities	-39	160	-104	467	625
EBITDA					
Gross profit from respective operating segment	434	870	1,264	2,370	3,195
Plus: Depreciation included in costs Operator Activities	58	50	172	144	194
Less: Central administration, excluding depreciation	-36	-34	-115	-117	-158
EBITDA	456	886	1,321	2,397	3,231
Cash earnings					
EBITDA	456	886	1,321	2,397	3,231
Plus: Financial income	0	-3	1	3	1
Less: Financial expense	-227	-221	-674	-634	-866
Less: Financial cost for right-of-use assets	-21	-20	-65	-60	-81
Plus/Less: Translation gain on bank deposits	3	4	3	-2	14
Less: Current tax	-17	-60	-55	-181	-122
Cash earnings	194	586	531	1,523	2,177
EPRA NAV					
Equity attr. to the shareholders of the parent company	—	—	24,944	22,238	26,350
Plus: Revaluation of Operating Properties	—	—	2,171	2,906	2,915
Plus: Fair value of financial derivatives	—	—	906	1,021	577
Less: Deferred tax assets related to derivatives	—	—	-194	-218	-123
Plus: Deferred tax liabilities	—	—	4,407	4,879	4,552
EPRA NAV	—	—	32,234	30,825	34,270
Growth in EPRA NAV, annual rate, %					
EPRA NAV attributable to the shareholders of the parent company, OB	—	—	30,825	26,539	27,476
EPRA NAV attributable to the shareholders of the parent company, CB	—	—	32,234	30,825	34,270
Dividend added back, current year	—	—	—	787	787
Excluding proceeds from new share issue	—	—	-3,010	—	-3,010
Growth in EPRA NAV, annual rate, %	—	—	-5.2	19.1	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 26.

Financial risk

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

Growth and profitability

Pandox's overall goal is to increase cash flow and property value and thereby enable Pandox to have the resources for investments to support the Group's continued expansion. Since Pandox both owns and operates hotel properties, multiple indicators are needed to measure the Company's performance in relation to goals in this regard. Growth in cash earnings is Pandox's primary focus and this is also the basis for the dividend paid annually to the shareholders, i.e. 30-50 percent of cash earnings with an average payout ratio of approximately 40 percent over time. Measuring net operating income creates transparency and comparability between the Company's two operating segments and with other property companies. EBITDA measures Pandox's total operational profitability in a uniform way.

EPRA NAV (net asset value) and equity

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

Quarterly data

Condensed consolidated statement of comprehensive income

Figures in MSEK	2020			2019				2018
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
Revenue Property Management								
Rental income	563	502	640	784	820	772	641	704
Other property income	67	25	32	26	31	11	44	45
Revenue Operator Activities	169	74	419	645	600	673	506	626
Total revenues	799	601	1,091	1,455	1,451	1,456	1,191	1,375
Costs Property Management	-99	-79	-111	-94	-90	-79	-102	-122
Costs Operator Activities	-266	-216	-456	-536	-491	-508	-458	-507
Gross profit	434	306	524	825	870	869	631	746
Central administration	-41	-42	-47	-44	-40	-48	-43	-43
Financial net	-227	-220	-226	-234	-224	-202	-205	-214
Financial cost for right-of-use assets	-21	-22	-22	-21	-20	-21	-19	—
Profit before value changes	145	22	229	526	586	598	364	489
Changes in value								
Properties, unrealised	-315	-320	-611	396	353	509	131	607
Properties, realised	0	—	—	-41	110	1	—	27
Derivatives, unrealised	51	-22	-359	444	-211	-133	-139	-147
Profit before tax	-119	-320	-741	1,325	838	975	356	976
Current tax	-17	-11	-27	59	-60	-75	-46	-55
Deferred tax	33	-1	100	-93	-536	-140	97	-146
Profit for the period	-103	-332	-668	1,291	242	760	407	775
Other comprehensive income	46	-920	660	-199	-250	135	360	-177
Total comprehensive income for the period	-57	-1,252	-8	1,092	-8	895	767	598

Condensed consolidated statement of financial position

Figures in MSEK	2020			2019				2018
	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
ASSETS								
Properties incl equipment and interiors	59,859	59,877	62,570	60,558	56,759	54,543	54,371	52,949
Right of use assets	3,071	3,051	3,176	3,064	2,940	2,957	2,908	—
Other non-current receivables	84	85	108	151	78	75	50	43
Deferred tax assets	559	570	546	383	765	540	539	465
Current assets	1,261	1,008	893	1,025	832	1,192	657	885
Cash and cash equivalents	2,309	2,298	1,220	632	530	450	923	674
Total assets	67,143	66,889	68,513	65,813	61,904	59,757	59,448	55,016
EQUITY AND LIABILITIES								
Equity	25,189	25,246	26,498	26,506	22,405	22,413	22,305	21,538
Deferred tax liability	4,407	4,458	4,623	4,552	4,879	3,633	3,544	3,430
Interest-bearing liabilities	32,173	31,981	31,882	29,621	29,158	28,541	28,266	27,917
Leasing liabilities	3,073	3,052	3,177	3,064	2,941	2,957	2,908	—
Non interest-bearing liabilities	2,301	2,152	2,333	2,070	2,521	2,213	2,425	2,131
Total equity and liabilities	67,143	66,889	68,513	65,813	61,904	59,757	59,448	55,016

Key ratios

Figures in MSEK	2020			2019				2018
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
NOI, Property Management	531	448	561	716	761	704	583	627
NOI, Operator Activities	-39	-85	20	159	160	212	95	165
EBITDA	456	327	538	834	886	872	639	749
Earnings per share before and after dilution, SEK	-0.56	-1.79	-3.63	7.30	1.45	4.53	2.43	4.63
Cash earnings	194	75	262	654	586	570	367	480
Cash earnings per share before and after dilution, SEK	1.06	0.42	1.43	3.72	3.51	3.39	2.18	2.88
RevPAR growth (Operator Activities) for comparable units and constant currency, %	-81	-92	-30	-4	4	12	9	12

	2020			2019				2018
	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
Net interest-bearing debt, MSEK	30,056	29,878	30,862	29,191	28,806	28,248	27,513	27,421
Loan to value, %	48.5	48.0	47.2	46.0	48.3	49.0	48.5	49.7
Interest coverage ratio, times	2.0	1.9	2.4	3.9	4.2	4.4	3.3	3.8
Market value properties, MSEK	62,022	62,259	65,345	63,469	59,661	57,618	56,713	55,197
EPRA NAV per share, SEK	175.33	177.32	186.97	186.40	184.03	173.83	170.52	164.04
WAULT (Property Management), yrs	14.9	15.2	15.3	15.6	15.5	15.5	15.8	15.7

Portfolio overview

At the end of the period Pandox's property portfolio consisted of 156 (144) hotel properties with 35,059 (32,273) hotel rooms in fifteen countries, including the sub-markets England, Scotland, Wales and Northern Ireland.

Pandox's main geographical focus is Northern Europe. Germany (25 percent) is Pandox's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by Sweden (24 percent), UK (15 percent), Belgium (7 percent) and Finland (6 percent).

136 of the hotel properties are leased to third parties, which means that approximately 84 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 2020 Investment Properties had a weighted average unexpired lease term (WAULT) of 14.9 years (15.6).

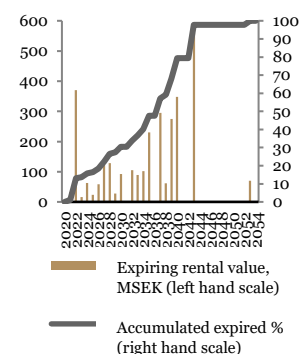
Portfolio overview by segment and geography

Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Sweden	42	8,787	14,696	24	1.7
Germany	33	6,876	12,698	20	1.8
UK	19	4,675	8,971	14	1.9
Finland	13	2,921	4,023	6	1.4
Norway	14	2,573	3,090	5	1.2
Denmark	6	1,442	2,805	5	1.9
Austria	2	639	1,517	2	2.4
Belgium	2	519	928	1	1.8
Ireland	3	445	1,439	2	3.2
Switzerland	1	206	796	1	3.9
The Netherlands	1	189	1,246	2	6.6
Sum Property Management	136	29,272	52,208	84	1.8
Operator Activities					
Belgium	7	1,955	3,439	6	1.8
Germany	5	1,490	3,187	5	2.1
Canada	2	952	1,217	2	1.3
The Netherlands	1	216	358	1	1.7
UK	2	611	842	1	1.4
Denmark	2	403	748	1	1.9
Finland	1	160	23	0	0.1
Sum Operator Activities	20	5,787	9,814	16	1.7
Sum total	156	35,059	62,022	100	1.8

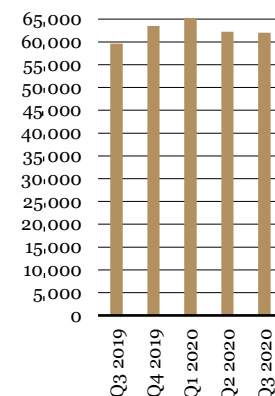
Portfolio overview by brand

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	1,837	5
NH	7	1,681	5
Dorint	5	1,085	3
Mercure	4	760	2
Crowne Plaza	2	616	2
Elite Hotels	2	493	1
Holiday Inn	2	469	1
Novotel	2	421	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	12	2,962	8
Total	156	35,059	100

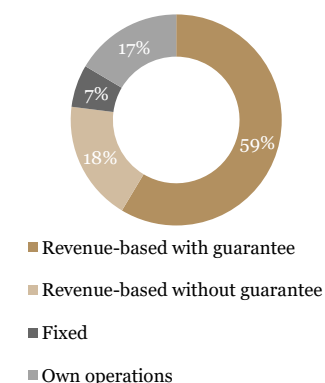
Lease maturity profile (30 September 2020)



Market value properties per quarter, MSEK



Distribution of lease and operating models, number of rooms % (30 September 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.

Rights of use and long-term leasing debt have adjusted the comparative figures retroactively regarding two site-leasehold rights.

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 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	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Revenue Property Management	630	851	—	—	—	—	630	851
Rental and other property income	—	—	169	600	—	—	169	600
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	630	851	169	600	—	—	799	1,451
Costs Property Management	-99	-90	—	—	—	—	-99	-90
Costs Operator Activities	—	—	-266	-491	—	—	-266	-491
Gross profit	531	761	-97	110	—	—	434	870
Central administration	—	—	—	—	-41	-40	-41	-40
Financial income	—	—	—	—	0	-3	0	-3
Financial expenses	—	—	—	—	-227	-221	-227	-221
Financial cost right-of-use assets	—	—	—	—	-21	-20	-21	-20
Profit before changes in value	531	761	-97	110	-289	-284	145	586
Changes in value								
Properties, unrealised	-315	353	—	—	—	—	-315	353
Properties, realised	0	110	—	—	—	—	0	110
Derivatives, unrealised	—	—	—	—	51	-211	51	-211
Profit before tax	216	1,224	-97	110	-238	-495	-119	838
Current tax	—	—	—	—	-17	-60	-17	-60
Deferred tax	—	—	—	—	33	-536	33	-536
Profit for the period	216	1,224	-97	110	-222	-1,091	-103	242

July-September 2020

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	142	23	77	52	164	11	117	44	630
- Operator Activities	0	5	0	5	58	36	37	28	169
Market value properties	14,696	3,554	3,090	4,046	15,885	4,366	11,251	5,134	62,022
Investments in properties	28	7	7	21	25	49	28	11	176
Acquisitions of properties	—	—	—	—	10	—	-1	0	9
Book value Operating Properties	—	751	—	26	1,999	2,617	908	1,342	7,643
Total non-current assets at book value, less deferred tax assets	15,307	3,570	3,093	4,758	15,332	3,731	12,106	5,117	63,014

July-September 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
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

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Revenue Property Management	1,829	2,319	—	—	—	—	1,829	2,319
Rental and other property income	—	—	662	1,779	—	—	662	1,779
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	1,829	2,319	662	1,779	—	—	2,491	4,098
Costs Property Management	-289	-271	—	—	—	—	-289	-271
Costs Operator Activities	—	—	-938	-1,457	—	—	-938	-1,457
Gross profit	1,540	2,048	-276	323	—	—	1,264	2,370
Central administration	—	—	—	—	-130	-131	-130	-131
Financial income	—	—	—	—	1	3	1	3
Financial expenses	—	—	—	—	-674	-634	-674	-634
Financial expenses right-of-use assets	—	—	—	—	-65	-60	-65	-60
Profit before changes in value	1,540	2,048	-276	323	-868	-822	396	1,548
<i>Changes in value</i>								
Properties, unrealised	-1,246	993	—	—	—	—	-1,246	993
Properties, realised	0	111	—	—	—	—	0	111
Derivatives, unrealised	—	—	—	—	-330	-483	-330	-483
Profit before tax	294	3,152	-276	323	-1,198	-1,305	-1,180	2,169
Current tax	—	—	—	—	-55	-181	-55	-181
Deferred tax	—	—	—	—	132	-579	132	-579
Profit for the period	294	3,152	-276	323	-1,121	-2,065	-1,103	1,409

January-September 2020

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	420	79	138	154	502	35	367	134	1,829
- Operator Activities	0	6	0	14	185	231	105	121	662
Market value properties	14,696	3,554	3,090	4,046	15,885	4,366	11,251	5,134	62,022
Investments in properties	133	27	30	107	72	159	90	70	688
Acquisitions of properties	—	—	—	—	647	—	46	0	693
Book value Operating Properties	—	751	—	26	1,999	2,617	908	1,342	7,643
Total non-current assets at book value, less deferred tax assets	15,307	3,570	3,093	4,758	15,332	3,731	12,106	5,117	63,014

January-september 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
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

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

Reclassifications, acquisitions and divestments

Date	Hotel property	Event
1 April 2020	Hotel Twentyseven	Reclassification to Operator Activities
1 April 2020	Hotel Mayfair	Reclassification to Operator Activities
31 March 2020	Office property belonging to 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-September

1 foreign currency = X SEK	Average rate			Rate at end-of-period		
	2020	2019	Δ%	2020	2019	Δ%
Euro (EUR)	10.557	10.566	0%	10.541	10.729	-2%
British pound (GBP)	11.938	11.962	0%	11.520	12.070	-5%
Danish krone (DKK)	1.415	1.415	0%	1.416	1.437	-2%
Norwegian krone (NOK)	0.987	1.081	-10%	0.951	1.080	-14%
Canadian dollar (CAD)	6.942	7.077	-2%	6.708	7.412	-10%
Swiss franc (CHF)	9.885	9.454	4%	9.751	9.883	0%

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. 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

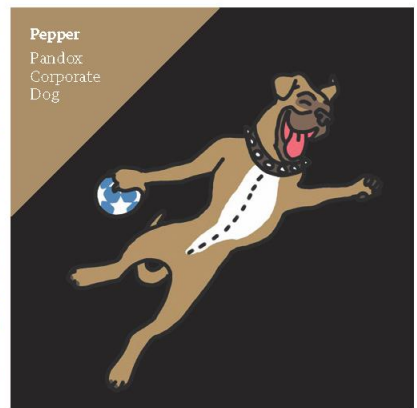
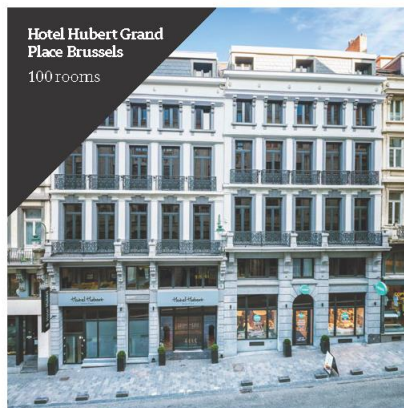
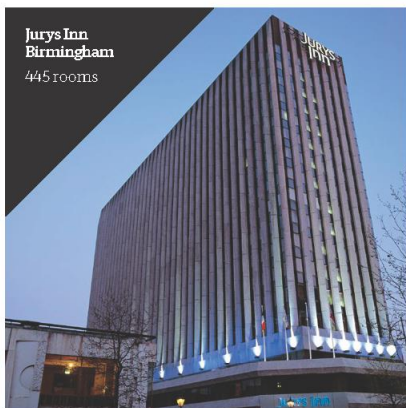
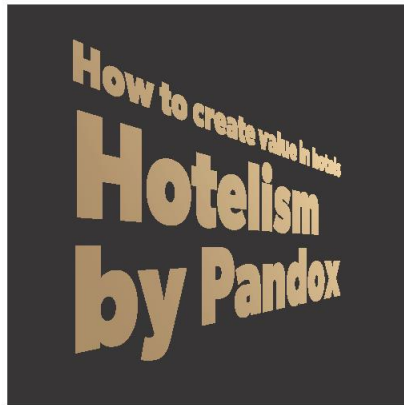
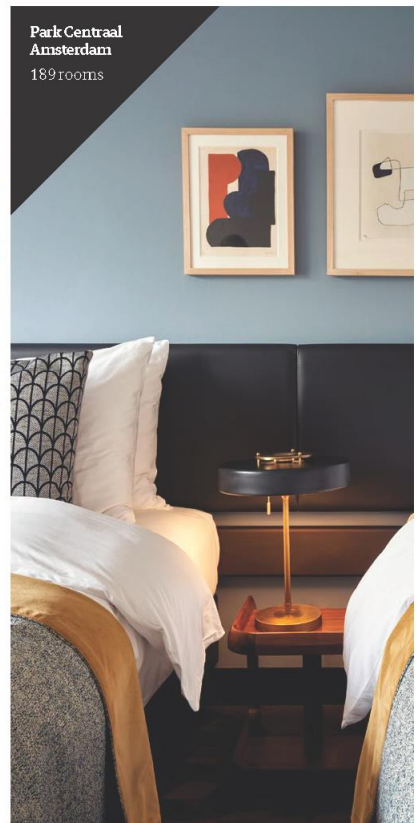
Number of rooms in owned hotel properties at the end of the period.

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