

Annual Report

2020



This is a linked/clickable pdf. Each line in the table of contents links directly to the page concerned. To return to the contents page, click the home icon at the top of each page.



Introduction

Hotelism by Pandox	1
This is Pandox	2
The year in brief	4
CEO comments	6
The inside view	12
The view from outside	14

Strategy & operations

Vision, business concept and strategy	16
The Pandox Method	17
Business model	18
Partnerships	20
Operations	22
Property Management	24
Operator Activities	26
Value creation in practice	28

Market and trends

Pandox in the world	30
Trends and drivers	31
Market and agreement structure	32
Market overview	34
RevPAR	35
The Pandox share	36

Sustainability

Pandox's sustainability agenda	● 41
Pandox's value chain	● 43
Sustainability targets and strategy	● 44
Focus areas	● 46
Environment and climate	● 46
Responsible and fair business	● 52
Guest satisfaction and security	● 54
Attractive and equal workplace	● 58
Living local communities	● 60

Property portfolio

Geographical overview	62
Property portfolio	74
Change in property value	75
Hotel property list	76

Risk

Risk and risk management	84
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Financial information

Content	91
From the CFO and how to read the financial information	92
Administration Report	● 94
Financial statements Group	● 102
Financial statements Parent Company	● 108
Notes	● 112

Sustainability notes

● 146

Corporate governance

From the Chairman	157
Corporate Governance Report	158
Signing of the Annual Report	● 164
Auditor's report	165

Other

Board of Directors and auditor	170
Senior executives	172
Multiyear summary	174
Quarterly data	175
Financial definitions	176
Other definitions and terms	177
GRI Index	178
TCFD Index	180

- The formal audited sections of the annual report can be found on pages 94–145 and page 164.
- Pandox's Sustainability Report can be found on pages 41–61 and 146–156. The Sustainability Report has been prepared in accordance with the GRI Standards and meets the Core level. It also constitutes Pandox's Communication on Progress towards the UN Global Compact and Pandox's statutory Sustainability Report.

This report is a translation of the Swedish original. In the event of discrepancies, the Swedish version shall prevail.



Park Centraal, Amsterdam

Hotelism^{2.0} by Pandox

The philosophy of how to create value in hotels in a constantly changing world

Hotelism is the philosophy of how to create and safeguard value in hotel properties through profitable and sustainable hotel operation. Hotelism is based on a pure focus on hotel properties, knowledge advantage through analysis and insights, active ownership together with strong hotel operators, free movement through the hotel value chain, risk management through diversification, an industrial and long-term perspective on value creation, as well as a business culture characterised by curiosity and fun.

Hotelism applies in good times and not-so-good times.

A leading hotel property company

Pandox owns and leases out hotel properties to leading hotel operators. Since it was founded in 1995 Pandox has purposefully built a pan-European business platform and a property portfolio with a market value of around SEK 60 billion, which is around a hundred times more than when the Company was started. Pandox has an integrated business model and is active throughout the hotel value chain with the goal of offering the most attractive platform for hotel operations.



Pandox is a pan-European property company specialising solely in hotel properties. Pandox owns 156 properties that hotel operators lease to operate hotels in. Pandox properties can be found in 90 cities in 15 countries, including Germany and the UK – two of the largest hotel markets in the world.



High-quality portfolio

Pandox has a diversified portfolio of mainly large hotel properties occupied by high-quality full-service hotels. The hotels have strong locations in their sub-markets and are mainly in the mid-scale to premium segments. This helps to diversify demand and ensure well-balanced revenue.

MSEK 59,542
property value

MSEK 1,850
net operating income

156
hotels

35,060
rooms

15
countries

In recent years Pandox has acquired and invested in hotel properties for significant sums in large hotel markets in Europe. The international share of the portfolio's market value has more than doubled over this time and now amounts to around 60 percent. Germany, which is the biggest hotel market in Europe, accounts for around 25 percent of the portfolio's market value.

World class network

Pandox's property portfolio has a good mix of geographical markets, hotel operators, hotel brands and types of demand, which creates stability over the hotel business cycle. Through a world-class network with leading hotel operators and brands, new business opportunities are being created all the time.



Expertise and active ownership

Pandox is an active owner with in-depth hotel knowledge and experience of all operating models that exist in the hotel market. The core model is revenue-based leases where a certain percentage of a hotel's revenue becomes rental income for Pandox. Pandox may also operate hotels itself in properties owned by the Company. This provides more freedom and reduces risk.

A historic year

2020 was a year like no other in the history of the hotel industry. The year was dominated by Covid-19 and the restrictions introduced to stop the spread of the virus, which had a clearly negative impact on demand in the hotel market.

Q1

A clear game plan in a difficult situation

- The first quarter started positively, with stable growth in January and February, but ended with a historic collapse in demand in March due to Covid-19 and the extraordinary steps taken by the authorities to reduce the spread of the virus.
- Following a severe downturn in economic activity in all key markets Pandox reported decreases in both revenue and net operating income in the first quarter compared with the previous year. The Board's dividend proposal for 2019 was withdrawn to strengthen Pandox's financial position.
- Taking a structured approach to this difficult situation, Pandox developed a strategic framework: *Respond, Restart, Reinvent*.
- Pandox set out five priorities: secure good liquidity, balance revenue and costs, keep the hotels open, be ready to act to protect the value of the hotel properties, and practise leadership that is open, active and present.

Q2

Restarting from a strong position

- The second quarter was a historically weak one for the hotel market, bottoming out in April but then recovering in line with Pandox's expectations.
- Pandox's revenue consisted mostly of contractual minimum rents and fixed rents. The Group's costs had simultaneously been reduced to a level on a par with this revenue.
- Pandox's total revenue and net operating income decreased by 59 and 60 percent respectively compared with the corresponding period the previous year.
- On 1 April Pandox took over operation of Hotel Mayfair and Hotel Twentyseven in central Copenhagen, two properties that Pandox already owned. These were taken over when the tenant became unable to perform the contract.

MSEK 458

Despite the pandemic's negative effects on the hotel industry, Pandox is reporting a positive result before changes in value.

Summary (MSEK)	2020	2019	Change, %
Revenue, Property Management	2,399	3,129	-23
Net operating income, Property Management	2,018	2,764	-27
Net operating income, Operator Activities	-168	625	N/A
EBITDA	1,699	3,231	-47
Profit for the year	-1,408	2,700	N/A
Earnings per share, SEK ¹⁾	-7.61	15.91	N/A
Cash earnings	660	2,177	-70
Cash earnings per share, SEK ¹⁾	3.64	12.84	-72
Net interest-bearing debt	29,007	29,191	-1
Loan-to-value ratio, properties, %	48.7	46.0	N/A
Interest coverage ratio, times ²⁾	2.0	4.1	N/A
Market value, properties	59,542	63,469	-6
EPRA NRV per share, SEK ³⁾	167.60	186.40	-10

¹⁾ For information on the number of shares see page 38.

²⁾ For more information see page 112.

³⁾ Measured as growth in EPRA NRV at an annual rate with dividend added back. For 2019 issue proceeds have also been deducted. See key ratios on page 112.



Q3

Two steps forward, one step back

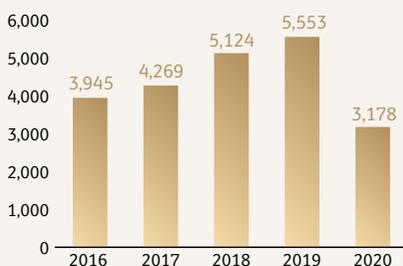
- In the third quarter the hotel market continued its recovery. The summer season was actually stronger than expected, driven by good domestic demand from the leisure segment in regional cities in all countries.
- Pandox's revenue continued to be made up mostly of contractual minimum rents and fixed rents. Revenue from purely revenue-based leases and Operator Activities increased compared with the second quarter, however.
- Pandox's total revenue and net operating income decreased by 54 and 47 percent respectively compared with the corresponding period the previous year, but showed sequential growth of 5 and 36 percent respectively.
- Overshadowing all this was the threat of new restrictions by the authorities – and when these began to be reintroduced in many countries towards the end of the quarter, demand slowed once again.

Q4

Time to think ahead

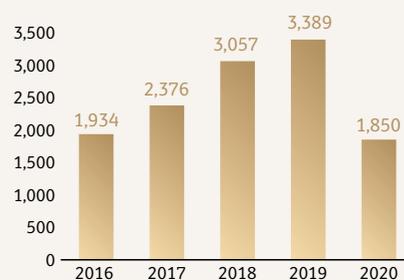
- The hotel market weakened again in the fourth quarter due to increased virus transmission and new restrictions.
- Supported by recurring revenue from contractual minimum rents and fixed rents within Property Management, combined with good cost control in Operator Activities, EBITDA and profit before changes in value amounted to MSEK 378 and MSEK 62 respectively.
- Although there are glimmers of light at the end of the tunnel, the hotel market's recovery is entirely dependent on when, and at what pace, restrictions are lifted.
- The positive market trend in Europe during the summer and early autumn of 2020, combined with a clear improvement in many large hotel markets outside Europe, suggests that there is good potential for a strong recovery once restrictions are eased.

Total revenue, MSEK



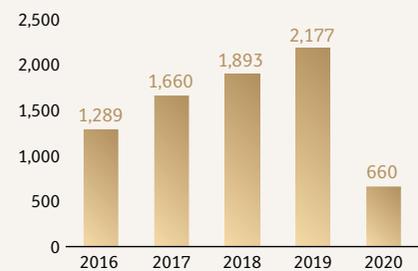
Net sales amounted to MSEK 3,178 (5,553). For comparable units net sales decreased by 50 percent, adjusted for currency effects.

Total net operating income, MSEK



Total net operating income amounted to MSEK 1,850 (3,389), a decrease of 45 percent. The decrease is explained in its entirety by low demand as a result of Covid-19.

Total cash earnings, MSEK



Cash earnings amounted to MSEK 660 (2,177), a decrease of 70 percent. Pandox's total costs during the year were on a par with revenue from contractual minimum rent and fixed rent.

A clear game plan in a difficult situation

2020 was a historic year in two senses for Pandox. Firstly because we celebrated our 25th birthday, and secondly because 2020 will go down in history as the weakest year ever for the hospitality industry due to Covid-19. Thanks to a well proven business model, extensive crisis experience, clear priorities and an agile organisation, Pandox has succeeded in navigating its way through the storm relatively well.

Going into 2020 there were just a few small clouds on the horizon...

2019 was another in a series of strong years for the global hospitality industry. According to UNWTO, the number of international arrivals increased by around 4 percent to record levels. The hotel industry was looking forward to continued stability in 2020 – albeit with a combination of somewhat lower growth in demand and higher growth in the supply of hotel rooms. And indeed the year began in line with these expectations, with stable growth in January and February.

...and then came Covid-19



From peak to trough in 19 days

On 21 February 2020 the Pandox share price reaches a record high of SEK 227.50. Shortly afterwards Covid-19 spreads to Europe, paralysing both society and the capital markets. On 18 March – just 19 trading days after its peak – the Pandox share stands at SEK 50.20, a fall of around 78 percent.

Read more from Anders on page 13.

When the WHO announces on 11 March that Covid-19 is a pandemic, a long list of restrictions is introduced in many countries...

...leading to a historic collapse in demand in all key markets. In April occupancy is at 5–25 percent, depending on market and demand segment.

Recap

Jan 20

Feb 20

Mar 20

A HOTEL PROPERTY SPECIALIST

Pandox is one of Europe’s leading hotel property companies with 156 hotel properties and more than 35,000 rooms in 90 larger cities in 15 countries, mainly in northern Europe. Since it was founded in 1995 Pandox has purposefully built a pan-European business platform and a property portfolio with a market value of around MSEK 59,500, which is around a hundred times more than when the Company was started in 1995. The portfolio is made up of well-refurbished high quality hotel products in the upper-mid scale, full-service segment. All the hotels are in naturally strong locations and the average size is 225 rooms, providing critical mass and the conditions for good, stable profitability. The portfolio boasts various dimensions of diversification – including geography, location, demand, brand and hotel product, creating a strong industrial platform. A total of 84 percent of the portfolio consists of hotels in domestic and regional cities with mainly domestic demand.



Thanks to an agile and competent organisation with previous crisis experience, Pandox is quickly able to organise and deal with the key issues.

The strategic framework *Respond, Restart, Reinvent* is produced to prioritise the work ahead and outline scenarios for recovery.

Pandox’s Board of Directors decides to withdraw its earlier proposal of a dividend of SEK 3.60 per share.



Pandox’s total revenue and net operating income decrease in the second quarter by 59 and 60 percent respectively compared with the previous year. At 30 June around 77 percent of the hotels in Pandox’s portfolio are open.

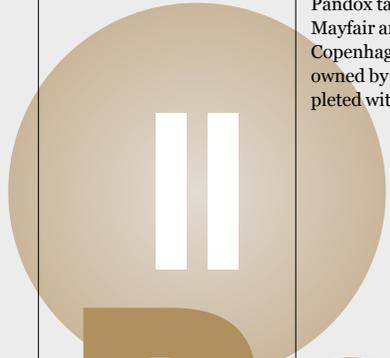
Pandox takes over the operation of Hotel Mayfair and Hotel Twentyseven in central Copenhagen, two hotel properties already owned by Pandox. The takeover is completed within a few days.

Pandox secures new financing for previously completed acquisitions with a value equivalent to around MSEK 1,665 and strengthens its liquidity further.

A year with many faces

One insight we are taking away from 2020 is how quickly markets and business conditions can change. The fact that a pandemic can paralyse a society like this was probably not a risk that many companies had taken into account.

Read more from Jonas on page 12.



Respond

Apr 20

May 20

Jun 20



Radisson Blu Hotel, Basel

PANDOX HAS SURVIVED MANY CRISES

Pandox was formed in 1995 when Securum’s and Skanska’s hotel property portfolios were merged. The property crisis had brought the insight that both expertise relating to the hotel industry and property knowledge were needed to create value in hotel properties. Since then, Pandox has successfully navigated its way through various significant crises: the aforementioned Swedish financial and property crisis of the 1990s, the terror attacks in New York in 2001 and Brussels in 2016, the SARS virus in 2003 and the major financial crisis of 2008–2009. The causes of these crises differed, but developments during and after each crisis followed a similar pattern. Each time sceptics proclaimed the demise of travel and claimed that people’s behaviour had changed fundamentally. When these behavioural changes failed to emerge after each crisis, Pandox was instead able to take advantage of the situation and move its business forward.

NEW HOTEL CAPACITY WAS THE PRIMARY CONCERN BEFORE 2020

Before 2020 Pandox saw good opportunities for continued growth. Forward-looking financial indicators for the global economy were positive and the long-term drivers in the hotel market were intact. However, there were certain signs of concern. A lot of new capital had flooded into the hotel market, partly in the form of buyers with no experience of the hotel property industry (“yield tourists”) and partly in the form of new hotel capacity costed on the basis of perpetual growth, a low cost of capital and an ever more favourable financing climate. Less and less value was placed on knowledge of the hotel industry, and more and more on risk-taking.

In my comments in the 2019 Annual Report I briefly mentioned that the new coronavirus was expected to have a somewhat slowing effect on demand for international destinations. At that point in time we had no idea that things would develop as dramatically as they did.

A recovery in the hotel market, driven mainly by the leisure segment, takes place during the summer months as restrictions are eased. Regional hubs and attractive leisure destinations – easy to reach by car or train – are in a winning position. International cities find themselves on the losing side.

One of the most obvious trends is that it is the restrictions that are holding back demand in the hotel market rather than behavioural changes. When restrictions are eased, demand increases – and vice versa.

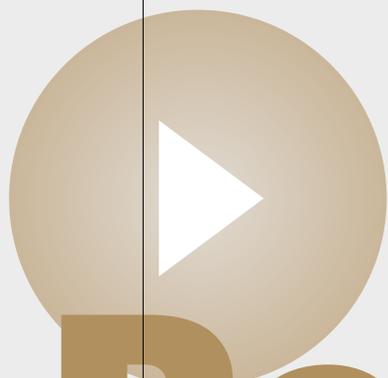


As the holiday months draw to a close, leisure travel shifts to weekends and a somewhat higher level of activity can be discerned in the domestic business travel segment, mainly among small and medium-sized businesses.

Dare to plan for a brighter future

Despite great practical and contractual challenges, in 2020 we invested around MSEK 900 in investments to drive growth.

Read more from Lars on page 13.



Restart

Jul 20

Aug 20

Sep 20

RESPOND, RESTART, REINVENT

The first quarter started positively, with stable growth in January and February, but ended with a historic collapse in demand in March due to Covid-19 and the extraordinary steps taken by the authorities to reduce the spread of the virus. This led to a significant drop in occupancy and RevPAR irrespective of country, city, demand profile or subsegment.

Being an organisation experienced in dealing with crises, with short decision paths and world-class employees, we were quickly able to adapt to the new situation. We switched from attack to defence and adjusted our business model more or less in the course of a long weekend when we realised that our worst case scenarios were not sufficiently negative. Instead of acquisitions and expansion, we were now prioritising liquidity, cost savings and new payment terms with our tenants.

We rapidly produced a strategic framework to guide us through the crisis in a structured way: *Respond, Restart, Reinvent*.

Respond means the steps we take to mitigate the immediate crisis, such as prioritising in order to secure liquidity, balance revenue and costs, keep our hotels open, be ready to act to protect the value in our hotel properties, and practise leadership that is open, active and present.

In parallel we began work on the *Restart* phase, setting out various scenarios for the form the recovery in the hotel market might take. We broke down the market into different subsegments and tried to understand the underlying drivers. One clear trend we have seen is that it is the restrictions that are holding back demand in the hotel market, rather than behavioural changes. When restrictions are eased, demand increases – and vice versa. That may sound obvious, but it is highly significant when assessing the hotel market’s potential for recovery once restrictions are eased. One example is that people not permitted to travel on business are still travelling within their own country in their leisure time, which has helped keep domes-

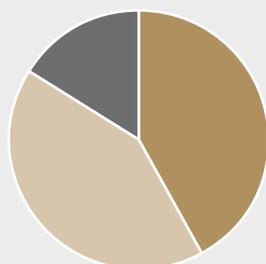
tic travel – the most important segment for the hotel industry – relatively strong while international demand has been low. Economy, mid-scale, and resort and apartment hotels in regional hubs and attractive leisure destinations – easy to reach by car or train – have been the winners. Those losing out have mainly been international premium hotels and large conference hotels.

FOCUS ON SUSTAINABILITY DURING THE PANDEMIC

Although the year has largely been about dealing with the immediate crisis, it was important not to slacken our pace on critical long-term issues such as sustainability. We support the UN Global Compact and its Ten Principles in the areas of human rights, labour, the environment and anti-corruption. We want our business to contribute in the long term to achieving the UN Sustainable Development Goals. Pandox is resolutely sticking to its long-term sustainability strategy of offering its tenants green properties.

84%

Share of Pandox’s portfolio, measured as number of rooms, located in domestic and regional cities.



- Domestic cities 42%
- Regional cities 42%
- International cities 16%

Corona’s second wave strikes and the authorities respond with new restrictions, which have an immediate negative impact on demand for hotel nights.



Defensive strengths in our business model

Despite the pandemic, Pandox’s business model is showing its strength. Although the contribution from revenue-based rent was low, contractual minimum rent and fixed rent of around MSEK 500 per quarter were sufficient to cover all our costs and Pandox is reporting a positive result for 2020 before changes in value.

Read more from Liia on page 92.

On 9 November the first news of a potential vaccine against Covid-19 is broadcasted. That day, Pandox’s share price advances by around 30 percent.



We have taken further steps to integrate sustainability efforts into our business and are driving this work within five focus areas with clear actions and goals. During the year three pilot properties achieved BREEAM certification at the Very Good level and our green investment programme within Operator Activities remains in place. These measures reduce the climate impact of the operations and increase our ability to manage climate risk. They also have a positive impact on Pandox's results through investments and new commercial opportunities that drive cash flow.

WORKING CONTINUALLY TO UNDERSTAND CHANGES

The last step in the framework, *Reinvent*, involves creating insights into how the hotel market may change as a result of Covid-19 in terms of consumption trends, types of agreements, business models, distribution and brands. Certain Covid-19-related changes are sure to remain, such as enhanced cleaning and hygiene routines, more contactless

check-in and check-out, and the development of multifunctional rooms. Read about more trendspotting by my colleague Aldert on page 15.

Our assessment is that domestic travel will continue to lead the recovery in the hotel market, which means possible changes at several levels – including a strengthening of national and regional hotel brands in relation to global brands. Leisure travel will make up a greater proportion of travel and will become even more important for growth in the hotel market in future. Online travel agencies (OTAs) are likely to advance their position since they are not dependent on

global brands but can quickly adapt to new trends in the market. As an example, Google is now the most important starting point when searching for travel. Its local search strategy, with hotel suggestions deeply integrated into Google Maps, for example, will strengthen the position of local brands in driving local demand.

Leases are likely to change, with fewer fixed leases and more revenue-based leases – in which the operator and property owner share the risk, upside and investments. Pandox is well positioned for this development, because by far the majority of our leases already have a revenue-based component and we have extensive hotel industry expertise.

FULL CONCENTRATION THROUGHOUT THE MATCH

We are convinced that people will start travelling again once they are allowed to. With a strong and flexible business model in which we can both own and run hotels, a stable

-10%

development in EPRA NRV on an annual basis



“Hygiene, safety, contactless and new digital solutions!” Read Aldert Schaaphok, SVP Director International Operations at Pandox, on trendspotting in the hotel industry on page 15.

“The lessons that the hotel industry can learn from the pandemic are like those you learn from a horror movie.” Read Robin Rossmann, Managing Director STR International, on the lessons of the pandemic on page 15.

“The hotel industry already has strict hygiene and cleaning protocols – they just need to be adapted for Covid-19. I believe the hotel industry will come out of this crisis well.”
Read more from Martin Ingvar, Professor of Cognitive Neurophysiology, on page 14.



“I believe we will cope with the situation financially. After all, we don't really have a choice. A rescue programme and stimulus plan are absolutely essential if we are to get through this.”

Read what Annika Winsth, Chief Economist at Nordea, thinks the future has in store on page 15.



Reinvent

2021



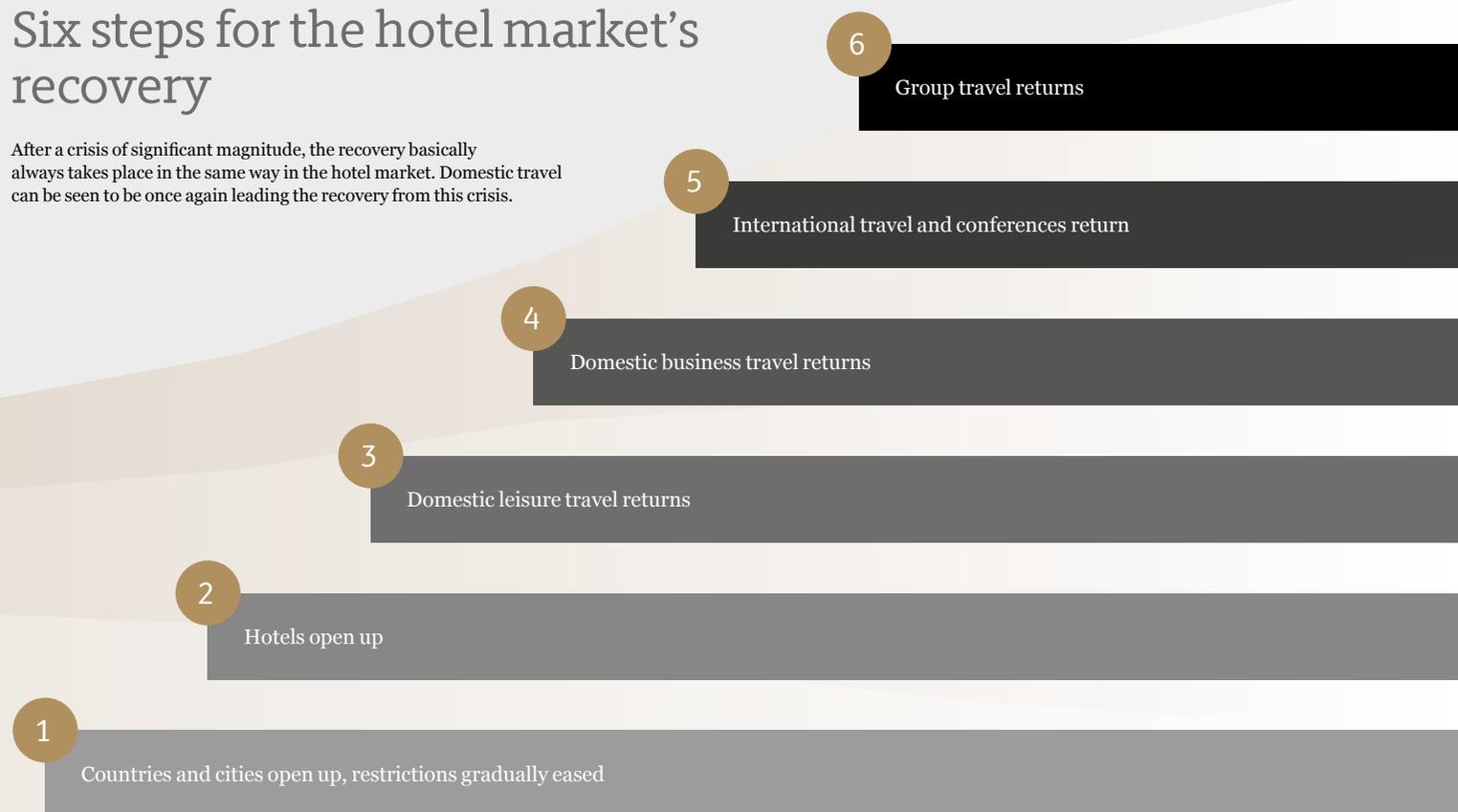
financial position, a high quality and well-positioned portfolio, as well as world-class employees who together create a strong corporate culture, we are ready for all future scenarios. Bring it on!

I would like to say thank you to all our “Pandoxers”, shareholders, business partners and other stakeholders for your support during this historic year. Thanks must also go to our beloved office dogs – the Pandogs – for their positive attitude, playfulness, good nature and for the insight that there is always something exciting around the corner.

Stockholm, March 2021
Anders Nissen

Six steps for the hotel market’s recovery

After a crisis of significant magnitude, the recovery basically always takes place in the same way in the hotel market. Domestic travel can be seen to be once again leading the recovery from this crisis.



The inside view...



Focus on
the right things

Jonas Törner, SVP Business Intelligence

What have been your focus areas during the year?

They have shifted, to say the least. From daily analytics and transactions in January and February, once March came we were quickly trying to forecast the immediate effects of the pandemic and government restrictions in all of Pandox's markets and subsegments – up until the point when we realised there was no demand left at all in the short term. In that situation it became more important to focus instead on conceivable recovery scenarios and the effects of substantially reduced profitability in the industry, taking into account different countries' relief packages and how these affect Pandox and our partners. When demand returned in the summer in line with our expectations, we intensified our analytics to get a better understanding of the hotel market's various subsegments during a recovery phase – partly drawing on experience from entirely different hotel markets such as China, and partly by gathering and analysing completely new data points.

What are the greatest insights?

The main thing we are taking away from this is how quickly markets and conditions can change – the fact that a pandemic and the subsequent government restrictions can paralyse the whole of society like this was probably not a risk that many companies had taken into account. Another lesson associated with this is how important it is to have a flexible organisation with short decision paths – one that can quickly refocus when required.

What are your tips for keeping up team spirit in times of corona?

Keep calm: be methodical, focus on the right things, make sure your colleagues have good conditions for working from home and look at each individual's situation. Find small victories along the way. We never thought we would be pleased to have 40 percent occupancy...



Adopt,
Adapt,
Improve

Aldert Schaaphok, SVP Director International Operations

What have been your focus areas during the year?

Initially it was damage control, and then we focused on adapting service and cleaning routines in the hotels – driven by requirements of social distancing and hygiene protocols. In some hotels renovation work was temporarily limited or stopped because of travel restrictions. We adapted the layout inside the hotels and restaurants, while also having to find secure solutions that worked for both guests and employees. We chose the certification company Bureau Veritas (read more on page 77) to certify all our hotels based on their Covid-19 standards, which required training programmes and testing of different solutions. We also arranged for most hotels to be able to offer guests and employees rapid tests for Covid-19 that provided results within 10 minutes.

What are the greatest insights?

People are social beings; we need to interact with each other, to read body language and facial expressions. Another insight was the importance of supporting the local economy and of making sure that our consumption behaviour is sustainable.

What are your tips for keeping up team spirit in times of corona?

We increased our motivational and communications efforts, because people are more isolated in their home environments. This meant increased digital communication, giving more attention to individuals who needed it, and a greater focus on giving compliments and showing appreciation. Above all, I did my best to ensure that employees and managers were able to keep things in proportion and not let this crisis affect them personally too much.

Read Aldert's trendspotting insights for the hotel industry on page 15.



Organised
to accelerate

“Despite a global pandemic where we were in the eye of the storm, we showed determination during the year in reaching our long-term goal: to offer sustainable hotel properties to our tenants.”

Caroline Tivéus, SVP Director of Sustainable Business

Read Caroline's comments on sustainability on page 42.



...of a year with Covid-19



Think ahead

Anders Berg, SVP Head of Communications & IR

What have been your focus areas during the year?

Our first step was to create a suitable strategic and communications framework, so that we could take a structured approach to this crisis. We called it *Respond, Restart, Reinvent*. We're an active company with lots of contact with investors even in a normal year, but it's probably not an exaggeration to call 2020 extreme. The Pandox share price fell from an all-time high to an all-time low in the space of 19 days in February/March and this movement generated massive interest from both institutions and private investors, so there were lots of meetings and other points of contact. In times of uncertainty internal communication also becomes vitally important, of course, so we had many video-conferences that brought together everyone in the company.

What are the greatest insights?

Mainly the value of a clear game plan, good underlying data and strong analytics capacity so that we can navigate purposefully in the right direction and make well-founded decisions. There is also great value to be had if you can manage to work on different things in parallel, dare to raise your sights and be constructive even in the darkest hour. And of course you learn a great deal from being involved in a crisis of such magnitude – even if naturally I wish it had never happened. Last but not least, an important insight is that physical meetings work best when it really matters.

What are your tips for keeping up team spirit in times of corona?

Maintain some daily routines and plan in fun breathing space to break up the monotony. We managed to hold both a summer party and a kick-off event, which I think helped keep many people's spirits up. Another useful tip, of course, is to be open and available to talk about anything whatsoever. Not all internal communication has to be about business matters. In times of great uncertainty even small things can quickly get out of proportion.



Dare to plan for a brighter future

Lars Häggström, EVP Asset Management & Development

What have been your focus areas during the year?

We have mainly focused on analysing and understanding what consequences the pandemic will have for Pandox and for the industry. Covid-19 meant big changes to most of our projects, whether these were planned or in progress. A lot of effort has been put into adapting schedules and renegotiating agreements already entered into.

Despite great practical and contractual challenges, in 2020 we invested the equivalent of around MSEK 900 in investments to drive growth.

In what ways did you have to change how you worked?

We've been able to devote more time to structuring work processes, to documentation and to studying more detailed matters. We've also spent a lot of time on analysing concepts for the future – in other words, how the hotels are to be developed to meet the needs guests will have in both the short and the long term. That knowledge will be an important part of our strategy for future growth.

What are the greatest insights?

Take nothing for granted. The hotel industry has had many good years with some crises along the way, but nothing to compare with the coronavirus crisis. I also think that environmental awareness will increase and with it the insight that our current way of living cannot work long-term. Another important insight is how important it is for organisations to adapt both themselves and their decisions to the situation that exists.

What are your tips for keeping up team spirit in times of corona?

Simple things, but often underestimated: be positive, look to the future and focus on solutions. Laugh and enjoy yourselves, even when the crisis is stalking the room. Dare to plan for the future and have faith in your established ways of working, methods and processes.



From attack to active defence

“Our focus in previous years on acquisitions and growth switched rapidly in March to addressing liquidity, financial position, minimum rents and government relief programmes.”

Liia Nõu, Senior Executive Vice President and CFO

Read Liia's comments from the CFO on page 92.

New trends in a changing hotel world

Pandox held its annual Hotel Market Day on 17 November 2020. This year's theme was "New trends in a changing hotel world", which was explored through contributions from well-known speakers and industry experts. The event was held digitally for the first time and has been viewed by more than 2,000 people on Pandox's website.

The brain in a locked down world

Martin Ingvar is a professor of cognitive neurophysiology and one of the world's leading experts on the human brain.

Your research is mainly into behaviour. What is happening to people now that we are working from home and may also be afraid of the virus?

"The amygdala is an area of the brain that is activated when we feel fear. And the fear of being infected during the pandemic has likely resulted in greater activity in that part of the brain, which causes a lot of stress. We also have the job situation. For most people who were active before the pandemic started the situation has generally been uncomfortable but bearable. For those who are less mobile and perhaps also have smaller social

networks around them the situation has been much harder."

What is your view of the hotel industry in this crisis?

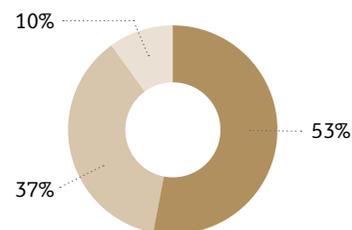
"I'm normally a keen traveller and I think that hotels in general always do a very good job. They already have strict hygiene and cleaning protocols – they just need to be adapted to the Covid-19 situation. I believe the hotel industry will get itself out of this well."



Questions to the audience

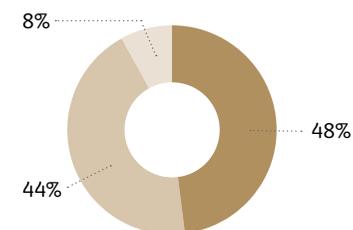
During the event attendees were invited to answer a number of questions about their behaviour once the pandemic is over. Here are the results.

What did you miss most during the pandemic?



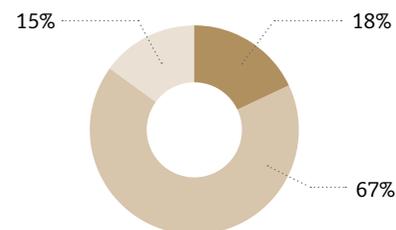
- Travelling
- Meeting friends and relatives
- Events like matches or concerts

When the pandemic is over I'm going to work from home...



- ... more than before the pandemic
- ... as much as before the pandemic
- ... less than before the pandemic

When the pandemic is over I'm going to travel...



- ... more than before the pandemic
- ... as much as before the pandemic
- ... less than before the pandemic

The pandemic as horror movie

In conversation with Vassilis Syropoulos, Vice President RMC at Pandox, Robin Rossmann, Managing Director STR International, maintained that the lessons the hotel industry can learn from the pandemic are like those you learn from a horror movie. Here are his three tips.



- 1. Don't fall asleep!** Don't close your hotel. Hotels that stayed open during the pandemic have a great head start over those that closed.
- 2. Keep your eyes open!** Stay alert so that you spot the new trends in the hotel industry.
- 3. Be ready to run really fast!** Don't sit still when the market is changing quickly. Be prepared to act fast in order to adapt as necessary.



Trends in the hotel market

Aldert Schaaphok, Senior Vice President – Director International Operations at Pandox, talked about new trends that will dominate the hotel industry in the coming years.

- 1. Hygiene & security** – certification schemes for cleanliness and adapted housekeeping and hygiene protocols will set a new standard.
- 2. More contactless** – eliminate unnecessary administrative interaction for guests. This means contactless check-in and check-out, and perhaps even making the receptionist a host who answers questions about the city or the local area.
- 3. New digital solutions** – collecting personal information about the visitor in order to provide better service. More technical solutions such as voice controls in hotel rooms.
- 4. Food & beverage** – fewer and smaller buffets, more ready-prepared portions. Fewer choices, less waste and improved quality.
- 5. Sustainability** – shorter supply chains and more local sourcing. Vegan and vegetarian will become standard.
- 6. Local experiences** – the successful hotels will be those that are able to invite guests into the local community.

Economic outlook

Annika Winsth is Chief Economist at Nordea and a frequent guest on news programmes and in the financial media.

What is the state of the global economy right now?

“That really depends on where you look. In China, for example, both manufacturing and the service sector are operating at a higher level than they were before the pandemic. And since China is an important engine for world trade, that is of course very significant. In fact, it is predicted that China’s GDP will grow by around two percent in 2020 despite the pandemic.”

What are your thoughts around where we are today?

“First and foremost I think we should stress how serious a situation we are in. We should all respect that fact. But on the other hand, the latest vaccine tests are very promising and if we produce effective vaccines we will be in a much better place. If we can start vaccinating the risk groups from the start of 2021, it would mean a great deal for the economy all over the world.”

Where Europe is concerned, Annika Winsth sees a much more stressed situation. But at the same time, Sweden stands out relatively well compared with other countries. Swedish exports and industrial production are back at pre-pandemic levels, mainly because world trade has resumed following the lockdowns last spring.

Annika Winsth was interviewed on 17 November 2020.

Well-proven strategy and unique business model

Pandox's business concept is to own and lease hotel properties to strong hotel operators under long-term, revenue-based leases and apply specialist expertise to be an active owner, creating value throughout the hotel value chain. Pandox's vision is to be one of the world's leading hotel property companies.



Scandic Crown, Gothenburg

Only hotel properties

Pandox's strategy is focused on hotel properties as the only class of asset, where specialisation and knowledge are crucial to achieving results.



Scandic Kramer, Malmö

Large hotel properties in strategic locations

Pandox focuses on large hotel properties in the full-service segment that are strategically located in commercially and culturally important cities.



Scandic Espoo

Revenue-based leases with shared investments

Pandox's core business is signing long-term, revenue-based leases with the best hotel operators and to share investments with them. This lays the foundation for a sustainable and high quality hotel property portfolio.



Jurys Inn Brighton Waterfront

Deep hotel expertise

Pandox is an active owner with a deep knowledge of the hotel industry and considerable experience in all operating models in the hotel market. This, combined with analysis and insight, gives us knowledge advantages in the market.



The Midland Manchester

Diversification in several dimensions

Pandox's hotel property portfolio is diversified through geographies, demand, brands and hotel products, which balances and evens out the effects of fluctuation over a hotel business cycle.



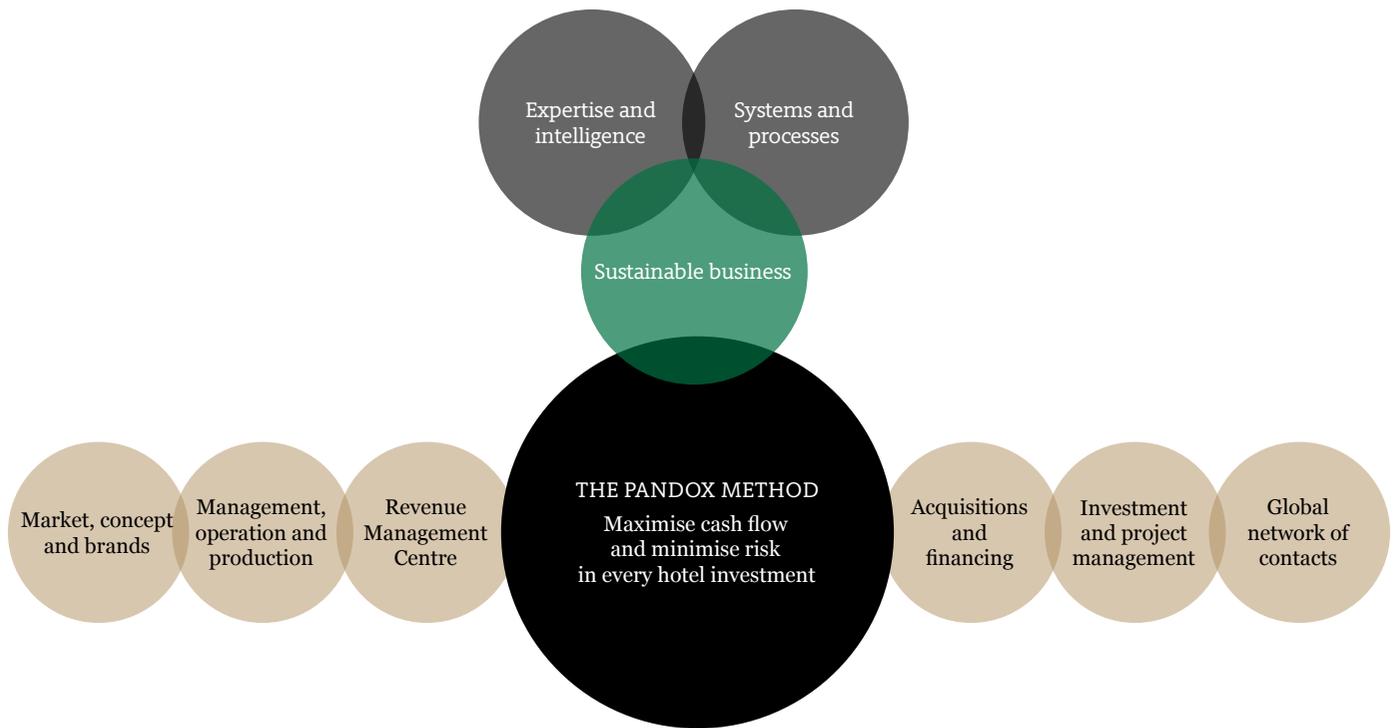
Hotel Mayfair, Copenhagen

Flexibility and operating our own hotels reduces risk

Pandox is able to move freely throughout the hotel value chain and also operate its own hotels. This reduces risk and at the same time creates new business opportunities.

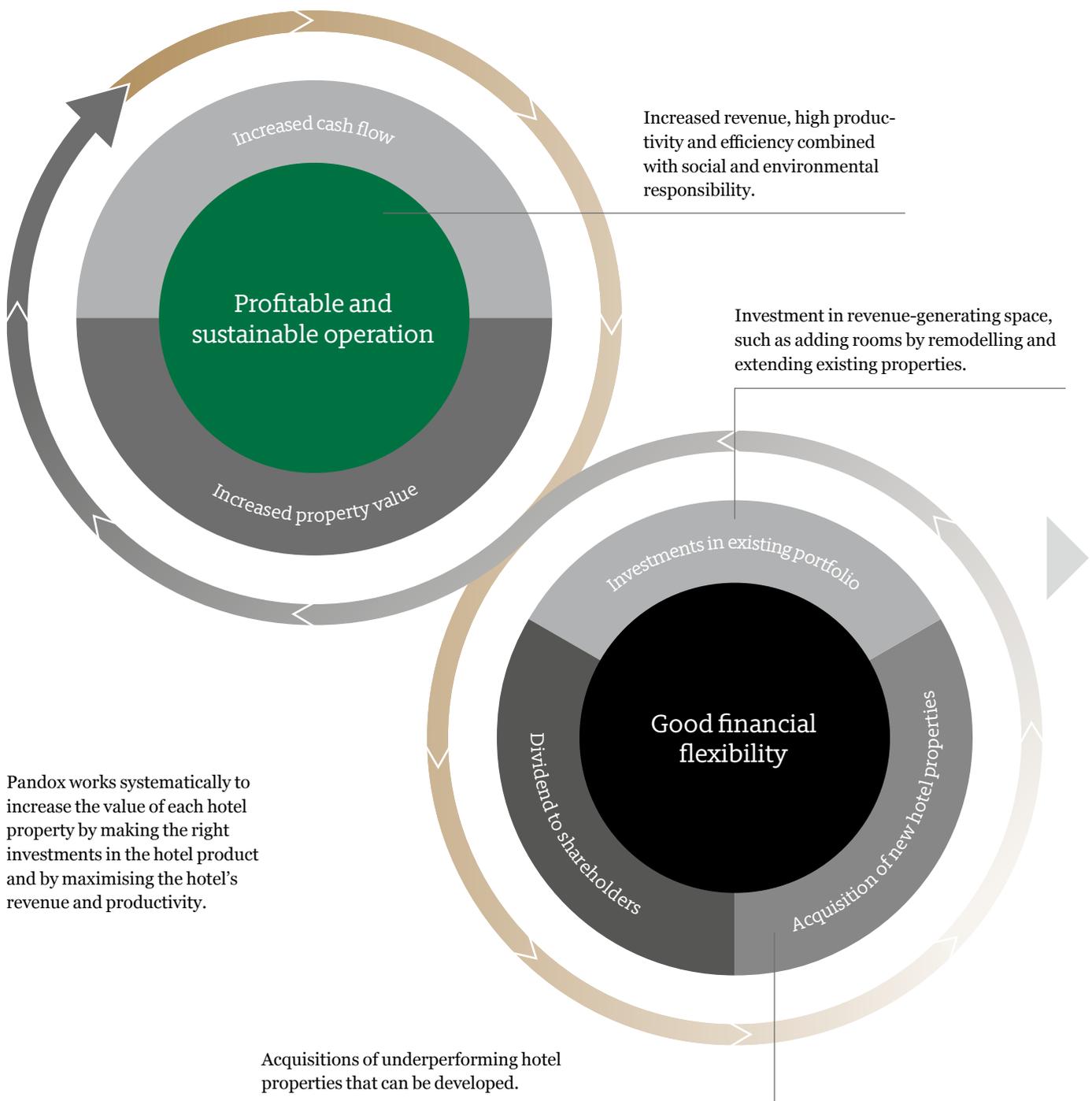
The Pandox Method

A method where expertise and intelligence create insight and information advantages that help to maximise cash flow and minimise risk in every hotel investment.



Value creation through profitable and sustainable operation

Business processes

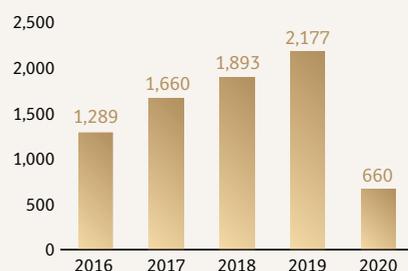


Pandox works systematically to increase the value of each hotel property by making the right investments in the hotel product and by maximising the hotel's revenue and productivity.

Results

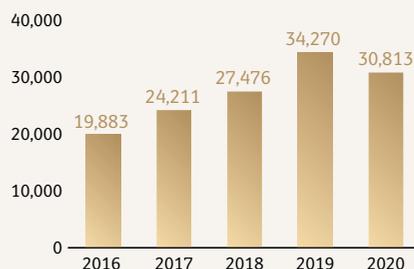
Total cash earnings, MSEK

Total cash earnings amounted to MSEK 660, a decrease of 70 percent compared with 2019.



EPRA NRV ¹⁾, MSEK

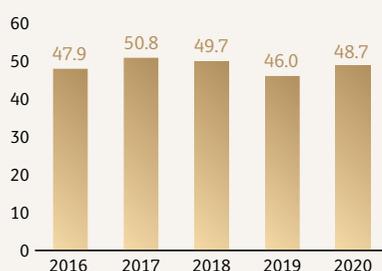
EPRA NRV was MSEK 30,813, a decrease of around 10 percent adjusted for dividend and share issue.



¹⁾ EPRA NAV for the years 2016–2018.

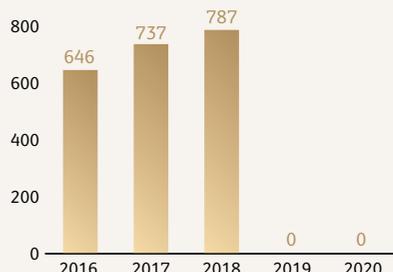
Loan-to-value ratio, %

The loan-to-value ratio was 48.7 percent.



Dividend, MSEK

The Board of Directors proposes that no dividend be paid for the 2020 financial year.



Contribution to society

Contribution to stakeholders

MSEK	2020	2019
Tenants		
Rental income	2,399	3,129
Investments	492	412
Hotel guests (Padox-operated hotels)		
Net sales	779	2,424
Investments	406	257
Employees		
Salaries and benefits	539	939
Capital owners		
Dividend	—	—
Growth in net asset value, % ¹⁾	-10	17
Interest and fees	902	866
Suppliers		
Payments	2,413	2,926
Society		
Taxes and levies ²⁾	319	479
Government assistance received ³⁾	-249	—

¹⁾ Growth in EPRA NRV at an annual rate with dividend returned and any issue proceeds deducted.

²⁾ Includes payroll overheads, property tax and reported tax.

³⁾ Of which MSEK -117 which was transferred directly from authorities to Padox employees in the form of salary support for furloughed personnel.

Contribution to society

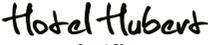
- Direct and indirect jobs
- Social cohesion and personal development for employees
- Productive environments for meetings and recreation
- Positive contribution to development of local environments and communities

Padox's role in society

Through its hotels Padox is an important part of the infrastructure of the hospitality industry, which in turn fulfils an important function in society. Padox is therefore in many ways a company that benefits society. But Padox can only justify its existence if the Company's tenants and hotel guests are willing to pay enough for the services Padox offers and the Company can make a profit and its profits are sustainable.

A strong network of partners and brands

Pandox has one of the hotel industry's strongest networks of business partners and brands. This is the result of long-term efforts based on deep hotel knowledge. The choice of business partner and brand is important for value creation.

				
				
				
				
				
				
				In total Pandox works with more than 30 business partners and brands

DEEP, BROAD AND LONG-TERM PARTNERSHIPS

Crucial to Pandox's success are the partnerships the Company has with its tenants, which consist of around 30 hotel operators and hotel brands that vary in nature and geographical reach in 15 countries and 90 cities. They include global brands such as Hilton, regional brands such as Scandic and local independent brands such as Park Centraal Amsterdam.

Pandox's efforts to create a diversified property portfolio are not only evident in the spread of hotels between domestic, regional and international cities. Further diversification is also achieved through different hotel types and the business mix. Through its focus on large full-service hotels in good locations, Pandox's hotel properties attract all types of demand. Pandox's largest demand segment is traditionally business travellers and conferences, but the percentage of leisure travellers has increased significantly. This is the result of a global increase in leisure travel, but also of joint development – in cooperation with tenants – of new hotel products with a more attractive leisure profile.

In 2020 domestic leisure travel was the primary driver of the periodic recovery in the hotel market and Pandox expects this pattern to continue once Covid-19 restrictions are eased again.

PRODUCTIVITY AND PROFITABILITY ALWAYS IN FOCUS

It is important to Pandox that its tenants are hotel operators with a good commercial understanding and a strong focus on productivity. Productivity creates profitability, which in turn provides the resources for new investments in the hotel product.

DIFFERENT BRANDS, DIFFERENT PROMISES

While the number of brand owners in the hotel market has decreased, the number of hotel brands has increased. One reason is the strong growth in online travel agencies (OTAs), which has driven increased diversity on the supply side. More than half of all hotel bookings in the world are now made digitally, and the percentage continues to rise. Digitalisation is creating significant opportunities for Pandox as a hotel property owner. An increased range of brands and low barriers for Pandox to create and distribute independent hotel products digitally provides the Company with unique opportunities to give newly acquired hotel proper-

ties and/or those recently taken over the right identity and position. The relevance and power of the different brands depends on the submarket. Scandic and Nordic Choice, which have brand names including Clarion and Quality, are leading actors in the regional hotel market in the Nordics. Jurys Inn is a similar example in the UK. However, none of these brands holds the same attraction for international business travellers and conferences as Hilton or Crowne Plaza. For a hotel property owner like Pandox it is important to understand which brands work where, which type of demand they attract in their respective submarkets and how to position the hotel in order to be as profitable as possible.

INDEPENDENT BRANDS SOMETIMES BETTER

Sometimes a situation arises in which it is better for Pandox to create its own independent hotel brand. The reasons may be that the current brand does not send the right signals to the market, that it is too expensive relative to the demand that the brand generates or that it is otherwise not suitable for the particular market or hotel. A strategy of independence is particularly relevant when a substantial change in the hotel product is necessary, for example when acquiring an underperforming hotel or taking over a discontinued lease. In such situations it is generally simpler and more effective to change both the product and organisational structure under an independent brand. There is a greater degree of freedom and the return is often higher.

Some examples of hotels that have undergone such a change are:

- Urban House Copenhagen (from Omena)
- Hotel Lillehammer (from Radisson Blu)
- The Hub Hotel & Livingroom (from Mr Chip)
- Hotel BLOOM! (from Mercure)
- The Hotel Brussels (from Hilton)
- Hotel Berlin, Berlin (from Clarion)
- Hotel Hubert Brussels Grand Place (from Scandic)
- Hotel Mayfair (from First Hotel)
- Hotel Twentyseven (from First Hotel)

Leases have been signed for the first four of these hotels with new tenants following their repositioning and other active measures within hotel operations.

BRIEF FACTS ABOUT SOME OF PANDOX'S BUSINESS PARTNERS

Scandic

Scandic is the largest hotel operator in the Nordic region with around 280 hotels and 58,000 rooms in six countries, and a clear operational focus and strong position in the regional hotel market in the Nordic region.



Fattal, with the brands Leonardo, Jurys Inn and NYX, is one of Europe's fastest-growing hotel chains with more than 200 hotels, 42,000 rooms and an active pipeline in Europe and Israel.



Nordic Choice Hotels is the second largest hotel operator in the Nordics after Scandic, with 200 hotels and around 37,000 rooms and long stay products. Nordic Choice holds a strong position in the regional hotel market in the Nordic region.



HR Group is one of the fastest growing hotel owners in Central Europe and one of the leading hotel operators in Germany. Its portfolio today consists of 55 hotels with more than 9,500 rooms in Germany, the Netherlands, Switzerland and Spain.



Hilton Worldwide is one of the largest brand owners and distribution companies in the global hotel market, with more than 18 brands spread across nearly 6,300 hotels in 118 countries.



Radisson is one of the world's largest hotel companies with 1,400 hotels and more than 226,000 rooms in 120 countries. Radisson has attractive brands and holds a strong position in the international hotel market.



NH is one of Europe's larger regional hotel operators with 400 hotels and around 60,000 rooms in 25 countries. Like Scandic, NH has a clear focus on hotel operations and constructive business development.



Pandox's core business involves acquiring, improving and leasing out hotel properties to the best operators in the market

Pandox may also operate hotels itself

The Midland Manchester

Two segments create more opportunities

Pandox has an integrated business model and is active throughout the hotel value chain. Apart from owning and leasing out hotel properties, Pandox may also operate hotels itself. This reduces risk, creates new business opportunities and promotes a higher return.

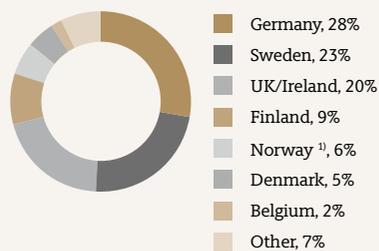
Property Management

136
properties

MSEK 50,181
market value, properties

5.44%
valuation yield

Rental income by country 2020



The percentage of rental income outside the Nordics has gradually increased since Pandox was listed in 2015.

¹⁾ Includes one-time revenue of MSEK 28.

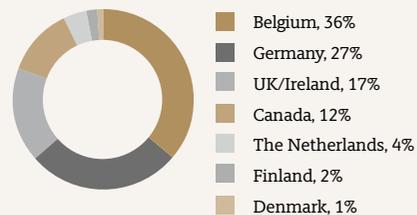
Operator Activities

20
properties

MSEK 9,361
market value, properties

6.37%
valuation yield

Revenue by country 2020



The breakdown of revenue in Operator Activities has been stable since Pandox's listing in 2015.

Pandox total

156
Hotel properties

Pandox's hotel property portfolio consists of 156 properties with an average of 225 rooms. The portfolio is well-diversified across geographies, countries, cities, types of demand and subsegments.

MSEK 59,542
Total market value of portfolio

In 2020 the market value of the total hotel property portfolio decreased by around 6 percent.

Property Management

Resilience in tough times

Property Management is a key component of Pandox’s operations and involves long revenue-based leases with good guaranteed rent levels and stable earnings. The hotel properties are leased to tenants who operate the hotels under various brands. For 2020 Property Management reported a decrease in net operating income of 27 percent, explained by Covid-19 and extraordinary steps taken by the authorities.

For comparable units the decrease was 31 percent, adjusted for currency effects.

WELL-KNOWN AND STRONG TENANTS

Pandox’s tenant base consists of highly reputable hotel operators with strong hotel brands. Tenants include regional operators such as Scandic Hotels Group (the largest hotel operator in the Nordics), Fattal Hotels Group (Leonardo, Jurys Inn), HR Group and Nordic Choice Hotels, as well as global operators such as Hilton, Radisson and NH Hotel Group.

LEASES WITH THE RIGHT INCENTIVES

Pandox’s leases are mainly linked to the hotel’s revenue and often contain a minimum guaranteed rent clause. This makes it possible to achieve increased income in an improved market while also having downside protection in a weaker market. Pandox prefers revenue-based leases which normally have two rent levels: (1) A higher percentage rent based on the operator’s room revenue and the operator’s conference room rental revenue. (2) A lower percentage rent based on other operator revenue, mainly food and beverage revenue. This also includes operator revenue that may be specific to the hotel’s offering, such as parking and spa services.

With revenue-based leases the property owner and operator have a joint incentive to develop the hotel product and create good productivity and profitable growth. Pandox works with its tenants to identify suitable cash flow-driving investments in the property portfolio. Joint investment projects normally involve an extension of the lease term and an adjustment of the percentage rent. New or renegotiated hotel leases usually have a term of 10–25 years. On 31 December 2020 Pandox’s lease portfolio had a weighted average unexpired lease term (WAULT) of 14.6 (15.6) years.

SHARED INVESTMENTS REDUCE RISK

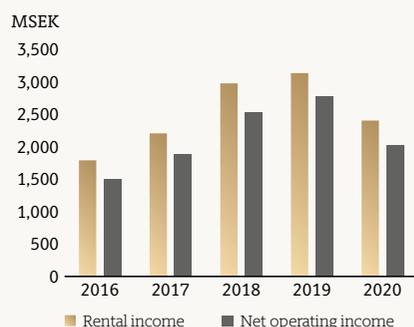
The way maintenance costs and investments are distributed between the tenant and the property owner in hotel leases is an important factor that distinguishes hotel properties from other real estate segments such as office properties. The division of responsibility between the parties is regulated in a checklist. Hotel tenants in the Nordic countries are normally responsible for maintenance of hotel rooms, restaurants, lobbies and other public spaces, including furniture, fixtures and equipment. The property owner



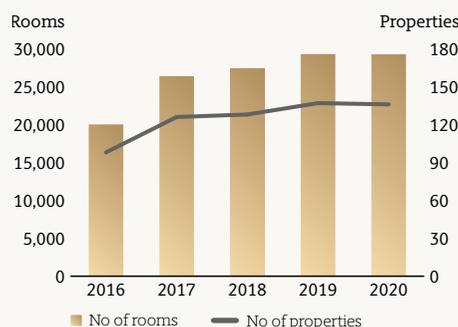
is typically responsible for technical investments and installations in the property, technical maintenance and usually for bathrooms as well. In general the tenants’ responsibility is greater outside the Nordic region.

Investments raise the standard of the hotel and make it more competitive, which means increased revenues and greater profitability for the operator and thereby higher revenue-based rent for Pandox. The long lease terms, combined with the tenant’s responsibility for maintenance and cash flow-driving investments, mean that Pandox – as the hotel property owner – has less

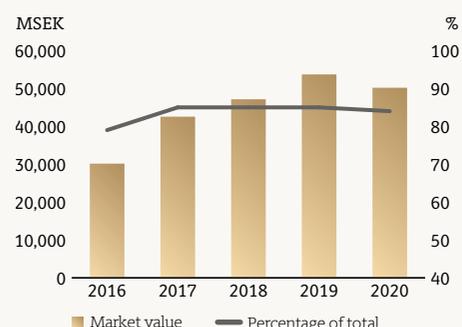
Rental income and net operating income



Number of rooms and properties



Market value and percentage of total portfolio



financial responsibility for investments compared to the owner of a typical office building. Pandox estimates that tenants contribute a significant portion of total investments over time.

PANDOX HELPS OUT IN A DIFFICULT SITUATION

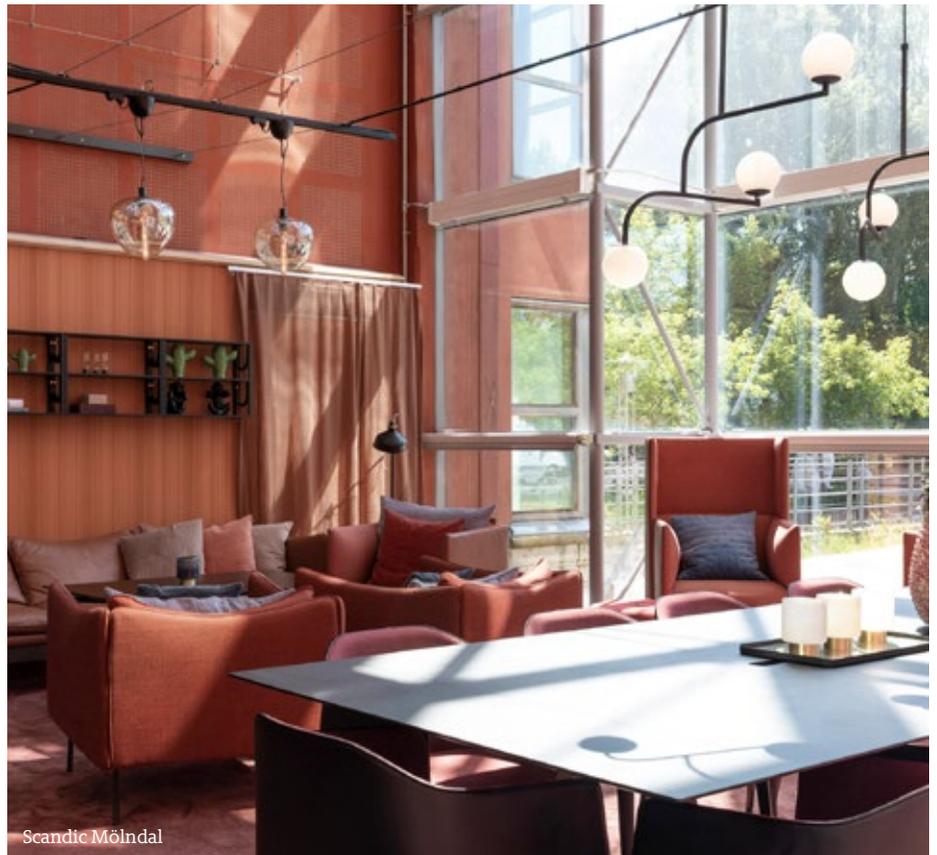
2020 was a difficult year for hotel operators and hotel owners alike. Pandox offered its tenants support, mainly through adjusted payment terms. In cases where leases are fully variable, Pandox helped to carry the costs of the pandemic by significantly lowering rents.

NO ACQUISITIONS IN 2020

Due to Covid-19 and significant uncertainty in the hotel market, Pandox did not implement any acquisitions or divestments in the Property Management segment during the year. The acquisition of Maritim Hotel Nürnberg, announced in 2019, was completed in January 2020 before the outbreak of the pandemic.

TWO RECLASSIFICATIONS

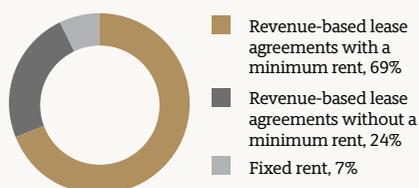
In April Pandox took over operation of Hotel Twentyseven and Hotel Mayfair in Copenhagen, which were then reclassified to Operator Activities.



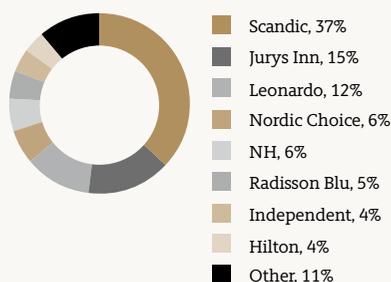
Brands in Property Management 31 December 2020



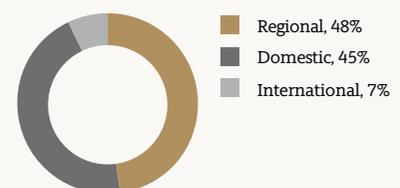
By agreement type, number of rooms



By partner, number of rooms



By destination, number of rooms



Operator Activities

High productivity and local knowledge

Operating hotels is an important part in Pandox's strategy of being active throughout the value chain and reflects the Company's active ownership model. Pandox's expertise and ability to operate hotels itself give the Company strategic flexibility. For 2020 Operator Activities reported a negative net operating income of MSEK 168 due to Covid-19. Net sales amounted to MSEK 779, a decrease of 68 percent.

ACTIVE OWNERSHIP REDUCES RISK

Pandox may choose to operate hotels itself if it is not possible to enter into a lease with a tenant on attractive terms. This allows Pandox to balance out the effect of changed business models and consolidation in the hotel market. The ability to take over the operation of a hotel reduces the risk when leases expire and/or if the tenant cannot fulfil its obligations. It is also useful in situations where hotels need to be completely renovated and it is not currently financially attractive to lease to third parties. The goal is, however, to sign new leases at commercially attractive levels and develop relationships with existing or new tenants. Pandox's deep knowledge of how to operate hotels also makes it possible to efficiently monitor tenant performance throughout the portfolio. Operational know-how also creates opportunities to carry out acquisitions of mixed portfolios that include both hotel properties and hotel operations.

FULL OPERATING EXPOSURE

In the Operator Activities segment all of the hotels' revenue and net operating income flow to Pandox. Revenue includes room

revenue, i.e. the number of hotel rooms sold multiplied by the average room rate, food and beverage revenue, conference room revenue and the hotels' other revenue streams. The single largest cost item is employee costs, such as for reception, housekeeping and restaurant staff. Other cost items include consumables and other hotel-related costs. Pandox works actively to develop revenue and distribution strategies for each hotel. The combination of good revenue forecasts and sound resource planning creates the conditions for high productivity and good profitability.

EXTERNAL AND OWN BRANDS

Pandox markets the hotels in the Operator Activities segment either under internationally known hotel brands, such as Radisson Blu, Hilton or Novotel, or under its own independent hotel brands adapted for specific market conditions.

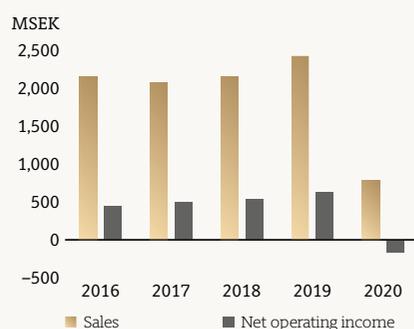
On 31 December 2020 a total of 10 hotel properties were being operated within Operator Activities under franchise agreements, six under independent brands owned by Pandox and four under management agreements.



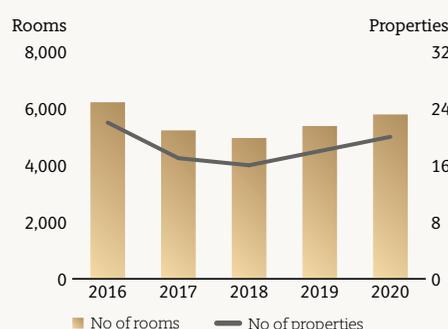
GOVERNMENT RELIEF PROGRAMMES IN 2020

Pandox took advantage of relief programmes within Operator Activities in Belgium, Germany, the Netherlands, Canada, and Finland amounting to the equivalent of around MSEK 97 for full-year 2020. This is recognised as a decrease in costs under "Costs, Operator Activities". In addition, around MSEK 117 for the full year was transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel. These amounts are therefore not included in Pandox's reported figures.

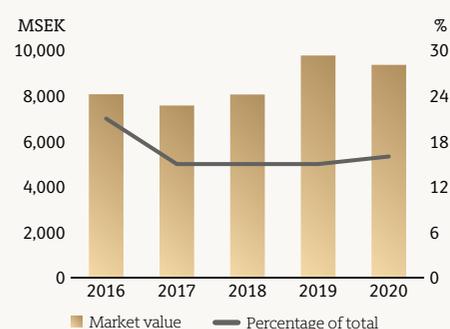
Sales and net operating income



Number of rooms and properties



Market value and percentage of total portfolio





“Swimming against the current” Operating hotels during lockdown

A decision was taken in March at Hilton Garden Inn London Heathrow Airport, which is owned and operated by Pandox, to remain open despite the announcement by the British authorities on 23 March on the closure of bars, restaurants and hotels. Richard Lee, General Manager of Hilton Garden Inn, was facing a very unique challenge: the hotel was full of guests waiting to be able to fly home. Asking the guests to leave – without them having anywhere else to go as all hotels in the area were closing – was not an option. Instead, Richard and his colleagues started looking at ways to keep the hotel open. There were challenges of course – from legal issues, to operational and personnel ones. Could the hotel ask its employees to work despite the country being under lockdown? After considering several critical issues, the decision was taken to keep the hotel open.

Despite the challenges, Richard and his colleagues managed to navigate through the spring thanks to new social distancing routines, new work flows and adapted procedures for guests. The hotel accepted several groups of guests who had been denied accommodation at other hotels close to Heathrow Airport. The hotel was even showing some profitability. More importantly, the hotel helped hundreds of people by providing them with a safe and welcoming environment at a difficult time.

“We practice what we preach” Take over operation and safeguard value

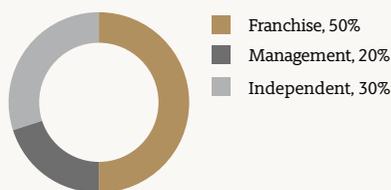
On 1 April 2020, in the middle of the raging pandemic, Pandox took over the operation of Hotel Mayfair, which has 203 rooms, and Hotel Twentyseven with its 200 rooms; both in hotel properties in central Copenhagen that Pandox has owned for some time. The takeovers were in line with Pandox’s business model and strategy to safeguard the long-term value and development potential of the hotel properties. The transfer of operations was efficient and Pandox was quickly able to recruit key talent, implement business systems and establish new business plans for the hotels.



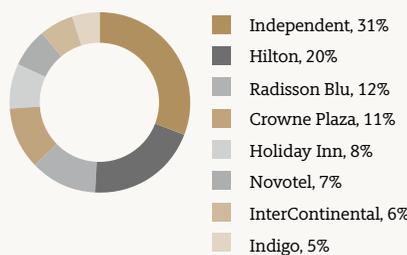
Brands in the Operator Activities segment 31 December 2020



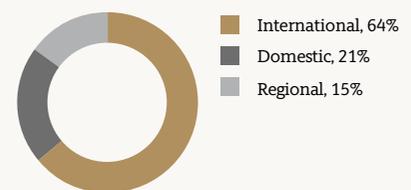
By agreement type, number of rooms



By partner, number of rooms



By destination, number of rooms



Keys to Pandox's value creation

Hotel properties have certain characteristics that distinguish them from other types of property. What is needed to create value in hotel properties is a deep understanding of the hotel market and its drivers, of productivity and hotel operation, property development, growth-driving investment, brands and concepts, and experience in how to value hotel properties.



Profitable acquisitions



Growth-driving investments



Profitable and sustainable operation

Pandox has an active acquisition strategy based on industry know-how, a long-term perspective and the ability to act freely throughout the hotel value chain. Pandox's opportunities for value creation through acquisitions increase when the object to be acquired is underperforming or where the transaction is highly complex, for example in portfolios that include both hotel properties and hotel operations.

A large, well-diversified portfolio offers good opportunities for value-creation and growth-driving investments. Pandox has an ongoing dialogue with each tenant on joint investment projects to further increase the hotel's revenue and profitability. For example, new beds in existing rooms, new rooms in existing hotel properties or new rooms through extension of existing hotel properties.

Profitable and sustainable operation is the core of Pandox's business, whichever business model is used. Sometimes Pandox chooses to take on the role of both owner and operator in order to secure the hotel property's long-term value. Operating a hotel may be appropriate if it is in need of a major upgrade and there is no possibility of signing a profitable lease with a long-term partner. The ultimate goal is always to sign a new lease at a commercially attractive level.

Expertise and intelligence provide knowledge advantages

How Pandox monitors and develops the market

Pandox has a strong commercial position in the hotel market by virtue of the Company working with many different hotel brands and being active in many different markets and destinations that differ in nature and demand. Pandox constantly monitors and analyses important trends and drivers in the hotel market and this provides input for discussions with tenants.

Pandox has an individual business plan for each hotel property. This includes defining a peer group – a number of relevant competing hotels – against which

the hotel property's performance is constantly assessed. Through a combination of knowledge, experience and curiosity, Pandox challenges and inspires its tenants to identify new business and investment opportunities.

Is the hotel correctly positioned? What investments are appropriate? What is the return if we invest? How can risk and return be shared?

In its toolbox Pandox also has knowledge of how to establish independent hotel brands.

Key issues for a hotel property owner

Choice of operating model	Choice of business partner	Agreement structure	Hotel product	Revenue management	Brand & distribution
<ul style="list-style-type: none"> Lease Operated by Pandox, franchise Operated by Pandox, independent Management agreement 	<ul style="list-style-type: none"> Hotel operator 	<ul style="list-style-type: none"> Revenue-based leases with guarantee Revenue-based leases without guarantee Fixed leases Special agreements 	<ul style="list-style-type: none"> Management and organisation Productivity and profitability Investments and development 	<ul style="list-style-type: none"> Drive revenue 	<ul style="list-style-type: none"> Positioning Segmentation Channels Brand

Growth-driving investments despite the economic situation

In 2020 Pandox made investments equivalent to around MSEK 900 in the existing portfolio despite the uncertainty and practical limitations brought by the pandemic. The investments, which were aimed at driving future growth, included remodelling and extension, rebranding and repositioning.

Renovations completed in 2020



New floor plan with new rooms

Clarion Collection Hotel Arcticus (Harstad)
Creation of 37 new rooms with a view over mountains and the ocean, making a total of 112 rooms at the hotel.



Renovation of public spaces and rooms

Midland Manchester
Renovation of all rooms and public spaces, including the lobby, restaurants and bars.



Total renovation

Hilton Garden Inn London Heathrow Airport
Renovation of all rooms, reception, restaurant, bar, gym and three new conference rooms.



Renovation and new brand

Pilot Airport Hotel (Vantaa, Finland)
Revitalisation through a new brand, remodelling and renovation of all rooms and public spaces.



Renovation and new brand

Skyline Airport Hotel (Vantaa, Finland)
New brand and renovation of all rooms, public spaces and interiors.



New floor plan with new rooms

Scandic Copenhagen
Renovation of the top floor and creation of 14 new rooms and new conference rooms.

Ongoing renovations



Total renovation of all parts of the hotel

Crowne Plaza Brussels - Le Palace
Total renovation of rooms, corridors, public spaces, restaurants, conference rooms and technical systems.



Extension to add new rooms

Scandic Luleå
New nine-storey hotel building with 112 new rooms. Renovation of existing hotel building.



Remodelling of public spaces

Hotel Berlin, Berlin
Renovation of the lobby and four large conference rooms, and creation of a new conference section.



Renovation of rooms and a new gym

Mercure Hotel München Neuperlach Süd
Renovation of rooms, bathrooms and corridors, and a new gym and relaxation area.



Remodelling to add 30 new rooms

Quality Park Södertälje
Remodelling to add 30 new hotel rooms, expand the restaurant and add a new gym and relaxation area.

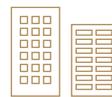


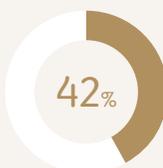
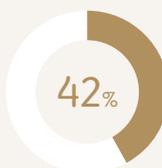
Development of rooms and public spaces

Hotel NH Brussels Bloom
Development of rooms, bathrooms and public spaces to upgrade to NH's premium brand NHOW.

Strong position in domestic markets

Pandox has a well-diversified portfolio with a presence in 90 cities in 15 countries, including the England, Wales, Northern Ireland and Scotland submarkets. The portfolio has the most exposure – around 84 percent measured in number of rooms – to domestic and regional cities with mainly domestic demand.



International cities	Regional cities	Domestic cities	Total portfolio
<p>CHARACTERISTICS</p> <ul style="list-style-type: none"> • Internationally established destinations • Highly dynamic • Hubs for international travel • Markets with strong purchasing power • Complete set of demand drivers • Demand from all guest segments <p>EXAMPLES IN PANDOX'S PORTFOLIO London (which is also a megacity), Amsterdam, Montreal, Brussels, Berlin, Vienna and Dublin.</p>	<p>CHARACTERISTICS</p> <ul style="list-style-type: none"> • Growing destinations that are “on the way up” • Some dynamic elements • Demand is mainly regional and domestic • Elements of international demand • Various drivers of demand • Demand from many different guest segments <p>EXAMPLES IN PANDOX'S PORTFOLIO Hamburg, Munich, Cologne, Frankfurt, The Hague, Copenhagen, Stockholm, Oslo, Helsinki, Manchester, Birmingham and Basel.</p>	<p>CHARACTERISTICS</p> <ul style="list-style-type: none"> • Domestic demand is a key driver • Not very dynamic • No or limited international demand • Fewer commercial drivers • Greater dependence on the public sector • Mostly purpose-driven travel <p>EXAMPLES IN PANDOX'S PORTFOLIO Leeds, Sheffield, Gothenburg, Jönköping, Örebro, Jyväskylä, Kuopio, Bergen, Bodø, Dortmund, Mönchengladbach and Wolfsburg.</p>	<p>DIVERSIFICATION IN VARIOUS WAYS</p> <ul style="list-style-type: none"> • Demand • Destinations • Locations • Brands • Hotel products <p>PORTFOLIO APPROACH REDUCES RISK By combining different markets, types of demand and brands, Pandox can balance out fluctuations in individual markets. This increases resilience and reduces risk.</p>
<p>Pandox facts</p> <p>17 hotels 5,737 rooms</p> <p>Percentage of total number of rooms</p>  <p>16%</p>	<p>Pandox facts</p> <p>61 hotels 14,861 rooms</p> <p>Percentage of total number of rooms</p>  <p>42%</p>	<p>Pandox facts</p> <p>78 hotels 14,462 rooms</p> <p>Percentage of total number of rooms</p>  <p>42%</p>	<p>Pandox facts</p> <p>156 hotels 35,060 rooms 15 countries* 90 cities</p> <p><small>* Includes the submarkets England, Wales, Northern Ireland and Scotland.</small></p>



Strong long-term trends

Pandox is active in a dynamic industry with several strong trends and drivers, such as increased prosperity, a growing middle class and a blurred work-life boundary, combined with the possibilities offered by digitalisation. Covid-19 has negatively impacted demand in the hotel market due to the strong link between restrictions and travel. When the restrictions are eased travel will increase again.

Growing middle class

The global population is growing and so is the middle class – a factor that normally leads to increased travel. People are also living longer, which means they are looking for new experiences later in life as well. Domestic leisure travel will be a strong driver in the hotel market when restrictions are eased after Covid-19.

Experiences more important

The new generation of consumers are often more interested in gathering experiences than material possessions. Typically, they are on the hunt for the best destination, the best accommodation and the best food menu. The hotel is no longer just a place to sleep, but part of a lifestyle. Covid-19 has without a doubt create a significant pent-up demand for experiences and travel.

Digitalisation is making things easier

Digitalisation is a trend that was further reinforced during the pandemic. Digitalisation has made the world smaller and blurred the lines between work and leisure. It has also accelerated the pace of change and made it easier to book both travel and accommodation. One consequence of Covid-19 is that demand for digitalisation in the physical hotel environment is increasing.

Shorter distances

Most guests will arrive at their hotel by car, bus or train – a trend that strengthened due to Covid-19. Low cost flights – both short and long haul – are also a strong underlying driver for the hotel industry over the long term as they drive demand from more high-paying segments in the hotel market.

Sustainability and values

Demand for sustainable products and services is increasing as knowledge levels among consumers and in society increase. For consumers it is increasingly important for the services they purchase to match their own values. Covid-19 is a catalyst, especially in terms of reinforcing local ties.

A leading hotel property owner in a market with good potential

Pandox has established itself as a leading hotel property owner in Europe with the help of an integrated business model that covers the entire hotel value chain. The hotel property market is fragmented, with good growth opportunities where Covid-19 can be expected to strengthen existing trends.

Good opportunities for Pandox ...

<p>Large and fragmented market</p>	<p>The hotel property market in Europe is fragmented. Pandox, which is one of the largest actors, has a total market share of just under 1 percent, measured in terms of the number of rooms in the markets where the Company is established. Competing hotel property companies are rarely international specialists, but rather tend to be from the financial sector or are national property companies with various property types in their portfolio. Overall, there are a handful of competitors in each market, of which only a few are active in multiple markets.</p>
<p>High entry barriers</p>	<p>The entry barriers to the hotel property market are high. Hotel properties have unique characteristics and this requires comprehensive specialist expertise and substantial capital in order to create a portfolio with an attractive risk and return profile. A well-established hotel property in a strategic location has natural competitive advantages that are difficult to copy. A well-diversified hotel property portfolio is even harder to recreate as this requires a long-term perspective and an international presence.</p>
<p>The need for operational expertise is increasing</p>	<p>As large hotel chains become more brand-oriented, the need for specialised hotel property owners and strong operators increases. This is because the brand promise conveyed in digital channels has to be turned into a positive guest experience in the physical environment at the hotel. This calls for knowledge of how to create an attractive hotel product through a combination of efficient operation and value-adding investments. Here, skilful operator companies have gradually advanced their positions. This trend has also created opportunities for Pandox to take over operation when the conditions for a profitable lease are not in place.</p>
<p>Flexibility and agility create opportunities</p>	<p>Pandox's pan-European position and ability to work with all the business models creates clear competitive advantages and growth opportunities. Pandox's core business is to own hotel properties and lease them to strong hotel operators under revenue-based leases. This means that Pandox's rental income grows as the operator's sales increase. Pandox moves freely throughout the hotel value chain and may also operate hotels in properties that the Company owns. This reduces risk and creates new business opportunities.</p>

... in a constantly changing hotel market

<p>Changed business models in the hotel market</p>	<p>The international hotel market has gone through an extensive structural transformation. Large international hotel chains have changed their business models, having sold their hotel properties and outsourced hotel operation to other parties. They have then developed different types of asset-light strategies that require less capital, above all in distribution (bookings) and brand development (franchising). The large hotel companies today have relatively little to do with the day-to-day operation of their hotels. This is instead usually handled by specialised, independent operating companies through franchise or management agreements.</p>
<p>Asset-light requires large volumes in order to be profitable</p>	<p>Within an asset-light strategy, revenue is mainly derived from franchise fees and commissions on bookings. This business model requires large volumes in order to be profitable. The main aim is to increase the number of franchisees and room bookings – preferably in their own distribution channels. The business model not only requires substantial marketing investments, but also a continuous increase in the number of rooms in the portfolio. This has resulted in a search for new franchisees and, in some cases, in consolidation. One factor contributing to this trend is online travel agencies (OTAs) that aggregate offerings and match demand using efficient technology and extensive marketing.</p>
<p>Fewer operators but more brands</p>	<p>Consolidation has decreased the number of brand owners, while the number of brands has increased. The reason is that many hotel chains invest substantial resources in diversifying their brand portfolios and attracting customer demand in new segments.</p>

Covid-19 reinforces more than it changes

Covid-19 is likely to reinforce existing trends, such as increased interest in revenue-based leases that provide a better balance between return and risk between property owners and tenants than fixed leases. This in turn increases the need for and value of a deeper understanding of hotel operation, which works in Pandox's favour.

The lease is key for Pandox

Leases are the dominant agreement model for Pandox. The lease has clear advantages, both for the property owner and the tenant, since the return, risk and investments can be shared between the parties. There are four business models in the hotel property market and Pandox uses all of them.

PROPERTY MANAGEMENT

1 Leases

Agreement with many advantages

Pandox uses revenue-based leases, often with a guaranteed minimum rent. This agreement model has several advantages:

- Long-term perspective
- Joint incentives
- Shared investments and shared risk
- Focus on productivity and profitability

How it works

A revenue-based lease is tied to the development of the hotel business, with a percentage of the hotel's sales paid to Pandox in the form of rent. When the hotel's sales increase, so does Pandox's rental income – and vice versa. Hotel property owners and hotel operators thus share both the upsides and downsides, and have clear common incentives to increase the hotel's profitability and therefore also the hotel property's value. In many leases there are also guaranteed levels below which the rental income cannot fall. They cover Pandox's cost of capital for financing the properties. Pandox also has fixed leases in a few individual cases.

Interest in leases increasing

In recent years Pandox has acquired, renewed and signed numerous leases in existing and new markets and has seen increased interest in the lease model. One reason for this is increased specialisation within the hotel market and the emergence of strong regional hotel operators that share Pandox's view of the advantages of leases. For Pandox as a hotel property owner, the lease is a key aspect of value creation in the hotel business since it contributes to shared investments and shared risk, and also makes the underlying asset more liquid.

OPERATOR ACTIVITIES

2 Operated by Pandox under a franchise brand

When a hotel property owner owns both the hotel property and the hotel business,

Four business models in the hotel property market

PROPERTY MANAGEMENT



OPERATOR ACTIVITIES



a franchise agreement with a brand owner may be appropriate, as it allows hotel property owner to take advantage of the franchiser's brand and distribution resources. Normally the franchisee pays revenue-based royalty fees plus additional fees for access to other services. Franchise agreements are common within Operator Activities.

3 Operated by Pandox with an independent brand

In some cases it may be better to give the hotel a profile of its own, using an independent brand; for example, in a local setting where an international brand has a low recognition factor and the costs of rights and distribution cannot be justified.

4 Management agreement

A management agreement is an agency contract where the hotel property owner also owns the hotel business, but assigns a hotel operator to run and manage the hotel on behalf of the hotel property owner. The property owner pays a management fee, often revenue-based, to the operator for the service.

Management agreements are often very long-term, with the operator undertaking to run the hotel in accordance with established brand strategies. Under this type of agreement structure, the hotel property owner shoulders all the investments and thus bears financial responsibility for both the hotel's operation and the property.

Market overview 2020

A YEAR CHARACTERISED BY COVID-19

In 2020 the hotel market was significantly impacted by Covid-19 and the restrictions introduced by authorities in all countries, covering everything from domestic and international travel through guidelines for businesses and conferences to social distancing.

The year began with stable demand and good prospects in the hotel market. When a more extensive spread of infection – which was initially expected to be limited to China – was noted in Europe and the WHO upgraded Covid-19 to a pandemic in March, demand in the hotel market decreased dramatically and rapidly. The hotel market in Europe bottomed out in mid-April and then gradually started to recover through the remainder of the second quarter. When the European holiday season began in July, which coincided with some easing of national and international travel restrictions, a significant increase in demand was noted, primarily driven by domestic leisure travel. The positive trend from the summer continued into October when a new wave of the virus and government restrictions again caused a fall in demand. This resulted in a considerable decrease in occupancy in the hotel market during the final months of the year.

RESTRICTIONS DETERMINE DEMAND

The recovery in Europe in the summer months showed that restrictions constitute the main factor suppressing demand in the hotel market, and not changes in behaviour. When restrictions are eased, demand increases and vice versa, mainly driven by increased domestic travel. This theory is also supported in hotel markets outside Europe (China, India, Australia and New Zealand), which have seen a relatively fast recovery driven by lower virus transmission and eased restrictions, and

strong domestic demand with certain domestic submarkets reaching occupancy rates almost on a par with the previous year. There is a clear pattern, for example in China, where a large portion of previous domestic international demand (outbound) has been converted into purely domestic demand (inbound) and the domestic segment is now larger than before. For international destinations, however, the recovery has been slow.

Overall, this trend supports Pandox's theory that the underlying drivers of and the potential for the hotel market's recovery post-Covid-19 are relevant in Europe as well. The demand is domestic and it is economy, mid-scale, resort and apartment hotels in regional hubs and attractive leisure destinations – easy to reach by car or train – that are the winners. Premium hotels and large conference hotels with an international profile are mainly those losing out.

Room prices are stable by segment, but average prices are decreasing due to mix effects explained by a lower percentage of international travel, fewer meetings and fewer compression nights ¹⁾.

THE HOTEL MARKET IS COMPLEX

The hotel market is complex and demand is driven by a combination of factors. What may at first seem simple becomes significantly more complicated upon further analysis. The reason is that there are multiple subsegments and destination-specific factors at play.

For Pandox, motels and central hotels in cities with domestic demand have consistently done the best throughout the pandemic, while hotels in international cities have fared the worst, explained by the dominant domestic demand.

There is basically good underlying demand in the hotel market as well as significant pent-up demand for travel among companies and individuals.

Pandox has high exposure to domestic demand, which is expected to lead the recovery in the hotel market once restrictions are lifted.

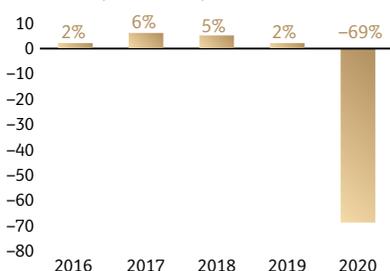
PANDOX'S TRENDSPOTTING

- Markets with dominant local and/or regional demand recover the fastest
- Significant potential for increased domestic tourism, e.g. in counties like the UK and Germany
- 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 greater 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
- Household savings have increased significantly during the year, which will further increase demand for hotel services once restrictions are reduced
- People who have been subject to various tiers of lockdown will want to travel extensively when they are given the chance to do so

¹⁾ When occupancy rate exceeds 90 percent.

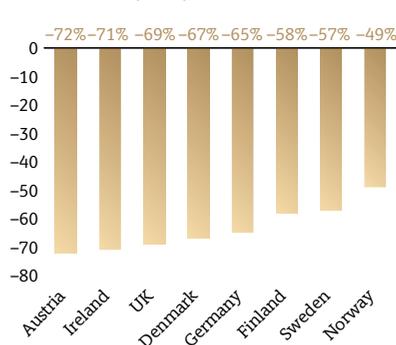
RevPAR growth in key geographical markets

EUROPE (2016–2020)

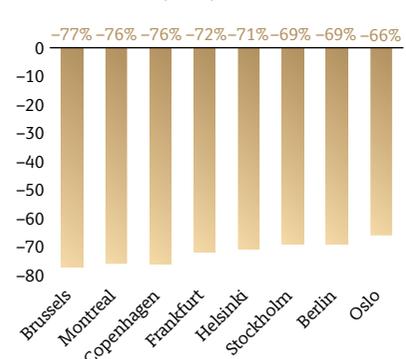


Source: STR Global, Benchmarking Alliance, Statistics Finland.

COUNTRIES (2020)



KEY MARKETS (2020)



RevPAR – a key ratio

RevPAR (revenue per available room) is a key indicator in the hotel industry and an important measure for Pandox. RevPAR is a measure of a hotel’s – or in aggregate form, a market’s – earnings capacity and describes how well it has succeeded in occupying its rooms (demand) and at what price (willingness to pay). RevPAR varies with economic activity and demand from various subsegments of the travel market as well as structural factors such as country, city, location, transportation, product type and supply in the hotel market. In addition there are various strong market trends that support the hotel market, such as people spending more money on experiences and wanting to travel more often. ▶ See the section on trends on pages 31.

Sweden RevPAR, real*



Source: Statistics Sweden, Pandox.
*Adjusted for inflation (KPI)

RevPAR can be used in various ways:

1. To take the temperature of the hotel sector
2. To measure how well a hotel market is performing
3. As a measure of how well a hotel is performing in its market

DAILY MONITORING AND ANALYSIS

Tracking RevPAR is part of Pandox’s business monitoring process. In the Property Management business segment RevPAR is monitored on an ongoing basis. In the Operator Activities segment it is monitored daily by the hotels and the Pandox Revenue Management Centre in Brussels. The capacity and performance of the individual operator makes a big difference. Based on systematic business analysis, Pandox discusses various possibilities for supporting the operator in developing and refining the hotel product, thereby increasing profitability for the operator and rental income for Pandox.

MARKETS VARY IN NATURE

Pandox is active in hotel markets that vary in nature and circumstances. This is reflected in RevPAR and thus determines what kind of hotel investments can be profitably made. The higher the RevPAR, the more scope there is for Pandox to make investments that add value.

International destinations such as London and Amsterdam have a high proportion of international demand and good demand in all subsegments. Regional cities such as Stockholm, Copenhagen, Manchester, Cologne and Hamburg have a smaller international element, but generally good demand from all subsegments. Domestic cities such as Leeds, Linköping and Kuopio are more dependent on domestic demand and individual subsegments. However, these generally experience stable development over time and are less dependent on major global events.

Overall, Pandox has a clear demand balance in its portfolio with a good spread of risk between different types of markets, countries and destinations. ▶ See the section “Pandox in the world” on page 30.

HOW REVPAR WORKS

If the average room price is SEK 1,000 and the occupancy rate is 70 percent, then RevPAR is SEK 700 (1,000 x 0.70 = 700). A hotel with 200 rooms thus has annual room revenue of SEK 51,100,000 (700 x 200 x 365). In addition to this is other revenue such as from food, beverages and conferences, which by definition is not included in the term RevPAR.

FROM REVPAR TO RENTAL INCOME

Pandox’s leases are revenue-based, with a certain percentage of the hotel’s revenue becoming rent for Pandox. The percentage is normally higher for hotel rooms and conference rooms, and lower for food and beverages and other revenue. The difference is due to the fact that profitability, and thus the ability to pay rent, is higher for accommodation than for restaurant operations.

If the rent in the above case is paid at 35 percent of room revenue, then the rental income for Pandox is SEK 17,885,000 (51,100,000 x 0.35). In addition, there will normally be other income that in certain cases may be substantial. This means that Pandox’s actual rent growth may be either higher or lower than RevPAR growth in the market.

Comments: Net RevPAR takes into account the costs of procuring customers – e.g. distribution and marketing – and is a more relevant measure for a hotel operator.

CATEGORIES OF CITIES WITH EXAMPLES SORTED BY REVPAR, SEK

	2020	2019	Change, %
International cities			
London	337	1,558	-78
Amsterdam	260	1,284	-79
Dublin	268	1,236	-78
Regional cities			
Copenhagen	260	1,074	-76
Hamburg	314	946	-66
Cologne	286	938	-68
Stockholm	247	804	-69
Manchester	208	717	-70
Domestic cities			
Leeds	206	669	-69
Kuopio	313	659	-52
Dortmund	210	652	-67
Sheffield	176	533	-66
Linköping	281	513	-45

Source: Statistics Finland, STR Global, Benchmarking Alliance.

Pandox and the capital market

FINANCIAL CALENDAR

Annual General Meeting 2021	12 April 2021
Interim Report January–March 2021	27 April 2021
Interim Report April–June 2021	16 July 2021
Interim Report July–September 2021	27 October 2021
Year-End Report 2021	10 February 2022

ANNUAL GENERAL MEETING

Pandox AB's Annual General Meeting will take place on Monday, 12 April 2021. For information about the AGM and how it will be implemented, go to www.pandox.se.

Annual General Meeting calendar

Record date for the Annual General Meeting	31 March 2021
Annual General Meeting	12 April 2021

Contact information



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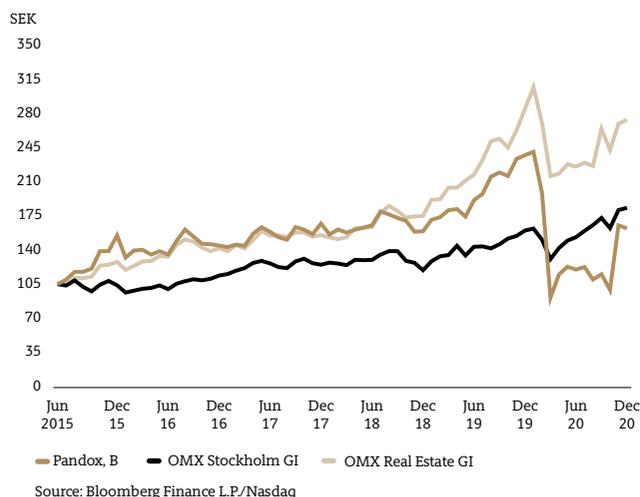


Erik Ax
Communications & IR Manager
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erik.ax@pandox.se

PROPOSED DIVIDEND

The Board of Directors is proposing to the 2021 AGM that no dividend be paid out for the 2020 financial year.

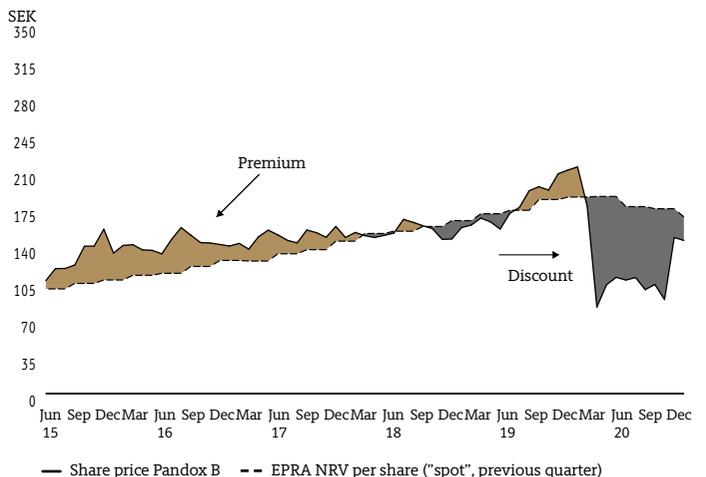
TOTAL RETURN ON PANDOX SHARES 18 June 2015–31 December 2020



Good total return over time

The Pandox share's total return in 2020 was –34 percent. Calculated from the share's first trading day on 18 June 2015, the total return at year-end was 53 percent.

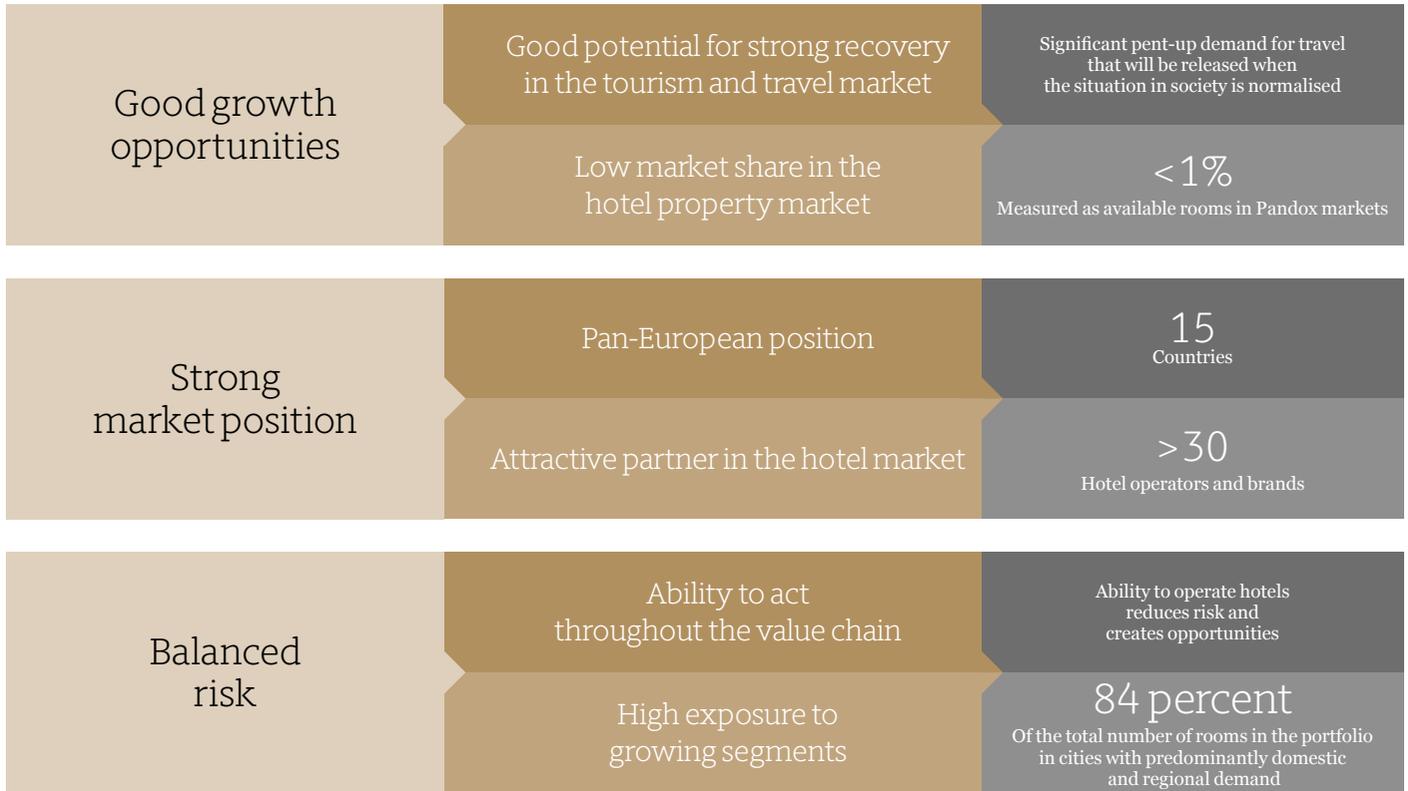
THE PANDOX SHARE AND EPRA NRV PER SHARE 18 June 2015–31 December 2020



Net asset value important in valuation of property companies

The valuation of a property company is normally based on its net asset value, which in simple terms is the difference between the market value of the property portfolio and net debt. In most property companies there are also derivatives, tax assets and tax liabilities that affect the net asset value. ▶ See page 112 for a definition of Pandox's net asset value according to EPRA NRV. A premium is when market cap is higher than the net asset value and a discount is when market cap is lower than the net asset value.

Why invest in Pandox?



HOTEL PROPERTIES A SMALL PORTION OF THE PROPERTY MARKET

Properties are a large and growing asset class with residential, retail, office and industry as the dominant segments. At year-end 2020 listed property companies accounted for around 6 percent of the value on Nasdaq Stockholm. Within the EU the corresponding figure was around 4 percent. Although hotel properties are growing as an asset class, this is still a small portion of the total property market. The same applies on the stock exchange. Listed specialised hotel property companies make up less than 1 percent of EPRA Developed Europe, which is a leading property index.

FEW LISTED SPECIALISTS

Listed specialists in hotel properties in Europe other than Pandox (Nasdaq Stockholm, PNDX) are PPHE Hotel Group (London Stock Exchange, PPH) and Covivio Hotels (Euronext Paris, COVH). Other property companies with significant hotel property exposure include Aroundtown (Frankfurt Stock Exchange, AT1) and Balder (Nasdaq Stockholm, BALD).

HOTEL PROPERTIES ARE A DEMANDING CLASS OF ASSET

Hotel properties are an asset class that requires specialisation, active ownership and an industrial perspective for successful value creation. Time is also a factor that should not be underestimated. Quite simply, it takes a long time to find and acquire suitable properties – and even longer to build essential relationships with the hotel operators and business partners needed to develop and realise the hotels' full potential.

REPLICATING LARGE HOTEL PORTFOLIOS IS NOT EASY

It is hard to build large hotel portfolios. Even if there is capital available for acquisitions, systematic and long-term efforts are needed in a tough international environment to create a portfolio with an attractive risk and return profile.

Analysts who follow Pandox

ABG Sundal Collier

Tobias Kaj
Victor Krüeger

Carnegie

Fredric Cyon
Erik Granström

Nordea

David Eriksson Flemmich
Staffan Bülow

SEB

Stefan E Andersson

Morgan Stanley

Christopher Fremantle

Kepler Chevreux

Albin Sandberg

Handelsbanken

Johan Edberg
Oscar Lindqvist

DNB

Simen Mortensen
Niklas Wetterling

The share and ownership structure

LISTED ON NASDAQ STOCKHOLM

Pandox's class B shares have been listed on Nasdaq Stockholm's Large Cap index since 2015. The class B shares are also traded on several alternative marketplaces. This is the second time that Pandox has been listed. The first time was from 1997 to 2004.

SHARE PRICE DEVELOPMENT AND MARKET CAPITALISATION

On 31 December 2020 the last price paid for the class B shares was SEK 145.20 (212.00) and the visible market cap was MSEK 15,783 (23,076). With the unlisted class A shares included at the same price as the class B shares, the market cap was MSEK 26,658 (38,976).

In 2020 the change in the value of Pandox shares was -34 (45) percent, compared with the OMX Stockholm Benchmark PI Index which increased by 11 (26) percent and OMX Stockholm Real Estate PI Index which decreased by 6 (59) percent.

Calculated from the date of listing, 18 June 2015, the value of Pandox shares at year-end 2020 had increased by 30 percent compared to 131 percent for the OMX Stockholm Real Estate PI Index and 38 percent for the OMX Stockholm Benchmark PI Index. The total return on Pandox shares over the same period was 53 percent.

TRADING AND LIQUIDITY

Trading on Nasdaq Stockholm accounted for 60 (52) percent of all trading in Pandox shares in 2020. Ongoing trading transacted directly on the stock exchange amounted to around 50 (33) percent and off-exchange trades reported on the stock exchange to around 9 (19) percent. Trading in other marketplaces amounted to around 41 (48) percent of the trading volume.

During the year around 179 (30) million class B shares were traded on Nasdaq Stockholm, corresponding to around 164 (28) percent of outstanding class B shares at year-end, for a value of around MSEK 19,800 (5,500). Average daily trading during the year amounted to 708,576 (120,273) shares, corresponding to around MSEK 78 (22) in value.

OWNERSHIP STRUCTURE AND NUMBER OF SHARES

As of 31 December 2020 Pandox had 12,854 (4,097) shareholders. Pandox's largest shareholders were Eiendomsspar AS, Helene Sundt AB and Christian Sundt AB. Other major shareholders were, in descending order, AMF Försäkring & Fonder, Swedbank Robur Fonder and Alecta Pensionsförsäkring.

The total number of shares is 183,849,999, of which 75,000,000 are class A shares and 108,849,999 class B shares. Class A shares entitle the holder to three votes and class B shares to one vote.

Share facts

Market:

Nasdaq Stockholm

Segment:

Large Cap

Sector:

Real Estate

Ticker symbol:

PNDX B

Number of class B shares (listed):

108,849,999

Number of class A shares (unlisted):

75,000,000

Market cap:

MSEK 26,658 (class A and B shares)

Share volatility:

38% (from 18 June 2015, annual basis)

Share beta value:

1.09 (from 18 June 2015, OMXSBPI)

Average daily trading volume:

708,576 shares (2020)

Source: Nasdaq, InFront, Euroclear, Pandox. As of 31 December 2020.

LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2020

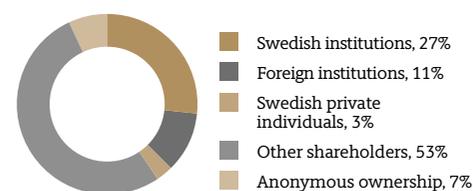
The 15 largest registered shareholders according to percentage of voting rights:

Shareholder	Number of class A shares	Number of class B shares	% of share capital	% of votes
Eiendomsspar AS	37,314,375	10,144,375	25.8	36.6
Helene Sundt AB	18,657,188	4,912,187	12.8	18.2
Christian Sundt AB	18,657,187	4,312,187	12.5	18.1
AMF Försäkring & Fonder		18,942,099	10.3	5.7
Swedbank Robur Fonder		6,058,466	3.3	1.8
Alecta Pensionsförsäkring		5,787,577	3.1	1.7
Länsförsäkringar Fonder		4,463,787	2.4	1.3
Lannebo Fonder		3,463,388	1.9	1.0
Fjärde AP-fonden		2,645,251	1.4	0.8
Vanguard		2,422,037	1.3	0.7
BlackRock		1,909,960	1.0	0.6
Tredje AP-fonden		1,702,867	0.9	0.5
Norges Bank		1,700,429	0.9	0.5
Nordea Fonder		1,670,328	0.9	0.5
JP Morgan Asset Management		1,508,178	0.8	0.5
<i>Total, top 15 shareholders</i>	<i>74,628,750</i>	<i>71,643,117</i>	<i>79.6</i>	<i>88.5</i>
<i>Other shareholders</i>	<i>371,250</i>	<i>37,206,882</i>	<i>20.4</i>	<i>11.5</i>
Total	75,000,000	108,849,999	100	100

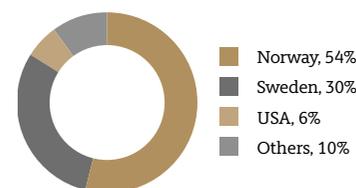
Information compiled by Monitor as of 31 December 2020.

Sources: Euroclear Sweden, Morningstar, Finansinspektionen (FI), Nasdaq and Millistream.

Shareholders by category as percentage of capital, 31 December 2020



Shareholders by country as percentage of capital, 31 December 2020



Information compiled by Monitor as of 31 December 2020. Sources: Euroclear Sweden, Morningstar, Finansinspektionen (FI), Nasdaq and Millistream.

Key ratios	2020	2019	2018	2017	2016
Key ratios per share, after dilution effects ^{1) 2)}					
Total net operating income, SEK	10.06	18.43	18.25	15.05	12.87
Profit for the year, SEK	-7.61	15.91	16.83	19.89	14.65
Cash earnings, SEK ⁵⁾	3.64	12.84	11.28	10.46	8.49
Equity, SEK ⁵⁾	129.88	143.32	127.63	119.38	95.75
Net asset value (EPRA NRV), SEK	167.60	186.40	164.04	144.54	126.24
Dividend, SEK ³⁾	—	—	4.70	4.40	4.10
Market cap and return					
Market cap, MSEK	26,658	38,976	24,555	26,549	22,240
Return, Pandox shares, % ⁴⁾	-33.9	45.2	-7.5	12.1	-9.3
Return, OMX Stockholm Benchmark Index, % ⁴⁾	10.9	26.3	-8.3	6.6	5.0
Return, OMX Stockholm Real Estate Index, % ⁴⁾	-5.9	59.2	9.7	6.7	8.2
Dividend pay-out ratio of cash earnings, %	—	—	41.6	44.4	50.1
Dividend pay-out ratio of EPRA NRV, %	—	—	2.9	3.0	3.2
Dividend yield, %	—	—	3.2	2.8	2.9
Share data					
Closing price, class B shares, SEK	145.20	212.00	146.60	158.50	141.40
Highest price during the year, SEK	227.50	219.50	170.00	161.70	158.30
Lowest price during the year, SEK	50.20	143.00	135.00	134.30	121.50
Average price during the year, SEK	110.76	182.55	151.73	147.87	139.02
Average daily trading volume, number of class B shares ⁴⁾	708,576	120,273	120,121	135,226	167,589
Weighted average number of class A shares, before dilution effects, thousands ¹⁾	75,000	75,000	75,000	75,000	75,000
Weighted average number of class A shares, after dilution effects, thousands ¹⁾	75,000	75,000	75,000	75,000	75,000
Number of class A shares at end of period, thousands ¹⁾	75,000	75,000	75,000	75,000	75,000
Weighted average number of class B shares, before dilution effects, thousands ¹⁾	108,850	95,053	92,499	82,856	75,266
Weighted average number of class B shares, after dilution effects, thousands ¹⁾	108,850	95,053	92,499	82,856	75,266
Number of class B shares at end of period, thousands ¹⁾	108,850	108,850	92,499	92,499	82,499
Weighted average number of shares, total, after dilution effects, thousands ¹⁾	183,850	170,053	167,499	157,856	150,266
Total number of shares at end of period, thousands ¹⁾	183,850	183,850	167,499	167,499	157,499

¹⁾ For the period 2014–2015 retrospectively adjusted for share split in May 2015 for comparability when calculating key ratios.

²⁾ For definitions of key ratios see page 176.

³⁾ For 2020 the Board's proposed dividend is stated.

⁴⁾ For 2015 measured from first day of listing, 18 June 2015.

⁵⁾ Attributable to the shareholders of the Parent Company.

SHARE CAPITAL HISTORY

Year	Event	Change in number of shares		Number of shares after the transaction			Share capital, SEK	
		B	A	B	A	Total	Change	Total
1994	Formation	2,500	—	2,500	—	2,500	150,000	150,000
1995	New share issue	1,250,000	—	1,252,500	—	1,252,500	75,000,000	75,150,000
1995	Bonus issue	1,247,500	—	2,500,000	—	2,500,000	74,850,000	150,000,000
1997	4:1 split	7,500,000	—	10,000,000	—	10,000,000	—	150,000,000
1998	New share issue	5,000,000	—	15,000,000	—	15,000,000	75,000,000	225,000,000
2000	New share issue	9,900,000	—	24,900,000	—	24,900,000	148,500,000	373,500,000
2013	New share issue	100,000	—	25,000,000	—	25,000,000	1,500,000	375,000,000
2015	New share series and 6:1 share split	50,000,000	75,000,000	75,000,000	75,000,000	150,000,000	—	375,000,000
2016	New share issue	7,499,999	—	82,499,999	75,000,000	157,499,999	18,749,998	393,749,998
2017	New share issue	10,000,000	—	92,499,999	75,000,000	167,499,999	25,000,000	418,749,998
2019	New share issue	16,350,000	—	108,849,999	75,000,000	183,849,999	40,875,000	459,624,998

Source: Euroclear, Pandox.

SIZE OF SHAREHOLDINGS AS OF 31 DECEMBER 2020

Holding	Number of shareholders	% of share capital	% of votes
1–500	11,046	0.6	0.3
501–1,000	773	0.3	0.2
1,001–5,000	674	0.9	0.5
5,001–10,000	120	0.5	0.3
10,001–15,000	38	0.3	0.1
15,001–20,000	22	0.2	0.1
20,001–	181	97.2	98.5
Total	12,854	100	100

Source: Euroclear Sweden as of 31 December 2020.



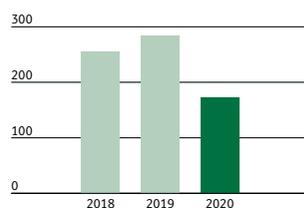
Pandox's sustainability agenda

Pandox has certified its first three hotels according to plan and with a BREEAM rating at level Very Good. Additional nine properties started their certification processes in 2020

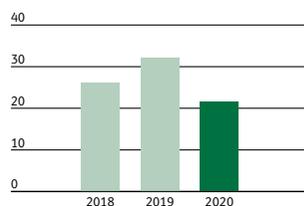
82% satisfied guests in Pandox's hotels

81% satisfied employees

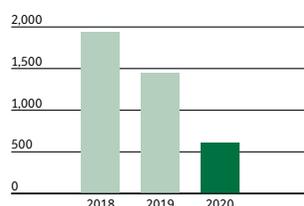
Energy consumption within Pandox's Operator Activities, kWh/sqm



CO₂ emissions within Pandox's Operator Activities, kg CO₂e/sqm



Water consumption within Pandox Operator Activities, l/sqm



Director of Sustainable Business

Pandox's role in a sustainable world

Despite a global pandemic where Pandox was in the eye of the storm, we showed determination during the year in reaching our long-term goal: to offer sustainable hotel properties to our tenants.

As a leading hotel property owner, Pandox has significant opportunities to influence how our properties are renovated, developed and, to some extent, operated in a climate-smart and resource efficient way. This enables us to contribute to the UN Sustainable Development Goals. This is particularly important for us and other businesses in the property industry, because the sector accounts for 36 percent of energy consumption and greenhouse gas emissions in Europe. The energy requirements are expected to escalate unless the transition to greater resource efficiency is speeded up ¹⁾.

ORGANISED TO ACCELERATE

To create meaningful results, a greater understanding of these issues is needed within the organisation. A genuine commitment and focus are required from the Board of Directors and executive management. It also calls for an agile organisation that is able to manage and make progress on this using the right expertise, systems and processes.

Since 2018 Pandox has worked in a more structured way with sustainability. Now, we therefore have both the right resources and focus to address issues at an accelerated pace. With reliable data and the right priorities, monitoring processes and communication, we can address the climate challenges in an entirely different way than before.

SUSTAINABILITY AFFECTS EVERYONE

Sustainability directly and indirectly affects all Pandox employees. Examples of this are business ethics, diversity and inclusion in the workplace, human rights, supply chain transparency when contracts are signed, compliance, and awareness of resource efficiency and productivity in actions related

¹⁾ https://ec.europa.eu/info/news/new-rules-greener-and-smarter-buildings-will-increase-quality-life-all-europeans-2019-apr-15_en



to energy and water. This is not about checking a box on a list, but rather an approach that starts and ends with each individual.

THE TAXONOMY

The politicians are increasingly driving sustainability issues. The upcoming EU Taxonomy Regulation is a good example. Pandox will be subject to the taxonomy. In 2020 we invited our largest shareholders for a dialogue and started a process in order to report relevant information in the next Sustainability Report in 2021.

GREEN INVESTMENTS

During the pandemic, when occupancy at Pandox's 156 hotels fell dramatically, the importance of having control and operating properties resource efficiently became even more clear. We are therefore firmly committed to our green investment programme, even though some of the more capital intensive investments have been postponed for one or two quarters. In the properties where the

rollout of our green investment programme has begun, we were able to use climate-smart solutions to adapt energy consumption in real time to match actual needs – a process we will continue in the years ahead.

FOCUS ON GREEN LEASES

Going forward, one of our main priorities will be to sign green leases with our tenants in the Property Management segment. This was put on hold during the pandemic when the focus was on other issues. We need to work together to identify new proactive steps to ensure that our properties and their operation are sustainable and well-equipped for the climate transition, to increase our competitiveness and to promote investments that drive cash flow and provide a good return.

Stockholm, March 2021

Caroline Tivéus

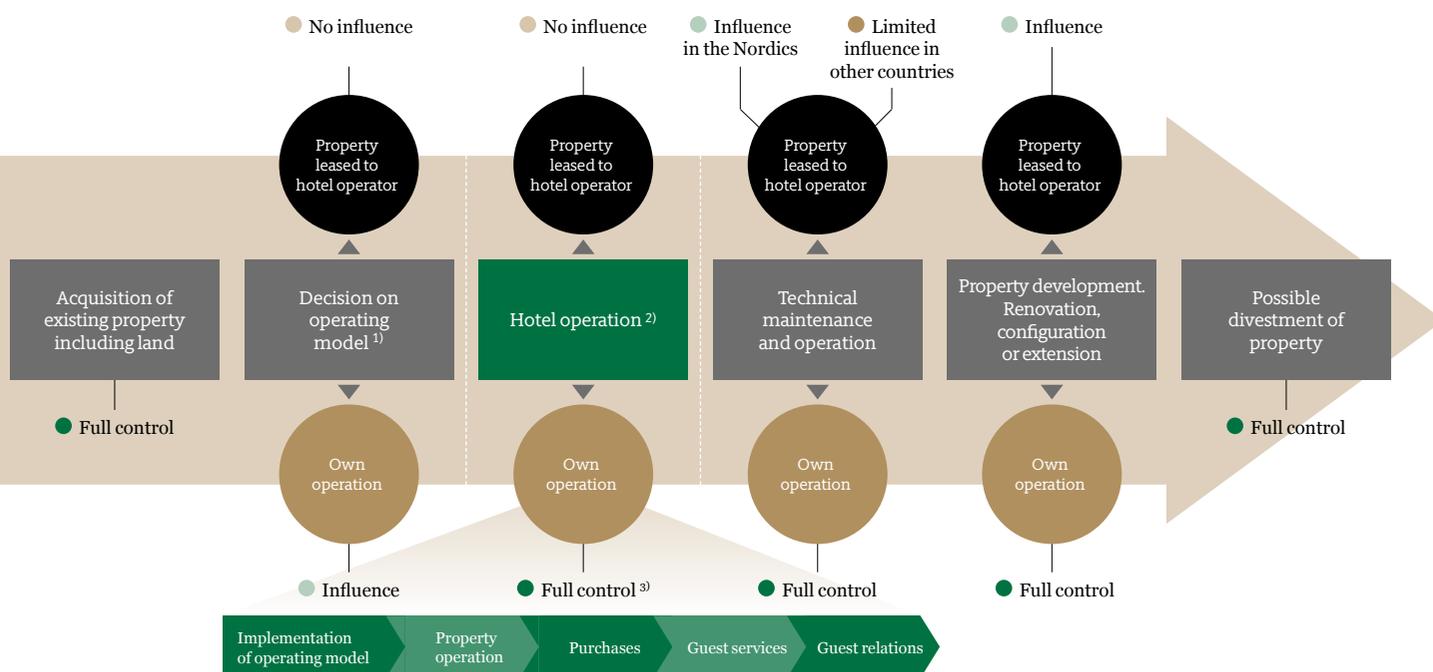
 Read more about the Taxonomy on page 45.

Pandox's value chain

Pandox owns 156 hotel properties. Hotels are operated by external hotel operators in 136 of these under leases in the Property Management business segment. This means that Pandox is not responsible for the day-to-day operation of the hotels and has no

influence over it. In these cases Pandox only has control over technical maintenance and operation, as well as development, renovations, configuration and extensions. The remaining 20 properties are own operation within the Operator Activities business

segment in an integrated collaboration with Property Management. In the Operator Activities segment Pandox has full control over sustainability-related issues, hotel operations, technical maintenance and operation, and developing the properties.



Pandox's influence in the value chain

Pandox's influence on implementation of sustainability measures and on subcontractors engaged:

- Full control
- Influence
- Limited influence
- No influence

¹⁾ Pandox uses four operating models: (1) Lease agreement with hotel operator (2) Own operation under management agreement (3) Own operation under franchise agreement (4) Own operation with independent brand. Read more on pages 22–27. If Pandox takes over a property where a lease already exists, Pandox cannot terminate the lease with the existing tenant before the contract term ends.

²⁾ There are many different aspects of operating hotels in which sustainability is an important consideration, for example in property operation, purchasing, food and beverage, waste, cleaning and marketing.

³⁾ Exceptions in the form of management agreements may in a few cases affect Pandox's control.

Responsibility and influence in the value chain

Pandox operates throughout the value chain of a hotel – from acquisition and property development, through both technical maintenance and operating hotels itself, to remodelling, renovation or possibly selling properties. The business is organised in two segments: Property Management and Operator Activities. The ways in which Pandox can pursue sustainability differ between the business segments.

In Property Management, which makes up 84 percent of the property portfolio's market value,

responsibility is shared between the hotel operator and Pandox. Pandox's responsibility in property-related matters is set out in the lease with the hotel operator. The hotel operator is in general responsible for operating the hotel, but its responsibility with respect to investing in technical installations varies between the Nordics and other countries. Overall, Pandox has greater responsibility for the properties in the Nordics than in other countries. It is the hotel operator, not the property owner, who is responsible for purchasing electricity, water,

heating and cooling for the hotels. From a purely theoretical standpoint, Pandox is therefore limited in its ability to influence which steps are taken to reduce energy and water consumption at the hotel properties operated by Pandox's tenants in the Property Management segment. Pandox's ambition is to influence this by creating joint incentives in green leases. In the Operator Activities segment, which accounts for 16 percent of the market value, Pandox has full control over the property and the operation of the hotel.

Pandox's sustainability targets and strategy

Pandox's ambition to offer its tenants sustainable properties contributes to the UN Sustainable Development Goals, to reduce climate impact from operations and to manage risks related to climate change. These aims also have a positive impact on Pandox's results through investments and new commercial opportunities that drive cash flow.

The targets for this are presented in the section on the Company's focus areas.

The Company's sustainability strategy is based on Pandox's vision and business objectives, its impact on communities in terms of sustainability and climate change, and which issues the stakeholders consider to be important for Pandox to work on.

Current trends and the risks and opportunities identified by the Company are also taken into account.

In 2020 Pandox reviewed its material topics in sustainability, dividing them into five focus areas and linking them to the UN's Sustainable Development Goals. See below.

 Pandox's vision, business concept, goals and strategy
Read more on page 16.

 Value chain
Read more on page 43.

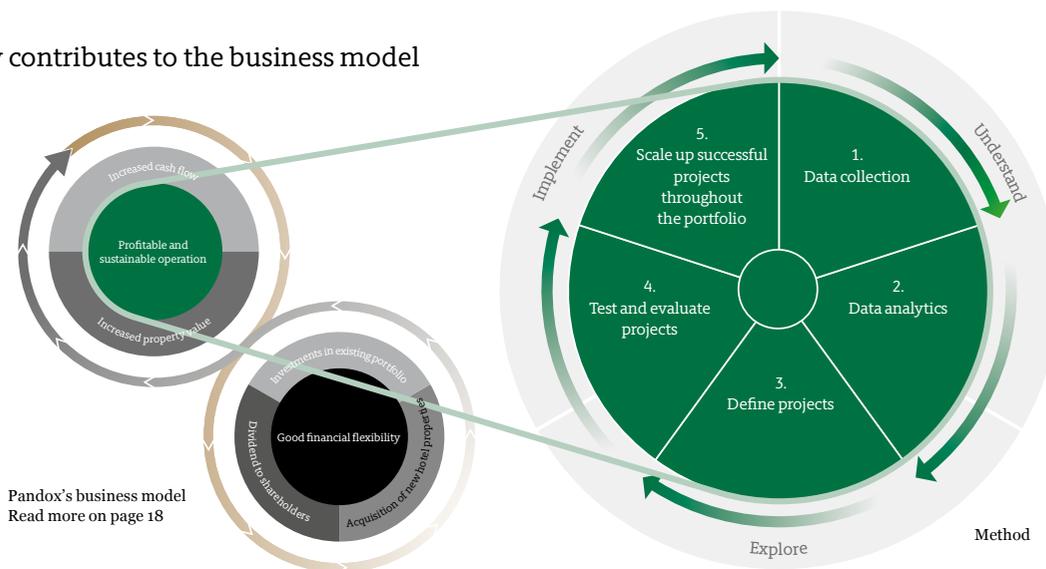
 Sustainability risk
Read more on page 84.

 Stakeholder dialogue and materiality analysis
Read more on page 147 in Note K2.

Pandox's five sustainability focus areas and material topics contribute to the UN Sustainable Development Goals



Sustainability contributes to the business model



Integrated sustainability

Sustainability is integrated into Pandox's business model. There are five focus areas for sustainability with clearly defined activities and targets. The focus areas take into account the fact that the way Pandox can address sustainability differs between the Property Management and Operator Activities business segments. For example in terms of the level of influence Pandox has, depending on standard practices and contract structures.

Pandox's sustainability work aims to promote profitable and sustainable hotel operation using processes based on data collected from the organisation. The data is analysed and used as a basis for the Company to determine which projects are relevant. Pandox's entrepreneurial culture and its size as a leading hotel property company give the Company the speed, flexibility and ability to test and evaluate various pilot projects. This minimises the

risk for taking the wrong decisions. Pandox then has the option to scale up successful projects and apply them to more properties in the portfolio. This enables the Company to ensure that it has the right investment priorities – regardless of whether the focus is on environmental, social or other issues.

 Pandox's strategies and business model
Read more on pages 16–18

Climate change and the political agenda

Climate change is high up on the global political agenda today. Politicians are raising standards and introducing new laws and subsidies to speed up the climate transition.

Climate activists such as Greta Thunberg and increased coverage in the media have also resulted in end-consumers and employees starting to expect more from companies. In a survey, one in three responded that it is very important for employers to take action on climate issues. This is a way for companies to develop ¹⁾.

Net zero greenhouse gas emissions

In order to meet the goal in the Paris Agreement of keeping the increase in global average temperature below 2 °C, the EU has undertaken to reduce total emissions by 40 percent by 2030, compared with 1990 levels, and to reduce emissions of greenhouse gases (GHG) by 80–95 percent by 2050 ²⁾.

Sweden has adopted a climate policy framework with the long-term goal of net zero GHG emissions by 2045 in order to meet its commitment under the Paris Agreement ³⁾. As a result, stakeholders are increasing their expectations on listed companies. Many companies have now set

their own targets to reach net zero GHG emissions. Pandox intends to conduct its own analysis of this over the next two years.

Taxonomy

The EU Taxonomy Regulation for sustainable, environmentally sound investments is another example of what the EU is now doing to drive the transition forward. The EU wants to secure financing for sustainable growth and to direct capital towards companies that are working in a structured way on their climate transition.

The Taxonomy will make sustainability a regulated area for the financial sector by introducing a legal definition of what can be called a sustainable investment. Financial market players must report which share of their holdings meet the criteria in the Taxonomy. These criteria are passed on to companies so they can report on this. Resource-efficient and sustainable properties are expected to have a business advantage in terms of potentially lower financing costs. Pandox has started an analysis process in cooperation with PwC in order to report the Company's share of revenue originating from sustainable activities. The aim is to finish the analysis by the end of 2021.

Pandox's support for external initiatives and conventions, and memberships

International conventions and initiatives

- UN Global Compact
- UN SDGs and Agenda 2030
- ILO Declaration on Fundamental Principles and Rights at Work
- UK Modern Slavery Act
- International Bill of Human Rights

Membership in associations, organisations and industry initiatives

- Visita sustainability reference group
- Sweden Green Building Council
- European Public Real Estate Association (EPRA)
- Fastighetsägarna

¹⁾ Young Professional Attraction Index 2020, Academic Work.

²⁾ <https://www.naturvardsverket.se/Miljoarbete-i-samhallet/Miljoarbete-i-Sverige/Uppdelat-efter-omrade/Klimat/Sveriges-klimataganden/>

³⁾ <https://www.naturvardsverket.se/Miljoarbete-i-samhallet/Miljoarbete-i-Sverige/Uppdelat-efter-omrade/Klimat/Sveriges-klimatlag-och-klimatpolitiska-ramverk/>

Focus area

Environment and climate



Pandox’s most important contribution to more sustainable growth is in developing profitable green properties and signing green leases with hotel operators. The goal is to create resource efficient properties and ensure resource efficient operation to reduce Pandox’s climate footprint while also growing the business.

Pandox’s targets and results in the environment and climate focus area

Targets	Who is affected	Outcome 2020	Outcome 2019	Contributes to the UN SDGs
BREEAM certification for buildings with rating Very Good 12 out of a total of 20 properties in Operator Activities no later than 2023 compared with 2020		15% of 20 hotels	Started this year	Targets 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5, 13.1 and 15.5
Sustainability certification for operation 100% of hotels operated by Pandox, no later than three years after acquisition		100% of 20 hotels	83% of 16 hotels	Targets 6.3, 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5 and 13.1
80% of external hotel operators’ hotel operations no later than 2025 compared with 2018		80% of 136 hotels	69% of 138 hotels	Targets 6.3, 6.4, 7.2, 7.3, 8.4, 11.6, 12.4, 12.5 and 13.1
Use renewable energy In at least 90% of all properties in Operator Activities by the end of 2023, compared with 2019		85% of 20 hotels	80% of 16 hotels	Target 7.2
Install solar panels 30% of all hotels in Operator Activities no later than 2023, compared with 2019. Calculated based on the current 20 hotels		15% of 20 hotels	19% of 16 hotels	Target 7.2
Reduce food waste By an average of 30% per hotel in Operator Activities by beginning of 2023, compared with 2020		Paused due to Covid-19	Implementation started	Targets 8.4, 12.3 and 12.5
Reduce resource consumption Implement Pandox’s green investment programme no later than 2023 to reduce energy consumption, carbon emissions and water consumption		For outcome see page 50	For outcome see page 50	Targets 6.4, 7.3, 8.2, 8.4 and 11.6
Sign green leases 1–5 signed leases no later than 2025, compared with 2019		Paused due to Covid-19	–	Targets 6.4, 7.2, 7.3 and 8.4

 Property Management  Operator Activities – hotels operated by Pandox

Environmental certification of properties

Pandox’s main environmental impact comes from the properties – primarily from heating and electricity and the use of building materials. Pandox is therefore focusing on various activities to reduce energy and water consumption and to increase resource efficiency in operation, production and distribution. The Company intends to increase its reuse and recycling of energy, water and materials, and to transition to renewable energy sources when this is possible. An important aspect is to certify all 20 buildings in the Operator Activities segment according to BREEAM In-Use, to obtain an independent quality certification for the work done on the properties.

BREEAM is the established standard in Europe for green buildings. The certification process involves assessment and a scoring system in the following areas: energy, transport, water, pollution, waste, health and wellbeing, land use and ecology, materials, innovation and management. Certification is a tool to improve environmental performance by taking steps during construction as well as in management and operation, and is a way to internally increase knowledge of and commitment to environmental efforts. Pandox’s goal is to achieve a rating of Very Good.

The aim is to certify 12 of the properties no later than 2023. In 2020 three of four planned properties were certified with a rating of Very Good. They are located in Bremen,

The benefits of BREEAM certification



Dortmund and London. The fourth property, in Glasgow, was impacted by Covid-19 restrictions and had to postpone the process until the beginning of 2021. The other eight properties have held launch meetings.

All certifications follow the green investment programme to ensure that Pandox will benefit from the relevant BREEAM scores and business benefits in the areas of energy and water. Decisions will be made in 2021 on the remaining eight properties in Operator Activities that are not included in the green investment programme.

It is also important to certify Pandox’s properties in the Property Management seg-

ment. Here, however, agreement and co-operation with Pandox’s tenants before certification decisions can be made are needed. This requires upgrading of, for example, systems, technical installations and access to operations-related information. It also requires significant involvement by the tenant’s personnel to produce the relevant documentation. This is not yet within the boundaries of existing agreement structures. Certification of the pilot project for the extension of Scandic Luleå, which began in 2019, is therefore very significant. The process is expected to be completed in 2021 at the Very Good level for New Construction.



ENVIRONMENTAL CERTIFICATION OF HOTEL OPERATIONS

Pandox’s ambition is for all of the hotels in Operator Activities to have Green Key certification – unless they already have another environmental certification – within three years of being acquired or operation being transferred. At the end of 2020, 100 (83) percent of the hotels were environmentally certified. Green Key certification is one of the leading standards in environmental

responsibility and sustainable operations in the tourism industry, including hotels.

In Property Management, 80 (69) percent of the tenants’ hotels have some form of environmental certification. Examples of certifications used are Green Key, Nordic Swan, ISO 14001 and Green Tourism. Pandox follows up annually on environmental certification and is in discussion with the tenants who do not yet have any certification in place.

 Read more in Sustainability Note K8

Reduction of GHG emissions* in 2020 equivalent to

380

return flights

Stockholm–Montreal for one person.**

* Scope 1 and 2.
** One return flight Stockholm–Montreal for one person in economy class = 1,917 kg CO₂e (Source: klimatsmartsemester.se).

Reduction of energy consumption in 2020 equivalent to

38 million

hours of TV watching in a hotel room.*

* A 42" plasma TV uses 0.350 kWh per hour.

Reduced climate impact

GREEN ELECTRICITY

Pandox is working towards a long-term goal to increase the use of renewable energy sources as part of the Company's objective of offering green properties. In 2020, 77 (87) percent of the total of 114 (95) hotels reporting data to Pandox used some form of renewable energy, such as electricity from wind or hydro power. In Property Management the corresponding figure was 76 (89) percent. Data collected for 2020 covers more hotels in the property portfolio that do not use renewable energy.

In Operator Activities the percentage for renewable energy was 85 (80) percent. Holiday Inn Lübeck converted to green electricity during the year. Radisson Blu Glasgow also signed a green electricity contract that will go



Solar panels at Holiday Inn Brussels Airport

into effect in the first quarter of 2021. Pandox also acquired four hotels without green electricity contracts in 2019. Two of the hotels converted to green electricity in 2020 and two have signed contracts that starts in Q1 2021. As of the date of publication of the Annual Report 90 percent of properties in Operator Activities were using green electricity.

In some hotels Pandox has no influence over the choice of energy source. This is the case for Hilton Garden Inn London Heathrow Airport, where the building is not connected to the national grid but instead obtains electricity via Heathrow Airport.

SOLAR PANELS

When the conditions are good, Pandox installs solar panels or solar heating units on the roof of buildings in the Company's Operator Activities segment. This is often done in connection with a planned renovation of the roof and building. However, not all buildings are suitable for solar panels due to the slope of the roof, access to solar radiation etc. The goal is for 30 percent of the hotels in Pandox's Operator Activities segment to have solar panels on their roofs no later than 2023. Solar panels will be installed at the Hilton Brussels Grand Place, Holiday Inn Lübeck and Hilton Garden Inn London Heathrow Airport.

REDUCED GHG EMISSIONS

For Pandox it is important to learn more about GHG emissions happening upstream in the value chain and that the Company is

indirectly responsible for. A first step in this process was the implementation of a, so-called, spend analysis of supplier ledgers for 2020. The Company's most significant Scope 3 emissions upstream in the value chain come from purchased goods, materials and services (mainly in connection with refurbished properties). Pandox is aiming to refine its analysis of emissions in Scope 3 in the years ahead.

Downstream in the value chain there are emissions from tenants operating hotels, which is the largest emissions category. In 2020 Pandox managed to gather emissions data in Scope 3 from more tenants than in previous years, but the process is continuing in order to include all of them and to increase awareness of the issue among tenants.

Business travel is business critical for Pandox in order to develop its properties, analyse market trends and monitor the competition. Pandox has travel instructions in the handbook for head office employees encouraging them to choose alternatives to air travel when it is feasible. Pandox also uses digital meeting services such as Zoom and Teams to increase the number of digital meetings. In 2020 the number of kilometres flown decreased by 65 percent and train journeys by 25 percent, mainly due to travel restrictions in the wake of Covid-19.

The Company's total carbon offsets amounted to 35 (97) metric tons of CO₂e emissions through a solar energy project in India. The project has Gold Standard certification.

Water consumption

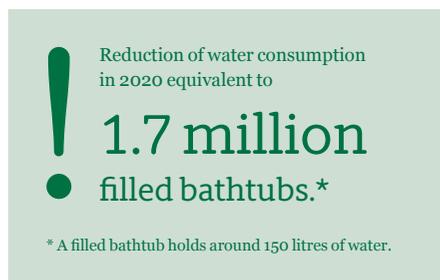
Water shortage is an accelerating problem in some parts of the world. There are also areas in Europe that are classified as water-stressed, i.e. where the amount of fresh water is no longer sufficient to meet the needs of society. Pandox uses water in water-stressed areas, including London and Brussels.

Pandox is aiming to reduce its water consumption by installing water-saving equipment and changing employee and guest behaviour around water consumption. Today the majority of the hotels in Operator Activities are involving guests in this effort by informing them of the hotel's ambition to reduce water consumption. The hotels are, for example, asking the guests to hang up their towel if they are fine using it again. They are also encouraging guests to limit

the length of showers and water running in water taps.

In 2020 Pandox continued the implementation of a metering system for water consumption at hotels in Operator Activities. Any leaks or deviations from the normal daily water consumption are registered in real time, making it possible to quickly identify

and remedy problems such as leaks by responding to an alert. A total of 10 (6) of the 20 (16) hotels operated by Pandox currently have relevant leakage detecting systems. They are located in, for example, Brussels and London. Once rollout of the green investment programme is complete in 2023, all 12 hotels in Operator Activities involved in the programme will have systems in place to identify leaks, including meters to manage water consumption more precisely. Shower heads and faucet nozzles that reduce water consumption without compromising guest comfort are also being installed.



 Read more about reduced water consumption in Pandox's green investment programme on page 50.

 Read more about water-stressed areas in Note K6.

Waste

By setting clear targets, Pandox aims to constantly reduce the volume of waste in operations. In 2020 Pandox generated 1,5 (4,0) metric tons of hazardous waste in the form of IT equipment and batteries etc., and 1,276 (3,528) metric tons of non-hazardous waste such as domestic waste, paper and plastic in Operator Activities. 540 (1,699) metric tons of waste was recycled.

In order to set relevant targets for each property in Operator Activities, each property need to undergo a review taking into account national laws and practices, and the situation of the individual properties. Pandox launched a pilot project at Crowne Plaza Brussels – Le Palace in 2020. This will result in a plan

including clear waste reduction targets. The plan will be implemented in 2021. A similar waste analysis will be conducted for all hotels operated by Pandox no later than 2022 to set targets for each hotel which will be aggregated into a Group-wide target.

On 1 January 2020 Pandox started to phase out all plastic bottles in guest rooms and restaurants at all hotels within Operator Activities, aiming to complete this process in 2021. The use of glass bottles will be encouraged instead. Crowne Plaza Brussels – Le Palace has water stations for guests in the corridors. At Hotel Indigo more than 15,000 plastic bottles were replaced with glass bottles during the year.



Reduce food waste

On average food waste represents 4–12 percent of a hotel company’s food costs ¹⁾. To reduce food waste, Pandox implemented a pilot project in 2019 with Radisson Blu Hotel, Dortmund, Crowne Plaza Brussels – Le Palace and The Hotel, Brussels, in cooperation with food tech company Winnow. Categorising and registering all food that is thrown away provides a better understanding of overproduction and improved purchase planning. Measured as a percentage of sales revenue, costs were reduced by just over 40 percent on average, due to less waste from costly ingredients and reduced production of low-demand buffet items.

Chemicals

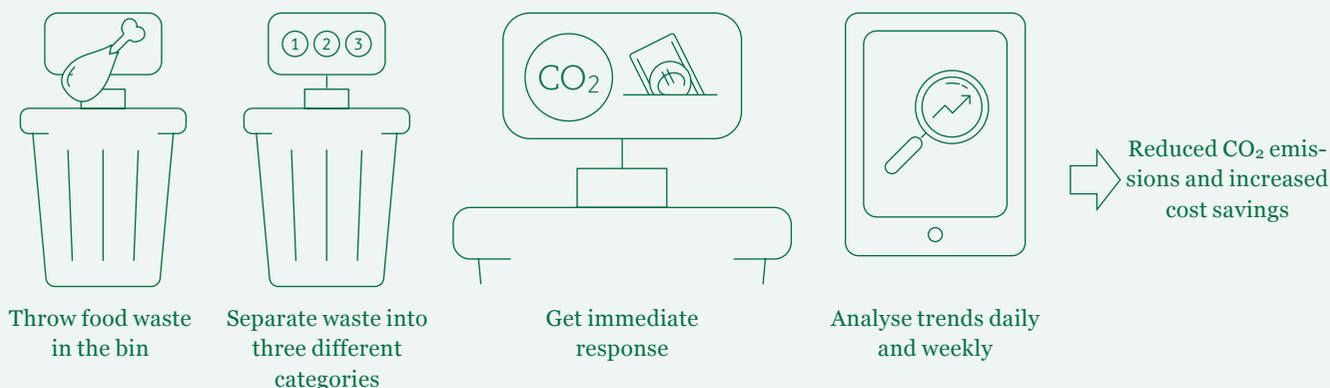
Chemicals are mainly used in hotel cleaning in Operator Activities. Pandox is aiming to reduce the amount of harmful chemicals as they not only have a negative impact on the environment, but also on employee health and the work environment.

In 2020 Holiday Inn Brussels Airport and The Hotel, Brussels started using an entirely water-based solution combined with high-tech microfibre mops and cloths to clean hotel rooms, while maintaining at least the same high quality as before. This means that chemicals are only needed to clean toilets, resulting in a significant reduction in the amount of chemicals used for cleaning.

The plan was to roll out the project at the majority of the hotels in Pandox’s Operator Activities segment in 2020, aiming to reduce food waste by an average of 30 percent per hotel by the end of 2023. Due to Covid-19 the project has been postponed until occupancy resumes to normal levels, since the project is based on volumes. Winnow’s new artificial intelligence solution will be used in the rollout. This involves a computer and camera automatically scanning and categorising all food that is thrown away.

¹⁾ According to analysis conducted by Winnow.

Pandox is reducing food waste in cooperation with food tech company Winnow



The greatest potential for savings is reducing overproduction of food. Through a simple system the employees are made aware of how behavioural changes can reduce the climate footprint and at the same time reduce costs.

Pandox's green investment programme

As Pandox only acquires and owns buildings that already exist and that are often older, there is significant potential and responsibility to develop and renovate the properties to make them more resource efficient. Pandox therefore introduced a green investment programme in 2019 for the years 2020–2023. The timeframe has not been appreciably impacted by Covid-19. However, the capital-intensive investments have been postponed for one or two quarters and consequently the significant savings effect will not be evident until 2021. The programme includes 12 of Pandox's 20 properties in Operator Activities. They are located in Germany, Belgium, England and Finland. The programme

is focusing on measures to reduce energy and water consumption, and on technical installations such as building monitoring systems with integrated submeters. At the end of the year, 58 percent of the hotels had building monitoring systems installed and all had submeters. The aim is for all to have building monitoring systems in place before end of 2021. It is also important to generate engagement and awareness in this area among hotel general managers so that the programme receives the necessary attention – especially among those in charge of technical systems – to achieve successful outcomes. This includes educating these individuals in how to manage the new systems, how to monitor consumption on a daily basis

and how to adapt the system to actual needs. The investment amount is around MSEK 80 and the average return is expected to be around 20 percent.

Through the green investment programme Pandox can work proactively on the technology in the properties, increase resource efficiency and reduce energy and water consumption. This provides significant cost savings and allows Group targets to be set for water and energy consumption. The investments are also helping to increase guest comfort through better control over heating, ventilation and cooling systems. The target for 2021 is to include the remaining eight hotels in the programme.

Hotels operated by Pandox



¹⁾ The capital-intensive investments began at the beginning of 2021, which means the substantial savings will not be realised until later in 2021.

²⁾ The dramatic reduction in occupancy has affected the figures for 2020.

³⁾ The lower emissions reduction compared to the reduced use of electricity is due to the fact that the majority of the properties transitioned to green electricity in 2017 and 2018.

Property inspections

Pandox carries out annual internal product and lease inspections within Property Management. The purpose is to ensure that the properties are in good condition and tenants are meeting their commitments. The inspections lead to direct actions and form a basis for contract negotiations. A total of 69 (80) such inspections were performed in 2020.

Pandox also performs construction engineering evaluations on a regular basis to check on the condition and functioning of the buildings. This is particularly important in connection with planned refurbishment, extensions or development. In 2020 a new digital project system was launched in which project managers for each new project provide information on whether the project includes green actions that are considered to

reduce carbon emissions, such as in the choice of building materials, installation of LED lights and solar panels. The goal is to be better able to measure the results of actions taken.

A construction engineering survey of the property is also performed in connection with acquisitions, based on functions and regulatory requirements, but also focusing on environmental risks such as contaminated land.

In addition, Pandox's insurance brokers perform annual risk assessments of 10 percent of Pandox's properties focusing on the risk of fire or property damage. Starting in 2020 this assessment includes risks caused by climate change, such as a building's exposure to floods, heavy rainfall, earthquakes, heatwaves etc.

Green leases

To achieve Pandox's goal of offering its tenants green buildings, it is important to increase awareness of and engagement in environmental and climate efforts – both among employees and tenants. One important objective is to have green leases with tenants in place. The aim is to create joint incentives to reduce the climate impact of properties and operations, because working together is critical to achieve the best outcomes. The long-term goal is to enter into green leases with all business partners.

The started dialogue had to be postponed due to the ongoing pandemic in 2020. Pandox hopes to be able to resume this dialogue in 2021, alternatively when existing agreements are to be renegotiated.

Energy saving projects in Property Management

In 2020 many planned projects that included energy saving actions within Property Management had to be postponed due to Covid-19. An example of a project that was implemented is the extensive upgrade of ventilation at Scandic Alexandra in the city of Molde. There were numerous separate ventilation units in the building with no heat recovery system. A total of five new heat recovery units were installed to the ventilation system with an expected yearly saving of

around 150,000 kWh. Other ventilation units were fitted with frequency control to match operation to actual needs more efficiently. These are now also equipped with heat recovery. New control and regulation equipment was also installed to optimise operation.

At Scandic Malmen in Stockholm the lighting environment was updated by replacing the lighting on the entrance level in the lobby, restaurant and bar with LED lighting. Pandox invested in light fittings and Scandic invested in lighting control systems. The new lighting is expected to provide an annual reduction in electricity consumption of 50,000 kWh, which is around 4 percent of the total consumption.

At Scandic Segevång in Malmö 63 bathrooms have been renovated to provide an estimated reduction in consumption of around 2 million litres of water annually, which is around 15 percent of the hotel's total water consumption. In addition, energy consumption is expected to be reduced by around 4,000 kWh due to more efficient lighting in the bathrooms.

Skyline Airport Hotel at Helsinki Airport underwent a renovation of all 214 rooms during the year. All lighting in hotel rooms, bathrooms and corridors were replaced with LED, and savings of around 85,000 kWh per year are expected. Taps and toilets were replaced with low-flow solutions and this is expected to save around 7 million litres of water per year.

Clarion Collection Hotel Arcticus in the city of Harstad has been one of Pandox's

smaller hotels for many years, but has been extended with 37 new rooms. The extension has its own heat recovery ventilation unit, which will reduce the amount of energy purchased as heat from exhaust air will be used instead of being expelled. The unit is linked to the existing control and regulation system for optimal monitoring and control. All lighting installed is LED and the corridors are equipped with motion sensors to provide effective and pleasant lighting for the guests. To obtain a better indoor environment, external sun protection has been installed on the facades.

A comprehensive renovation of hotel rooms and bathrooms and a technology upgrade at NH Bloom in Brussels began in 2020. Around 50 percent of the renovations are complete and are providing both water and electricity savings. Activities that will have a significant impact on energy and water consumption will be implemented in 2021. They include a new cooling system with more efficient pumps, new control equipment for hotel rooms and a new cogeneration unit.

Room and bathroom renovations at NH München Airport, NH Frankfurt Airport and NH Salzburg were put on hold in the second quarter but will continue according to an updated plan in 2021/2022. The renovated rooms and bathrooms are equipped with LED lighting and water-reduction solutions, such as low-flow faucets, shower heads and toilets.



Scandic Malmen, Stockholm.

For data on energy consumption, water consumption, waste generated and GHG emissions, see the Sustainability Notes K4, K5, K6 and K7.

Focus area

Responsible and fair business



As a leading hotel property company, Pandox wants to act responsibly and decently in all business relationships. The Company intends to be a long-term and reliable partner and to take steps to mitigate the risk of corruption and violation of human rights that exists in the industry.

Pandox's targets and results in the responsible and fair business focus area

Targets	Who is affected	Outcome 2020	Outcome 2019	Contributes to the UN SDGs
Every year ensure that 100% of the Group's employees have completed Pandox's Code of Conduct training		91%	83%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8, 10.2 and 16.5
No form of prostitution or sexual abuse is to occur in our organisation		1 case	0 cases	Target 8.7
Zero tolerance for corruption in Pandox's own operations and in the supply chain		2 cases	0 cases	Target 16.5

 Pandox (Property Management + Operator Activities + head office)

Business ethics and anti-corruption

Pandox's Anti-Corruption Policy and Code of Conduct for employees form the basis for good business ethics and compliance with laws and practices. Ongoing training is also needed to ensure compliance with the Policy and Code. Pandox therefore has a target for all employees to conduct the Company's digital Code of Conduct course. In 2020, 91 (83) percent of the employees completed the course.

As Pandox has operations in the British market, the Company is also subject to one of the world's strictest anti-bribery laws, the UK Bribery Act, which is an extraterritorial law and therefore covers all markets where Pandox is active.

Pandox has zero tolerance for corruption, as is clearly stated in the Anti-Corruption Policy. During the year all employees who

are in the risk group for exposure to corruption at hotels within Pandox's Operator Activities segment completed an advanced digital course in anti-corruption. If there is the slightest indication or suspicion of corruption, employees are to consult with their manager or manager's manager.

Two cases of corruption were reported; one was an employee who used its position in a supplier relationship for private purposes and the other was a supplier who offered services privately to employees without charging VAT. Pandox took immediate action and ended its working relationship in both cases.

To promote an open culture where employees and external stakeholders are not afraid to report irregularities, an external whistleblower system is available. Two

reports were received in 2020. They involved sexual harassment and a conflict of interest. The cases were investigated and handled according to Pandox's internal processes to avoid being repeated in the future.

[Read more in Sustainability Note K10.](#)



Human rights

Pandox is a member of the UN Global Compact and has therefore pledged to work according to its Ten Principles in areas such as human rights, labour right, the environment and anti-corruption. Pandox has zero

tolerance for criminality, prostitution or sexual exploitation.

In 2020 an inventory was done of the level of training in human rights at each of the hotels in Operator Activities, with a par-

ticular focus on human trafficking and prostitution. The results showed that the majority of the hotels provide regular courses. The courses are of very high quality and are usually produced by established organisations in the area. They provide a deeper understanding of how to identify, prevent and handle these issues. Only a few individual hotels do not have their own comprehensive training and these have been given access to the courses of other hotels.

One case of prostitution was reported in 2020 at a hotel in the Netherlands. The hotel staff discovered the case and it was immediately reported to the local police.

Pandox has also produced and published a Modern Slavery Act statement in which the Company strongly opposes all forms of exploitation, servitude and child labour.



Control over the supply chain

Pandox's Code of Conduct for Business Partners describes the expectations that Pandox has of its suppliers regarding human rights, labour, the environment and anti-corruption. The Code of Conduct for Business Partners is based on the Ten Principles of the UN Global Compact and the ILO Declaration on Fundamental Principles and Rights at Work.

In 2020 Pandox took a number of steps to improve its work on promoting sustainable supply chains. The Code of Conduct for Business Partners was updated to clarify the requirements with respect to human rights and the environment. The Company also implemented a digital audit system for supplier audits. Suppliers within Property Management classified as high risk, primarily in the construction industry, were required

to fill out a self-assessment form in which they evaluated their own sustainability work. A total of 90 suppliers received the form and 88 percent responded. Pandox then invited 54 suppliers to participate in an online training workshop to help them get started or to improve their existing sustainability-related policies and processes. This will be followed up in 2021.

Pandox has also started individual dialogue with suppliers whose performance was in the lowest 10 percent of the respondents based on the self-assessment form. The purpose is to encourage and support them to work more professionally and in a structured way on sustainability topics that are critical for Pandox.

The audit process also allows Pandox to foster and intensify relationships with the suppliers who are highly ranked. From the beginning of 2021 new suppliers within Property Management must be audited according to this process before a contract is signed. Pandox will also start random inspections beginning in 2021.

To increase knowledge and expertise, relevant employees have completed an internal course on sustainable supply chains. With respect to food and beverage suppliers,

Pandox has been able to use its position to enable all hotels in Operator Activities – regardless of brand – to use Hilton's supplier platform. This is a digital purchasing system and it guarantees that the suppliers have been audited and that any discounts will benefit the users. It also minimises situations where bribery might occur.

In 2020 the Purchasing Policy for maintenance and development in Property Management was introduced to set internal standards for conscious purchasing procedures. The Policy covers aspects such as waste services and purchasing of wood, paint and bathroom products in connection with renovations. Wooden products are to be environmentally certified, paint must be water-based and bathroom products need to have low-flow solutions without compromising the guest experience. A Maintenance Policy was also introduced to describe the work processes and procedures to be used within Pandox in this area. The objective is to ensure structured processes and good documentation of planned actions in each property, which will also help in budget planning in the medium term.

 For data on anti-corruption and supplier audits, see Notes K10 and K11.

 **88%**
of the targeted suppliers reported on their sustainability work in 2020

Focus area

Guest satisfaction and safety



Satisfied guests at the hotels, operated by Pandox, is the result of successful operation. Pandox's properties must be safe and secure for those working there on a daily basis and those temporarily visiting. The Covid-19 pandemic has put new pressure on the organisation.

Pandox's targets and results in the guest satisfaction and safety focus area

Targets	Who is affected	Outcome 2020	Outcome 2019	Contributes to the UN SDGs
Guest satisfaction At least 80% of the guests at Pandox-operated hotels would recommend Pandox hotels to others		82%	85%	N/A
Guest safety Guests at Pandox-operated hotels must always experience Pandox's operations and hotels as safe		No incidents reported	No incidents reported	Targets 3.4 and 8.8
Guest privacy and data security Zero tolerance for incidents in own operations		No incidents reported	One incident reported	N/A



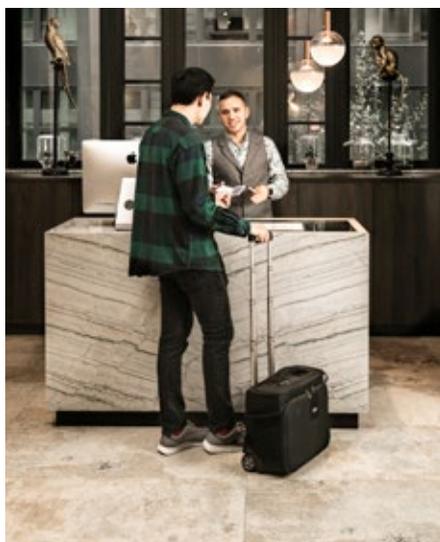
Operator Activities – own hotel operations



Pandox (Property Management + Operator Activities + head office)

Satisfied hotel guests

Guest satisfaction is the most important indicator in the Operator Activities business segment as it shows how well a hotel is living up to the guests' expectations and indirectly how competitive the products Pandox offers its guests are, in the form of attractive properties. Drivers of guest satisfaction include personal service, individual attention, products that offer value for money, safety, consistent quality of service and product delivery, community engagement and a focus on the environment. People booking conferences and travelling in business in particular want hotels to be environmentally certified. Leisure travellers have also started to require this, as more and more people become aware of the climate crisis today.



Pandox's long-term objective is for guest satisfaction to exceed 80 percent for hotels that have been included in Operator Activities for one year or more. Guest satisfaction was 82 (85) percent according to Pandox's annual guest survey, which was conducted by an external party in 2020. The decrease can mainly be linked to restrictions due to Covid-19 such as those that limited supply, for example restaurant closures.

82% (85%)
satisfied hotel guests
in 2020

Hotel guest health and safety

Hotel guests expect the hotel to deliver a safe and memorable experience. The hotel premises are to be safe and the employees must have the right skills to operate them in a safe and secure way.

Within the Property Management segment it is the tenant who is responsible for all forms of security such as perimeter protection, for example window and door alarms, security guards and surveillance cameras. Within Operator Activities, Pandox is responsible for security. Hotel safety is an area covered in Pandox's Code of Con-

duct for employees. In addition, all hotels in Pandox's Operator Activities segment have emergency preparedness plans and safety policies in place.

Safety is also a topic covered in the Pandox Code of Conduct training. The employees also receive training in first aid and all hotels regularly perform fire and evacuation drills. No incidents relating to hotel guest health and safety were reported in 2020.

For more information on employees and guests, see Notes K9 and K12.



Pandemic-related actions

In response to Covid-19 Pandox introduced additional safety measures to ensure that guests can be safe while on the premises. Pandox ensures that all public spaces at the hotels, such as toilets, reception areas and lobbies, as well as the surfaces touched the most within the hotel, are cleaned more frequently.

Many hotels within Operator Activities, such as Hilton hotels, use a safety seal for conference rooms and hotel rooms. This is an additional assurance that the room has been cleaned and can be used safely. The

hotels also constantly provide updated information on various restrictions in order to guide and reassure the guests.

Pandox has also increased ventilation to improve the air quality and installed CO₂ sensors to measure carbon dioxide levels in the indoor air and to optimise air flow. The Company has also increased the number of times the water system is flushed to minimise the risk of Legionnaires' disease while fewer guests are on the premises.

Being proactive during the pandemic

Say hello to Patrick Krueger, Director of Operations Germany. Can you tell us about some actions you took to increase safety during the pandemic?

"One important step we took was to proactively obtain the Bureau Veritas SafeGuard hygiene label for five hotels that we operate ourselves. The hotels were the first in Germany to obtain this certification which guarantees that appropriate health, safety and hygiene protocols are in place. The purpose is to be able to provide a safe environment for guests and employees during the pandemic. It includes training personnel in the increased hygiene standards required during a pandemic. The certification was then communicated to the guests via the hotel's website and in display at the hotel, to reassure the guests that they could feel safe on the property. This initiative was highly appreciated by employees and guests."



Patrick Krueger, Director of Operations Germany

Data security and customer integrity

Data security and protecting the guests' personal data are critical for Pandox. The Code of Conduct for employees contains guidelines on integrity and information security. To minimise the risk of a data breach, training in data security takes place locally at each hotel as well as through the mandatory Group-wide digital training. To protect the guests' personal data Pandox uses technical and organisational protective measures, such as firewalls and password-protected systems. Employees must also respect the guests' privacy and ensure that their personal data is treated confidentially.

In 2020 there were 0 (1) GDPR breaches and no customer data was lost.

Why are there so few women in hotel general manager positions in Europe?

What is it like being a woman and a hotel general manager in an industry where two out of three general managers are men? Ellen Deboeck, General Manager at Hilton Grand Place in Brussels, shares her thoughts.

WHAT IS IMPORTANT IN ORDER TO SUCCEED IN THE ROLE OF GENERAL MANAGER?

“Ultimately it’s about making a difference through the right leadership, decisions and priorities. Communicating a clear vision to the team and staying updated of new trends in travel, communication and conferences.”

WHY DO YOU THINK THERE ARE SO FEW WOMEN IN HOTEL GENERAL MANAGER POSITIONS IN EUROPE?

“Plenty of studies show that gender equality in the workplace adds value. Still, despite the fact that women make up 50 percent of the workforce in Europe, only a third of general managers are women. But I think this is changing. Today gender equality is high up on the agenda – both in the media and in businesses – in a way that was not the case a few years ago. This reflects the current situation. A heightened focus on gender equality is increasing opportunities for women to reach higher positions.”

WHAT IS THE BIGGEST CHALLENGE IN BEING A WOMAN AND A GENERAL MANAGER?

“The biggest challenge is the stereotypical assumptions and hidden biases that prevent gender equality in the job market. Women in managerial positions are asked questions about their work-life balance – something that men are never asked about. Also, there is an assumption that women are more driven by their emotions and less able to make decisions, which is entirely wrong.”

WHAT DO YOU CONSIDER TO BE THE MAIN OPPORTUNITIES?

“At Pandox we can make a difference and continue working towards breaking the glass ceiling. When we build our careers and achieve success we are honouring all the inspiring women who came before us – who paved the way for our generation. Similarly, it’s our duty to pave the way for the next gen-



“Pandox’s culture is very attractive to female leaders. All the right conditions exist for female leaders to have the chance to perform at a high level. We also provide an atmosphere of individual freedom, trust and respect. We need to work in a more structured way on this issue.”

Ellen Deboeck, General Manager at Hilton Brussels Grand Place.

eration and try to make sure the hotel industry offers gender equality in the workplace. I see this as part of our responsibility as leaders. But above all, more gender equality helps make companies better.

WHAT CAN PANDOX DO TO BETTER SUPPORT WOMEN IN GENERAL MANAGER ROLES?

“Pandox’s culture is very attractive to female leaders. All the right conditions exist for female leaders to have the chance to perform at a high level. We also provide an atmosphere of individual freedom, trust and respect. We need to work in a more structured way on this issue and be observant so

that we don’t inadvertently negatively impact motivation or opportunities for women in our company. This creates the right conditions for growth! I’ve had the good fortune to be surrounded by inspiring leaders who have given me opportunities to have an impact, and who have taught me how the industry works and how to achieve results in a very competitive sector. Some areas where improvement is needed are networking and mentorship, and identifying and developing talented women. We should ask our people what they need and make sure we create a culture that is stimulating for them and makes it easier to thrive.

“I start each work day by checking the energy and water consumption in our energy system. This allows me to quickly identify any problems and fix them.”

Abdel Jabbar Rharssi, Cluster Chief Engineer, Hilton Brussels Grand Place and The Hotel, Brussels.



Green heroes

You don't notice them at first. That's because true heroes are not the type to boast. They work quietly and methodically behind the scenes to make sure that the buildings are resource efficient and offer a good indoor environment for employees and guests. Abdel Jabbar Rharssi is one of them, which is why he received Pandox's "Green Hero of the Quarter" award for his work on sustainability at two of the Company's hotels in Brussels.

Abdel Jabbar Rharssi has worked for Pandox since 2018. He started working at The Hotel in Brussels and is now also responsible for Hilton Brussels Grand Place. Abdel was named a Pandox Green Hero in 2020. His proactive stance, good technical knowledge and a profound business focus are what led to him receiving this award.

HOW DOES SUSTAINABILITY FIT INTO YOUR DAY-TO-DAY WORK?

“I start each work day by checking the energy and water consumption in our energy system. This allows me to see if any items of

machinery or equipment are not performing optimally, so I can quickly take steps to fix the issue and save energy. I can also identify any water leaks and reduce the risk of potential damage to the building. We think first, make a considered decision and then act.

We've installed submeters so we can see how much energy is being consumed in different parts of the building. This provides us with valuable information. For example, one submeter showed high nighttime consumption for one of our tenants in the building, even though they only operate during the day. We worked with their operations

manager to change the nighttime settings and this enabled us to save energy and money.”

WHAT'S THE BEST THING ABOUT YOUR JOB?

“I appreciate my colleagues and the fact that we work together to solve any problems that arise. Most of the work we do is behind the scenes – not always visible – but it's still vital in ensuring that everything is working properly. It's encouraging to meet satisfied guests who like our hotel and want to come back.”

Focus area

Attractive and equal workplace



Pandox’s corporate culture is the key to the Company’s success. It provides the right conditions for motivated and independent employees with clear authority in their roles, and for equality in the workplace. Pandox has 1,148 employees from 91 different countries, which reflects the diversity in the hotel industry.

Pandox’s targets and results in the focus area attractive and equal workplace

Targets	Who is affected	Outcome 2020	Outcome 2019	Contributes to the UN SDGs
At least 80% satisfied employees in annual survey		81%	80%	Targets 3.4, 4.4, 4.5, 5.1, 5.5, 8.5, 8.7, 8.8 and 10.2
Increase the percentage of women in the roles of general manager and hotel manager		30%	13%	Targets 5.1, 5.5 and 10.2
Start collecting sickness absence data from the beginning of 2020		Executed	N/A	Targets 3.4 and 8.8



Operator Activities – own hotel operations



Pandox (Property Management + Operator Activities + head office)

Effects of the pandemic

When the Covid-19 pandemic was in full force in 2020, 760 employees were furloughed and 179 had to be laid off, calculated as the number of full-time equivalents. Since support packages varied from country to country, more workers were furloughed in the countries where the most support was provided. However, the majority of the hotels were not fully closed because they needed to be prepared to start up again without too much of a delay once restrictions were lifted. This proved to be a good strategy when some restrictions were eased during the summer.

Attractive employer

Pandox makes every effort to be one of the most attractive employers in the industry. In order to be an attractive employer, Pandox offers a dynamic but also secure working environment that encourages development and does not tolerate discrimination or harassment. Employees are offered a clear mandate to succeed in their role at work. As the Company has a lean organisation, having a strong moral compass and independence is essential.

In 2020 a survey was introduced for hotel employees within Operator Activities. The purpose is to measure employee satisfaction on a quarterly basis and the short-term target is a score of 80 percent. The employees also have an opportunity to suggest improvements. The 2020 result was 81 (80) percent. No incidents of discrimination were reported in 2020.

Employee turnover is another indicator of how satisfied the employees are. The turnover of Pandox’s hotel employees was 36 (22) percent in 2020. Employee turnover at the head office was 8 (2) percent. All of Pandox’s employees are able to join a trade union. Collective agreements are used in Operator Activities and collective bargaining takes place. In 2020 a total of 72 (70) percent of employees within Operator Activities were covered by collective bargaining agreements.

Also, workplace evaluations of the physical and psychosocial work environment are carried out every three years or when significant changes are made within the organisation, such as in connection with renovation or remodelling.

 For more information, see Note K9.

Development opportunities

Personal development is a company priority. Pandox's ambition is to offer all employees training, development opportunities and career planning, as well as flexible ways to find balance in their lives. In 2020 performance and career development reviews were conducted with 43 (66) percent of Pandox's employees. The reduction relates to Operator Activities and is due to fewer hours worked by the employees in 2020.

As the majority of the employees in Operator Activities were furloughed, only a few courses were completed during the year.

Health and safety

All employees are to have a healthy, safe and secure work environment. Risk assessments are carried out on a regular basis. Risks identified are usually associated with building sites and physical risks at hotels, such as the risk of fire and of trips, slips and falls. All employees receive annual training, information and instructions on safety. There are procedures in place to review evacuation routes and check emergency lighting and signs on an ongoing basis. While renovations are taking place emergency exit routes must be maintained by keeping evacuation routes clear and by keeping emergency lighting in working order and fire detection systems active.

During the year 0 (0) work-related deaths occurred and 1 (5) workplace injury of a more serious nature occurred. This

Health and wellness

Pandox aims to ensure that employees have a good work-life balance and encourages physical activity to promote wellbeing and improved performance. Pandox Movement is an initiative for the head office and the Property Management segment where employees participate together in sports and other physical activities. Employees are encouraged to challenge themselves and set ambitious goals, such as taking part in races such as "Spring för Livet" (Run for Your Life). Last summer around 30 key employees together climbed Kebnekaise, Sweden's highest mountain, in a joint leadership challenge aimed at increasing team spirit. This was a particularly important internal initiative in the wake of Covid-19.

Hotels in the Operator Activities segment are themselves responsible for the health



PANDOX'S CORE VALUES
It is important to the Company that all employees have a strong moral compass, take the initiative and are independent. This is because Pandox is a lean organisation filled with a spirit of entrepreneurship where everyone helps out and every employee is vital. Pandox also has an amusing company symbol in its illustrations of Pepper the dog, who is always up to his tricks. He is there to remind all employees to enjoy themselves and not to take themselves too seriously.

involved a server slipping on a wet floor, resulting in a broken knee. Pandox has also started collecting data on sickness absence to analyse the current situation and to see if the Company needs to establish common goals for this going forward.

Contractors taken on for renovation, remodelling or extension work are instructed in Pandox's health and safety routines and, in their capacity as employers, are formally responsible for investigating and taking steps if any of their employees are injured at work. Pandox has no formal responsibility for the employees of the tenants. However, Pandox does try to influence their practices through its Code of Conduct for Business Partners, which describes what the Company expects of them.

For more information on health and safety see Note K9.

and wellbeing programmes offered to the employees and this is often determined by which brand they operate under. Some hotels offer employees wellness opportunities in the form of use of the hotel's gym, pool and sauna before or after their shift. Some hotels offer employees help to stop smoking as a way of promoting better health. In 2020 some initiatives were paused or had to change course due to restrictions relating to Covid-19.

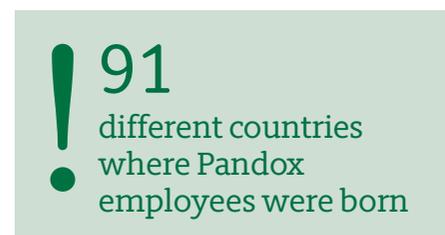
Employees at Pandox's head office were offered a health survey to complete at specific intervals depending on their age. The employees were also able to obtain computer screen glasses paid for by the Company.

For data on the employees' health and safety, see Sustainability Note K9.

Diversity and gender equality

Future generations of employees will want their employer to take responsibility in the community and focus on sustainability issues such as gender equality, diversity and the climate ¹⁾. The hotel industry is characterised by diversity – both in terms of nationality and age groups. Pandox's employees should reflect the diversity that exists among the guests. There is, however, a lack of women in senior roles overall, and particularly outside the Nordics. Pandox is therefore requiring equal gender representation in the recruitment process for senior roles in the Operator Activities segment. Of the three new general managers recruited in 2020, two are women and one is a man. The total percentage of female general managers at the end of 2020 was 30 (13) percent.

Also, an analysis of diversity and inclusion among the employees was to be conducted during the year to provide the Company with a clearer picture of how they feel about their work situation. As the majority of the employees were furloughed, this process has been postponed until 2021. The purpose is to ensure that Pandox is living up to its ambition of being a fair and equal company. The results of the analysis will be presented to the executive management team, so that they are well-informed about the challenges and opportunities that exist within the Company. The process will also include some concrete proposals on how to proceed in promoting gender equality and diversity.



¹⁾ Most important when choosing an employer – Young Professional Attraction Index 2020, Academic Work.

Focus area

Living local communities



Hotels play a vital role in the local community. Hotels create jobs, experiences and a place to stay, but they also make a positive contribution to development in society and to safe and vibrant city centres.

Pandox's targets and results in the living local communities focus area

Targets	Who is affected	Outcome 2020 for 20 hotels	Outcome 2019 for 16 hotels	Contributes to the UN SDGs
Community projects Every hotel and the head office will be involved in at least one project to support the local community in 2020 (Target: at least 19 projects)		18 hotels	15 hotels	Targets 4.4, 4.5, 8.6 and 10.2
All hotels are to have facade and/or entrance lighting to increase safety in the vicinity		14 hotels	11 hotels	Target 11.7



Operator Activities – own hotel operations



Pandox (Property Management + Operator Activities + head office)

For a living local community

Hotels have a significant role to play in the local community by providing experiences, meeting places and a place to stay for the night, and as employers and purchasers of local products and services. Hotels are also a vital part of the tourism industry as they generate income for the government at the national and municipal levels and for the local community. By working closely with the local community and employing people who live in the area, hotels can also support social sustainability. The hotel properties also play an important role in helping to create safe and vibrant city centres. Safety in the area around hotels can be improved by, for example, lighting up entrances and facades. 14 of 20 hotels in Operator Activities have lighting at their entrances and 15 have surveillance cameras.



Community engagement

One aspect of Pandox's leadership is contributing to local communities where the Company operates and in areas where Pandox's employees have particular expertise, skills and interests. Pandox's community engagement strategy requires all hotels in Operator Activities, as well as the head office, to support at least one local project. The choice of organisation or project is determined by the employees, as real engagement comes from the grass roots.

In 2020 all hotels except for 2 (1) in Operator Activities were involved in a local project and progress is being monitored in 2021. Examples of projects include providing food to homeless people and offering internships to young people with disabilities.

A selection of Pandox's joint projects

ENBACKSSKOLAN IN TENSTA

Pandox is working closely with Enbacksskolan in Tensta, a school in a socio-economically vulnerable area outside Stockholm. The purpose is to broaden the students' network of contacts in the job market and to lower entry barriers in society by facilitating integration through, for example, workplace visits and practical workplace experience. Unfortunately this initiative had to be postponed due to Covid-19 restrictions. However, Pandox is going to help Enbacksskolan to hold Sweden's first education fair for schools in vulnerable areas in 2021. The goal is to create an arena for those at vulnerable schools to discuss current topics, share their experiences and pursue various issues.

The podcast studio at Enbacksskolan, which was created by Pandox and the school two years ago, won the international Quality Innovation Award in 2020 in the Innovation in the Education Sector category. Various organisations in society and experts on different topics that students and parents do not normally come



into contact with, are interviewed in podcast format. This gives students the opportunity to turn sociology theory in the classroom into a practical exercise. The podcast format acts as a channel to increase interaction and the students' awareness, knowledge and community engagement. This initiative also led to a partnership with the Järva news agency.

Pandox also wants to offer the students leisure activities outside their neighbourhood, which many of them seldom leave. This provides them with a safe and enjoyable way to experience other parts of Stockholm with surrounding areas. Through this initiative Enbacksskolan was able to arrange a trip to Romme so that students in grade 7 to 9 could learn to ski in the winter season. Bus trips were arranged to various bathing spots and theme parks during the summer break, as many students have parents who cannot afford a holiday. Students in grade 8 and 9 went to a camp in the Björnö nature reserve in August where they camped for two nights. Many of these students had not spent time in nature before and the experience encompassed a range of subjects such as biology, physical education and science. According to the students, this trip was the highlight of their year.



MASKROSBARN

Pandox supported children's rights organisation Maskrosbarn's summer campaign during the summer. The summer is especially difficult for children whose parents struggle with addiction or mental illness, or for children exposed to violence. According to children's rights organisation BRIS, the number of calls it received relating to mental illness increased by 30 percent every week between the months of March and May 2020.

The purpose of the campaign was to raise funds in order to offer recreational activities that allow children to take a break from their everyday lives. Another objective was to make summer camps available to more children, allowing them to get away from a dysfunctional home life and meet trained coaches and others in similar situations.



GIVING PEOPLE

Summer 2020 was particularly difficult financially for many families where parents were laid off or furloughed. In response Pandox decided to support the organisation Giving People which provides families in vulnerable areas with groceries. Bags of groceries were distributed to families who cannot afford to buy the essentials to get by, which is

especially important when all meals had to be eaten at home during the pandemic. In many families the only food the children get is what is served at school.



THE SALVATION ARMY

Pandox decided to give the Salvation Army a Christmas gift. The Salvation Army (in Sweden Frälsningsarmén) is a Christian organisation active in 90 cities in Sweden that supports groups such as single mothers and pensioners who are in need of food, clothes, hygiene products, nappies and, not least, advice and support in contacts with various authorities. Many are living at the subsistence level and some even below it,

and therefore find it hard to put food on the table for their children. In December the Salvation Army distributed gift cards for ICA grocery stores. The amounts varied depending on the size of the household.



Geographical overview

Belgium

Share of Pandox total

6% 9 hotels

7% 2,474 rooms

6% of market value



Demand

- International
- Regional
- Domestic



Hotel Indigo Brussels City
284 rooms

Green Key  Safe Guard 



Crowne Plaza Brussels – Le Palace Green Key  IHG Green Engage  Safe Guard 



Hilton Grand Place Brussels Green Key  IHG Green Engage  Safe Guard 



NH Brussels Bloom Green Key  305 rooms



Crowne Plaza Antwerp IHG Green Engage  Safe Guard  262 rooms

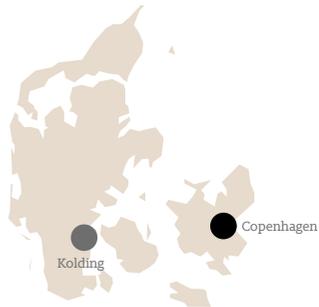
Denmark

Share of Pandox total

5% 8 hotels

5% 1,845 rooms

5% of market value



- Demand**
- International
 - Regional
 - Domestic



Urban House Copenhagen by MEININGER
228 rooms



Scandic Hvidovre
207 rooms



Hotel Mayfair
203 rooms



Scandic Copenhagen
486 rooms



Scandic Glostrup
120 rooms



Finland

Share of Pandox total
 9% 14 hotels
 9% 3,081 rooms
 6% of market value



Scandic Park Helsinki
523 rooms



Scandic Imatran Valtionhotelli
137 rooms



Scandic Kuopio
137 rooms



Pilot Airport Hotel
109 rooms



Hilton Helsinki Strand
190 rooms



Canada

Share of Pandox total
 1% 2 hotels
 3% 952 rooms
 2% of market value



- Demand**
- International
 - Regional
 - Domestic



InterContinental Montreal
 357 rooms

Green Key  Safe Guard 



InterContinental Montreal

Green Key  Safe Guard 



© Hilton

DoubleTree by Hilton Montreal
 595 rooms

ISO 14001 Safe Guard 



InterContinental Montreal

Green Key  Safe Guard 



© Hilton

DoubleTree by Hilton Montreal

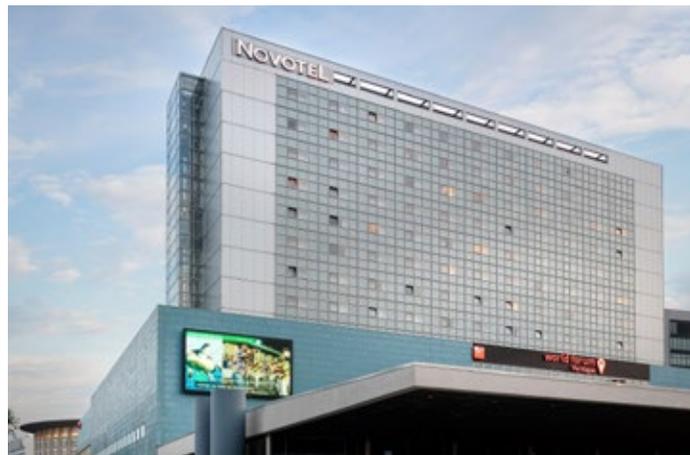
Green Key  Safe Guard 

Netherlands

Share of Pandox total
 1% 2 hotels
 1% 405 rooms
 3% of market value



Demand
 ● International
 ● Regional
 ● Domestic

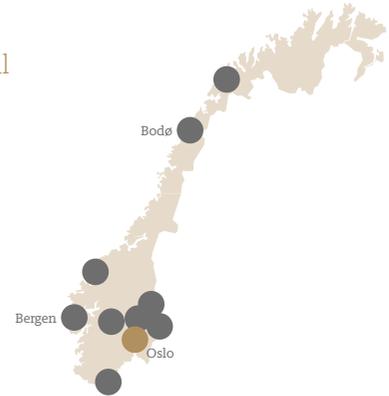


Novotel Den Haag World Forum
 216 rooms

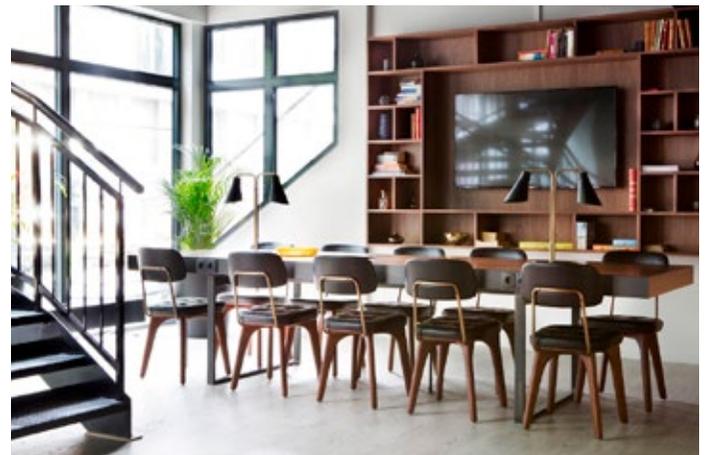
Planet 21 

Norway

Share of Pandox total
 9% 14 hotels
 7% 2,573 rooms
 5% of market value



Demand
 ● International
 ● Regional
 ● Domestic



Comfort Hotel Bergen
 159 rooms

ISO 14001



Park Centraal Amsterdam
 189 rooms

Green Globe 



Scandic Solli
 226 rooms

Nordic Swan 

►► Norway, cont.



Radisson Blu Bodø
191 rooms

Green Key 



Clarion Collection Bastion
99 rooms

ISO 14001



Scandic Hafjell
210 rooms



Scandic Sørlandet
210 rooms

Nordic Swan 



Scandic Lillehammer
303 rooms



Scandic Valdres
139 rooms

Sweden

Share of Pandox total
 27% 42 hotels
 25% 8,788 rooms
 24% of market value

Demand
 ● International
 ● Regional
 ● Domestic



Elite Stora Hotellet Jönköping
 167 rooms

Green Key 



Scandic Grand Örebro
 224 rooms

Nordic Swan 



Wildmarkshotellet Kolmården
 213 rooms

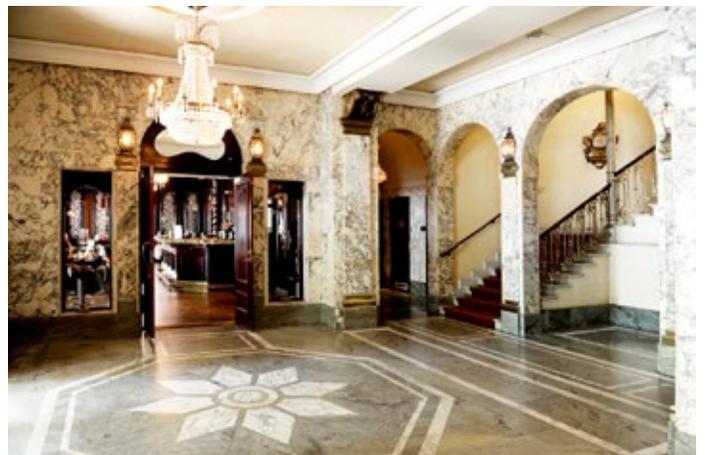
Nordic Swan 



Hilton Stockholm Slussen
 289 rooms

ISO 14001, 9001, 50001

Green Key 



Scandic Kramer
 113 rooms

Nordic Swan 

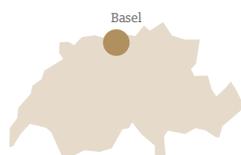
Switzerland

Share of Pandox total

1% 1 hotel

1% 206 rooms

1% of market value



Demand

- International
- Regional
- Domestic



Radisson Blu Basel
206 rooms

Green Key 

Austria

Share of Pandox total

1% 2 hotels

2% 639 rooms

2% of market value



Demand

- International
- Regional
- Domestic



NH Salzburg City
140 rooms

Eco Friendly



Radisson Blu Basel

Green Key 

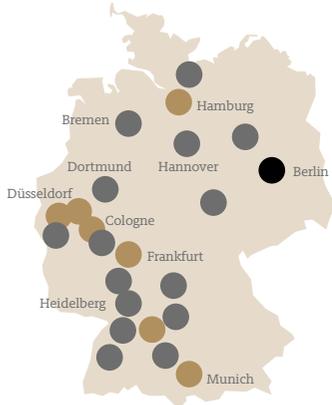


NH Vienna Airport
499 rooms

ISO 14001

Germany

Share of Pandox total
 24% 38 hotels
 24% 8,366 rooms
 25% of market value



Demand
 ● International
 ● Regional
 ● Domestic



Dorint Parkhotel Bad Neuenahr
 238 rooms

Planet 21 



Dorint am Dom Erfurt
 160 rooms

Planet 21 



Leonardo Royal Köln am Stadtwald
 150 rooms



Holiday Inn Lübeck
 159 rooms

IHG Green Engage  Safe Guard 



NH München Airport
 236 rooms

ISO 14001 Eco Friendly

►► Germany, cont.



Leonardo Royal Frankfurt
449 rooms



Hotel Berlin, Berlin
701 rooms

Green Key



Safe Guard



ISO 14001



NH Collection Hamburg
129 rooms

Eco Friendly



Leonardo Hannover Airport
214 rooms



Radisson Blu Bremen
235 rooms

Green Key



Safe Guard



BREEAM



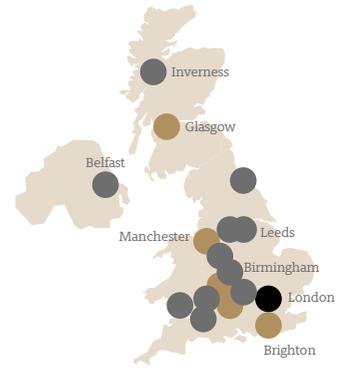
Radisson Blu Cologne
393 rooms

Green Key



United Kingdom

Share of Pandox total
 13% 21 hotels
 15% 5,286 rooms
 15% of market value

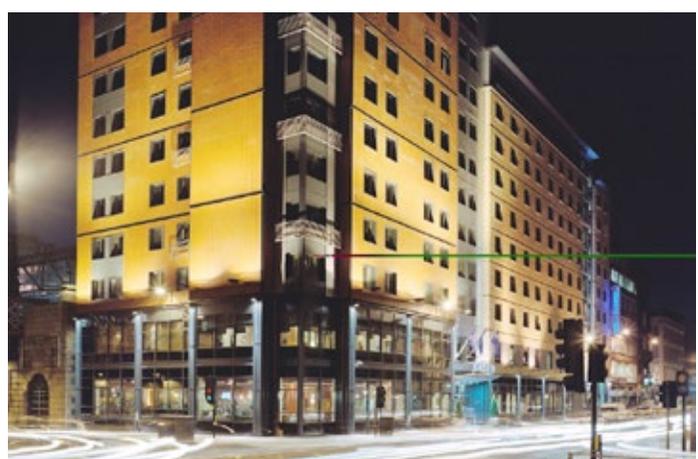


Demand
 ● International
 ● Regional
 ● Domestic



The Midland Manchester
 312 rooms

Green Tourism Gold 



Jurys Inn Glasgow
 321 rooms

Green Tourism Gold 



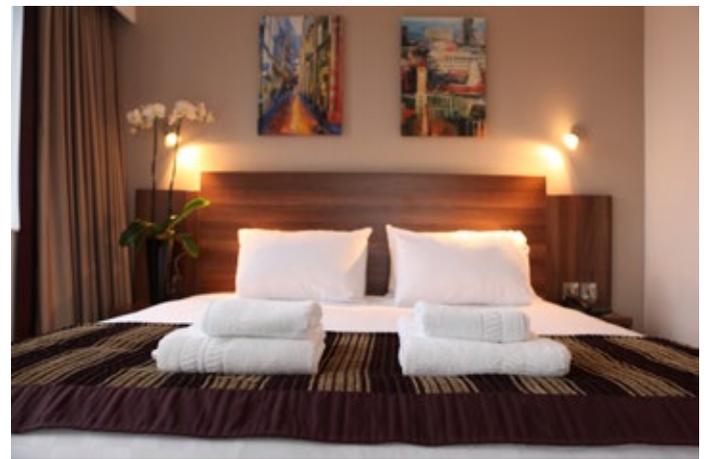
Hilton Garden Inn Heathrow
 364 rooms

Safe Guard  ISO 14001



Jurys Inn Sheffield
 259 rooms

Green Tourism Gold 



Jurys Inn Birmingham
 445 rooms

Green Tourism Gold 

►► United Kingdom, cont.



Jurys Inn Dublin Christchurch
182 rooms

Green Tourism
Gold 

Ireland

Share of Pandox total
2% 3 hotels
1% 445 rooms
2% of market value



Demand
● International
● Regional
● Domestic



Jurys Inn Dublin Christchurch

Green Tourism
Gold 



Jurys Inn Galway
130 rooms

Green Tourism
Gold 



Jurys Inn Cork
133 rooms

Green Tourism
Gold 



Jurys Inn Cork

Green Tourism
Gold 

Property portfolio

At year-end 2020, Pandox's property portfolio consisted of 156 (155) hotel properties with 35,060 (34,685) hotel rooms in 15 (15) countries. The Nordic region made up around 41 (41) percent of the market value of the property portfolio. A total of 136 of the hotel properties are leased to third parties, which means that around 84 percent of

the market value of the property portfolio is covered by long-term external leases. The remaining 20 hotel properties are owned and operated by Pandox.

Pandox's tenant base consists of reputable hotel operators with strong hotel brands in their respective markets.

PORTFOLIO OVERVIEW BY SEGMENT AND COUNTRY, 31 DECEMBER 2020

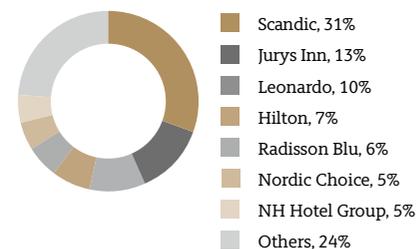
Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	As % of total	Per room
Sweden (SE)	42	8,788	14,573	24	1.7
Germany (GE)	33	6,876	11,962	20	1.7
United Kingdom (UK)	19	4,675	8,512	14	1.8
Finland (FI)	13	2,921	3,851	6	1.3
Norway (NO)	14	2,573	3,036	5	1.2
Denmark (DK)	6	1,442	2,669	4	1.9
Austria (AT)	2	639	1,441	2	2.3
Belgium (BE)	2	519	870	1	1.7
Ireland (IE)	3	445	1,366	2	3.1
Switzerland (CH)	1	206	728	1	3.5
Netherlands (NL)	1	189	1,173	2	6.2
Total Property Management	136	29,273	50,181	84	1.7
Operator Activities					
Belgium (BE)	7	1,955	3,266	5	1.7
Germany (GE)	5	1,490	3,085	5	2.1
Canada (CA)	2	952	1,146	2	1.2
United Kingdom (UK)	2	611	788	1	1.3
Denmark (DK)	2	403	713	1	1.8
Netherlands (NL)	1	216	340	1	1.6
Finland (FI)	1	160	23	0	0.1
Total Operator Activities	20	5,787	9,361	16	1.6
Total	156	35,060	59,542	100	1.7

PORTFOLIO OVERVIEW BY BRAND, 31 DECEMBER 2020

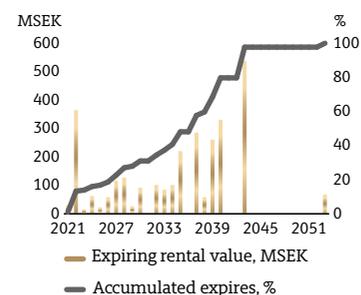
Brand	Number			Countries
	Hotels	Rooms	As % of total	
Scandic	50	10,908	31	SE, NO, FI, DK
Jurys Inn	20	4,410	13	UK, IE
Leonardo	18	3,547	10	GE
Hilton	7	2,298	7	SE, FI, UK, BE, CA
Radisson Blu	8	2,033	6	CH, GE, UK, NO, SE
Nordic Choice Hotels	11	1,837	5	SE, NO
NH	7	1,681	5	AT, BE, GE
Dorint	5	1,085	3	GE
Crowne Plaza	2	616	2	BE
Mercure	4	760	2	GE
Elite Hotels	2	493	1	SE
Novotel	2	421	1	GE, NL
Holiday Inn	2	469	1	BE, GE
InterContinental	1	357	1	CA
Maritim	1	316	1	GE
Indigo	1	284	1	BE
Pullman	1	252	1	GE
Meininger	1	228	1	DK
Best Western	1	103	0	SE
Independent brands	12	2,962	7	SE, FI, BE, GE, NL, UK
Total	156	35,060	100	15¹⁾

¹⁾ Includes the submarkets England, Scotland, Wales and Northern Ireland.

Rooms by operator/brand, 31 December 2020



Lease maturity profile 31 December 2020



Change in property value

At the end of 2020 Pandox's property portfolio had a total market value of MSEK 59,542 (63,469), of which MSEK 50,181 (53,697) was for Investment Properties and MSEK 9,361 (9,772) was for Operating Properties. In January 2020 the acquisition of Maritim Hotel Nürnberg was completed. In April 2020 Pandox took over operating two hotels in central Copenhagen, at which point they were reclassified from Property Management to Operator Activities. The market value of operating properties is reported for information purposes only and is included in EPRA NRV. Operating

properties are recognised at cost less depreciation and any impairment.

At the end of the period the carrying amount of operating properties was MSEK 7,363 (6,861).

At year-end 2020 the average valuation yield amounted to 5.44 (5.41) percent for investment properties and 6.37 (6.41) percent for operating properties.

Read more about Pandox's valuation of hotel properties on page 97.

CHANGE IN VALUE - INVESTMENT PROPERTIES

	MSEK
Investment properties, opening balance (1 January 2020)	53,697
+ Acquisitions ¹⁾	693
+ Investments in existing portfolio	492
- Divestments	—
+/- Reclassifications ²⁾	-739
+ Remeasurement for the year of property, plant and equipment in comprehensive income	—
+/- Change in value, unrealised	-1,779
+/- Change in value, realised	—
+/- Change in exchange rates	-2,183
Investment properties, closing balance (31 December 2020)	50,181

CHANGE IN VALUE - OPERATING PROPERTIES (REPORTED FOR INFORMATION PURPOSES ONLY)

	MSEK
Operating properties, opening balance (1 January 2020)	9,772
+ Acquisitions ³⁾	-4
+ Investments in existing portfolio	406
- Divestments	—
+/- Reclassifications ²⁾	739
+/- Change in value, unrealised	-1,014
+/- Change in value, realised	—
+/- Change in exchange rates	-538
Operating properties, closing balance (31 December 2020)	9,361

¹⁾ Refers to acquisition of a hotel property in Germany at MSEK 639, acquisition of supplementary premises at Jurys Inn Cardiff and adjustments to previously completed acquisitions.

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

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

SIGNIFICANT DROP IN THE TRANSACTION MARKET IN 2020

Volumes on the global hotel transaction market decreased by around 60 percent in 2020, heavily impacted by Covid-19 and the uncertainty brought by the pandemic.

Trends on the transaction market:

- Venture capital and high net worth individuals are expected to be active buyers of hotel properties in 2021
- Development of traditional management agreements
- Changed consumer behaviours will influence the design of hotel rooms
- ESG will become increasingly important

STRONG RECOVERY EXPECTED IN 2021

The global transaction market is expected to increase by around 35–40 percent in 2021 compared with 2020. Investors are expected to particularly favour assets in resort destinations and less densely populated cities.

Source: JLL Hotel Investment Outlook 2021.

Pandox's own brands, 31 December 2020

The Hotel.
BRUSSELS

Hotel Berlin, Berlin

Hotel Hubert
Grand Place

HOTEL
mayfair


HOTELLI
KORPILAMPI

hotel
twentyseven
27

Property list

Property Management

Hotel	City	Location	Environmental certification/ environmental management system	Type of agreement ¹⁾
Sweden				
Best Western Royal Star, Älvsjö	Stockholm	Congress centre	Green Key	OG
Clarion Grand, Helsingborg	Helsingborg	City centre	ISO 14001	OG
Clarion Grand, Östersund	Östersund	City centre	ISO 14001	OG
Elite Park Avenue, Gothenburg	Gothenburg	City centre	Green Key	OG
Elite Stora Hotellet, Jönköping	Jönköping	City centre	Green Key	OG
Hilton Stockholm Slussen	Stockholm	City centre	ISO 9001, ISO 14001, ISO 50001, Light Stay, Green Key	O
Mora Hotell & Spa	Mora	City centre		OG
Quality Ekoxen	Linköping	City centre	ISO 14001	OG
Quality Grand, Borås	Borås	City centre	ISO 14001	OG
Quality Luleå	Luleå	City centre	ISO 14001	OG
Quality Park, Södertälje	Södertälje	City centre	ISO 14001	O
Quality Winn, Gothenburg	Gothenburg	Ring road	ISO 14001	OG
Radisson Blu Arlandia	Stockholm	Airport	Green Key	OG
Radisson Blu Malmö	Malmö	City centre	Green Key	OG
Scandic Alvik, Stockholm	Stockholm	Ring road	Nordic Swan	OG
Scandic Backadal, Gothenburg	Gothenburg	Ring road	Nordic Swan	OG
Scandic Crown, Gothenburg	Gothenburg	City centre	Nordic Swan	O
Scandic Elmia, Jönköping	Jönköping	Congress centre	Nordic Swan	OG
Scandic Grand, Örebro	Örebro	City centre	Nordic Swan	O
Scandic Hallandia, Halmstad	Halmstad	City centre	Nordic Swan	O
Scandic Helsingborg Nord	Helsingborg	Ring road	Nordic Swan	OG
Scandic Järva Krog, Stockholm	Stockholm	Ring road	Nordic Swan	O
Scandic Kalmar Väst	Kalmar	Airport	Nordic Swan	OG
Scandic Kista	Stockholm	City centre	Nordic Swan	O
Scandic Kramer, Malmö	Malmö	City centre	Nordic Swan	O
Scandic Kungens Kurva, Stockholm	Stockholm	Ring road	Nordic Swan	OG
Scandic Linköping Väst	Linköping	Ring road	Nordic Swan	OG
Scandic Luleå	Luleå	Ring road	Nordic Swan, BREEAM certification in progress	OG
Scandic Malmen, Stockholm	Stockholm	City centre	Nordic Swan	OG
Scandic Mölndal, Gothenburg	Gothenburg	City centre	Nordic Swan	O
Scandic Norrköping Nord	Norrköping	Ring road	Nordic Swan	OG
Scandic Park, Stockholm	Stockholm	City centre	Nordic Swan	O
Scandic Plaza, Borås	Borås	City centre	Nordic Swan	O
Scandic S:t Jörgen, Malmö	Malmö	City centre	Nordic Swan	OG
Scandic Segevång, Malmö	Malmö	Ring road	Nordic Swan	OG
Scandic Skärholmen	Stockholm	City centre	Nordic Swan	O
Scandic Star Sollentuna	Stockholm	City centre	Nordic Swan	OG
Scandic Sundsvall Nord	Sundsvall	Ring road	Nordic Swan	OG
Scandic Södertälje	Södertälje	Ring road	Nordic Swan	OG
Scandic Winn, Karlstad	Karlstad	City centre	Nordic Swan	O
Scandic Örebro Väst	Örebro	Ring road	Nordic Swan	OG
Vildmarkshotellet, Kolmården	Norrköping	Resort	Nordic Swan	OG
Norway				
Clarion Collection Arcticus, Harstad	Harstad	City centre	ISO 14001	OG
Clarion Collection Bastion, Oslo	Oslo	City centre	ISO 14001	O
Comfort Børsparken, Oslo	Oslo	City centre	ISO 14001	OG
Comfort Hotel Bergen	Bergen	City centre	ISO 14001	OG
Scandic Alexandra, Molde	Molde	City centre	Nordic Swan	O
Radisson Blu Bodø	Bodø	City centre	Green Key	OG
Scandic Kokstad, Bergen	Bergen	Airport	Nordic Swan	O
Scandic Bodø	Bodø	City centre	Nordic Swan	O
Scandic Hafjell	Øyer	Resort	Certification in progress	O
Scandic Lillehammer	Lillehammer	City centre	Certification in progress	O
Scandic Ringsaker	Hamar	Ring road	Nordic Swan	OG
Scandic Solli, Oslo	Oslo	City centre	Nordic Swan	OG
Scandic Sørlandet, Kristiansand	Kristiansand	Resort	Nordic Swan	O
Scandic Valdres, Fagernes	Fagernes	Resort	Certification in progress	O

¹⁾ O = Revenue-based, OG = Revenue-based with guaranteed minimum rent level, OR = Revenue-based and profit-based, R = Profit-based, F = Fixed, IO = International profit-based, M = Management agreement, FR = Franchise agreement, AM = Asset management agreement.

Operator/brand	Sq m	Number of rooms	Brand	Demand ¹⁾
Private/Best Western	4,900	103	Best Western	R
Nordic Choice Hotels/Clarion Hotel	8,555	158	Nordic Choice Hotels	D
Nordic Choice Hotels/Clarion Hotel	8,766	197	Nordic Choice Hotels	D
Elite/Elite Hotels	21,998	326	Elite Hotels	R
Elite/Elite Hotels	11,378	167	Elite Hotels	D
Hilton/Hilton	18,416	289	Hilton	R
Private/Independent	9,161	140	Independent	D
Nordic Choice Hotels/Quality Hotel	14,671	208	Nordic Choice Hotels	D
Nordic Choice Hotels/Quality Hotel	9,593	158	Nordic Choice Hotels	D
Nordic Choice Hotels/Quality Hotel	12,166	220	Nordic Choice Hotels	D
Nordic Choice Hotels/Quality Hotel	10,292	157	Nordic Choice Hotels	D
Nordic Choice Hotels/Quality Hotel	5,800	121	Nordic Choice Hotels	R
Radisson Hospitality/Radisson Blu	15,260	342	Radisson Blu	R
Radisson Hospitality/Radisson Blu	18,969	229	Radisson Blu	D
Scandic/Scandic	12,075	324	Scandic	R
Scandic/Scandic	9,397	236	Scandic	R
Scandic/Scandic	24,380	338	Scandic	R
Scandic/Scandic	11,230	287	Scandic	D
Scandic/Scandic	12,900	224	Scandic	D
Scandic/Scandic	7,617	170	Scandic	D
Scandic/Scandic	9,399	240	Scandic	D
Scandic/Scandic	11,300	215	Scandic	R
Scandic/Scandic	5,485	150	Scandic	D
Scandic/Scandic	5,517	149	Scandic	R
Scandic/Scandic	7,441	113	Scandic	D
Scandic/Scandic	11,581	257	Scandic	R
Scandic/Scandic	6,105	153	Scandic	D
Scandic/Scandic	5,565	160	Scandic	D
Scandic/Scandic	15,130	332	Scandic	R
Scandic/Scandic	11,000	208	Scandic	R
Scandic/Scandic	6,768	151	Scandic	D
Scandic/Scandic	12,290	203	Scandic	R
Scandic/Scandic	10,592	204	Scandic	D
Scandic/Scandic	24,401	288	Scandic	D
Scandic/Scandic	6,284	169	Scandic	D
Scandic/Scandic	7,400	208	Scandic	R
Scandic/Scandic	18,573	270	Scandic	R
Scandic/Scandic	4,948	169	Scandic	D
Scandic/Scandic	5,630	131	Scandic	D
Scandic/Scandic	10,580	199	Scandic	D
Scandic/Scandic	7,621	212	Scandic	D
Private/Independent	10,300	213	Independent	D
Nordic Choice Hotels/Clarion Collection Hotel	3,540	112	Nordic Choice Hotels	D
Nordic Choice Hotels/Clarion Collection Hotel	4,688	99	Nordic Choice Hotels	R
Nordic Choice Hotels/Comfort Hotel	9,736	248	Nordic Choice Hotels	R
Nordic Choice Hotels/Comfort Hotel	5,920	159	Nordic Choice Hotels	D
Scandic/Scandic	18,356	165	Scandic	D
Radisson Hospitality/Radisson Blu	15,546	191	Radisson Blu	D
Scandic/Scandic	9,654	199	Scandic	D
Scandic/Scandic	8,750	136	Scandic	D
Scandic/Scandic	9,540	210	Scandic	D
Scandic/Scandic	18,000	303	Scandic	D
Scandic/Scandic	9,250	176	Scandic	D
Scandic/Scandic	12,962	226	Scandic	R
Scandic/Scandic	9,940	210	Scandic	D
Scandic/Scandic	10,310	139	Scandic	D

¹⁾ D = Domestic, R = Regional, I = International.



Bureau Veritas

During the year Pandox worked closely with Bureau Veritas in respect of the hotels Pandox operates itself, with the aim of achieving a high standard of health, safety and hygiene for both employees and guests during Covid-19.

Bureau Veritas is a world leader in testing inspection, classification, consulting and certification services. Bureau Veritas performed remote and site audits on Pandox hotels to ensure compliance with good hygiene practices, social distancing and other recommendations by the authorities aimed at controlling the risk of spreading Covid-19.

During the year 15 hotels that Pandox operates itself were awarded the Safe-Guard label, which shows that the hotels have addressed material risks and met strict hygiene standards.



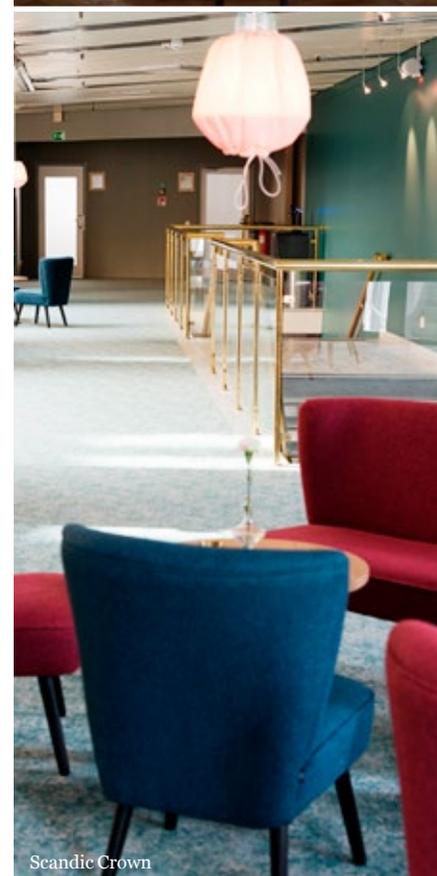
The Hotel Brussels

Hotel	City	Location	Environmental certification/ environmental management system	Type of agreement ¹⁾
Denmark				
Urban House by Meininger Copenhagen	Copenhagen	City centre		OG
Scandic Copenhagen	Copenhagen	City centre	Nordic Swan	O
Scandic Glostrup	Copenhagen	Ring road	Nordic Swan	O
Scandic Hvidovre	Copenhagen	Ring road	Nordic Swan	O
Scandic Kolding	Kolding	Ring road	Nordic Swan	OG
Scandic Sluseholmen	Copenhagen	Ring road	Nordic Swan	O
Finland				
Skyline Airport Hotel	Vantaa	Airport	EcoCompass	OG
Pilot Airport Hotel	Vantaa	Airport		O
Hilton Helsinki Kalastajatorppa	Helsinki	Ring road	ISO 14001, Light Stay	OG
Hilton Helsinki Strand	Helsinki	City centre	Nordic Swan	OG
Scandic Imatran Valtionhotelli	Imatra	City centre	Certification in progress	OG
Scandic Espoo	Espoo	Ring road	Nordic Swan	O
Scandic Grand Marina, Helsinki	Helsinki	City centre	Nordic Swan	OG
Scandic Jyväskylä	Jyväskylä	City centre	Nordic Swan	OG
Scandic Kajaanus	Kajaani	Congress centre	Nordic Swan	O
Scandic Kuopio	Kuopio	City centre	Nordic Swan	OG
Scandic Park, Helsinki	Helsinki	City centre	Nordic Swan	OG
Scandic Rosendahl, Tampere	Tampere	Resort	Nordic Swan	O
Scandic Tampere City	Tampere	City centre	Nordic Swan	OG
Germany				
Dorint am Main Taunus Zentrum Frankfurt	Frankfurt	Ring road	Planet 21	F
Dorint an der Kongresshalle Augsburg	Augsburg	City centre	Planet 21	OG
Dorint an den Westfalenhalle Dortmund	Dortmund	Congress centre	Planet 21	OG
Dorint am Dom Erfurt	Erfurt	City centre	Planet 21	OG
Dorint Parkhotel Bad Neuenahr	Bad Neuenahr	Resort	Planet 21	F
Mercure Frankfurt Airport	Frankfurt	Airport	Planet 21	F
Mercure Frankfurt Eschborn Ost	Frankfurt	City centre	Planet 21	F
Mercure München Neuperlach	Munich	City centre	Planet 21	F
Pullman Stuttgart Fontana	Stuttgart	City centre	Planet 21	F
Mercure Schweinfurt Maininsel	Schweinfurt	City centre	Planet 21	F
Leonardo Aachen	Aachen	City centre		OG
Leonardo Düsseldorf Airport – Ratingen	Düsseldorf	Airport		OG
Leonardo Düsseldorf City Center	Düsseldorf	City centre		OG
Leonardo Frankfurt City South	Frankfurt	Airport		OG
Leonardo Hamburg City Nord	Hamburg	City centre		OG
Leonardo Hannover	Hannover	City centre		OG
Leonardo Hannover Airport	Hannover	Airport		OG
Leonardo Heidelberg	Heidelberg	City centre		OG
Leonardo Heidelberg-Walldorf	Heidelberg	City centre		OG
Leonardo Karlsruhe	Karlsruhe	City centre		OG
Leonardo Köln-Bonn Airport	Cologne	Airport		OG
Leonardo Mannheim City Center	Mannheim	City centre		OG
Leonardo Mönchengladbach	Mönchengladbach	City centre		OG
Leonardo Royal Baden-Baden	Baden-Baden	City centre		OG
Leonardo Royal Düsseldorf Königsallee	Düsseldorf	City centre		OG
Leonardo Royal Frankfurt	Frankfurt	City centre		OG
Leonardo Royal Köln Am Stadtwald	Cologne	City centre		OG
Leonardo Wolfsburg City Center	Wolfsburg	City centre		OG
Maritim Nürnberg	Nuremberg	City centre	Fair Pflichtet, ISO 14040	F
NH Collection Hamburg	Hamburg	City centre	Eco Friendly	F
NH Frankfurt Airport	Frankfurt	Airport	Eco Friendly	OG
NH Munich Airport	Munich	Airport	ISO 14001, Eco Friendly	OG
Radisson Blu Cologne	Cologne	Congress centre	Green Key	OG

¹⁾ O = Revenue-based, OG = Revenue-based with guaranteed minimum rent level, OR = Revenue-based and profit-based, R = Profit-based, F = Fixed, IO = International profit-based, M = Management agreement, FR = Franchise agreement, AM = Asset management agreement.

Operator/brand	Sq m	Number of rooms	Brand	Demand ¹⁾
Meininger/Meininger	8,158	228	Meininger	R
Scandic/Scandic	31,500	486	Scandic	R
Scandic/Scandic	5,767	120	Scandic	R
Scandic/Scandic	9,005	207	Scandic	R
Scandic/Scandic	10,472	186	Scandic	D
Scandic/Scandic	14,177	215	Scandic	R
Private/Independent	9,717	214	Independent	R
Private/Independent	3,570	109	Independent	R
Scandic/Hilton	26,171	238	Hilton	R
Scandic/Hilton	18,450	190	Hilton	R
Scandic/Scandic	12,234	137	Scandic	D
Scandic/Scandic	6,407	96	Scandic	D
Scandic/Scandic	29,607	470	Scandic	R
Scandic/Scandic	8,952	150	Scandic	D
Scandic/Scandic	13,405	181	Scandic	D
Scandic/Scandic	9,538	137	Scandic	D
Scandic/Scandic	32,271	523	Scandic	R
Scandic/Scandic	18,348	213	Scandic	D
Scandic/Scandic	19,012	263	Scandic	D
HR Group/Dorint	13,518	282	Dorint	R
HR Group/Dorint	9,300	184	Dorint	D
HR Group/Dorint	14,000	221	Dorint	D
HR Group/Dorint	15,050	160	Dorint	D
HR Group/Dorint	22,496	238	Dorint	D
HR Group/Mercure	5,325	150	Mercure	R
HR Group/Mercure	10,000	224	Mercure	R
HR Group/Mercure	9,557	253	Mercure	R
HR Group/Pullman	10,306	252	Pullman	R
HR Group/Mercure	9,929	133	Mercure	D
Fattal/Leonardo	5,320	99	Leonardo	D
Fattal/Leonardo	9,900	199	Leonardo	R
Fattal/Leonardo	10,544	134	Leonardo	R
Fattal/Leonardo	15,800	295	Leonardo	R
Fattal/Leonardo	9,237	182	Leonardo	R
Fattal/Leonardo	10,350	178	Leonardo	D
Fattal/Leonardo	11,777	214	Leonardo	D
Fattal/Leonardo	9,484	169	Leonardo	D
Fattal/Leonardo	7,966	161	Leonardo	D
Fattal/Leonardo	8,857	147	Leonardo	D
Fattal/Leonardo	7,900	177	Leonardo	R
Fattal/Leonardo	10,300	148	Leonardo	D
Fattal/Leonardo	6,018	128	Leonardo	D
Fattal/Leonardo	8,300	121	Leonardo	D
Fattal/Leonardo	20,771	253	Leonardo	R
Fattal/Leonardo	24,000	449	Leonardo	R
Fattal/Leonardo	9,500	150	Leonardo	R
Fattal/Leonardo	19,275	343	Leonardo	D
Maritim/Maritim	14,795	316	Maritim	D
NH/NH Collection	11,611	129	NH	R
NH/NH	14,564	158	NH	R
NH/NH	7,148	236	NH	R
Radisson Hospitality/Radisson Blu	29,746	393	Radisson Blu	R

¹⁾ D = Domestic, R = Regional, I = International.



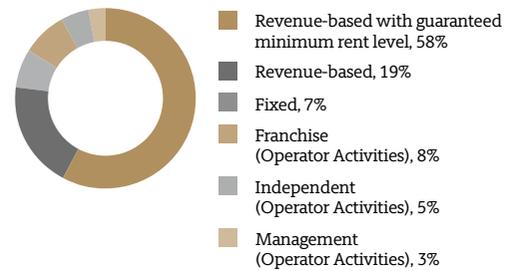
Hotel	City	Location	Environmental certification/ environmental management system	Type of agreement ¹⁾
United Kingdom				
England				
Hilton London Heathrow Airport	London	Airport	ISO 14001, LightStay	O
Jurys Inn Birmingham	Birmingham	City centre	Green Tourism Gold	OG
Jurys Inn Bradford	Bradford	City centre	Green Tourism Gold	OG
Jurys Inn Brighton Waterfront	Brighton	City centre	Green Tourism Silver	OG
Jurys Inn Cheltenham	Cheltenham	City centre	Certification in progress	OG
Jurys Inn East Midlands Airport	East Midlands	Airport	Green Tourism Bronze	OG
Jurys Inn Hinckley Island	Hinckley	Ring road	Certification in progress	OG
Jurys Inn Leeds	Leeds	City centre	Green Tourism Gold	OG
Jurys Inn London Croydon	London	City centre	Green Tourism Gold	OG
Jurys Inn Manchester	Manchester	City centre	Green Tourism Gold	OG
Jurys Inn Middlesbrough	Middlesbrough	City centre	Green Tourism Silver	OG
Jurys Inn Oxford	Oxford	Ring road	Certification in progress	OG
Jurys Inn Sheffield	Sheffield	City centre	Green Tourism Gold	OG
Jurys Inn Swindon	Swindon	City centre	Green Tourism Gold	OG
The Midland, Manchester	Manchester	City centre	Green Tourism Gold	OG
Ireland				
Jurys Inn Cork	Cork	City centre	Green Tourism Gold	OG
Jurys Inn Dublin Christchurch	Dublin	City centre	Green Tourism Gold	OG
Jurys Inn Galway	Galway	City centre	Green Tourism Gold	OG
Northern Ireland				
Jurys Inn Belfast	Belfast	City centre	Green Tourism Gold	OG
Scotland				
Jurys Inn Glasgow	Glasgow	City centre	Green Tourism Gold	OG
Jurys Inn Inverness	Inverness	City centre	Green Tourism Silver	OG
Wales				
Jurys Inn Cardiff	Cardiff	City centre	Certification in progress	OG
Other				
Belgium				
NH Brussels BLOOM!	Brussels	City centre	Green Key	OG
NH Brussels EU Berlaymont	Brussels	City centre	Green Key	OG
Netherlands				
Park Centraal Amsterdam	Amsterdam	City centre	Green Globe	OG
Switzerland				
Radisson Blu Basel	Basel	City centre	Green Key	OG
Austria				
NH Salzburg City	Salzburg	City centre	Eco Friendly	OG
NH Vienna Airport	Vienna	Airport	ISO 14001	OG

¹⁾ O = Revenue-based, OG = Revenue-based with guaranteed minimum rent level, OR = Revenue-based and profit-based, R = Profit-based, F = Fixed, IO = International profit-based, M = Management agreement, FR = Franchise agreement, AM = Asset management agreement.

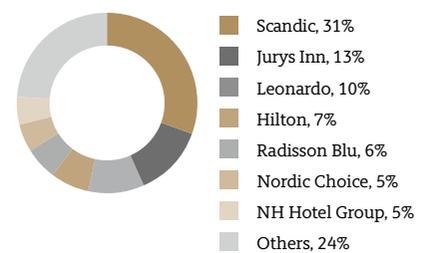
Operator/brand	Sq m	Number of rooms	Brand	Demand ¹⁾
Hilton/Hilton	25,090	398	Hilton	I
Fattal/Jurys Inn	27,455	445	Jurys Inn	R
Fattal/Jurys Inn	6,092	198	Jurys Inn	D
Fattal/Jurys Inn	11,866	210	Jurys Inn	R
Fattal/Jurys Inn	6,416	122	Jurys Inn	D
Fattal/Jurys Inn	7,869	164	Jurys Inn	D
Fattal/Jurys Inn	28,290	362	Jurys Inn	D
Fattal/Jurys Inn	13,615	248	Jurys Inn	D
Fattal/Jurys Inn	12,749	240	Jurys Inn	I
Fattal/Jurys Inn	10,160	265	Jurys Inn	R
Fattal/Jurys Inn	8,625	132	Jurys Inn	D
Fattal/Jurys Inn	16,755	240	Jurys Inn	R
Fattal/Jurys Inn	11,600	259	Jurys Inn	D
Fattal/Jurys Inn	9,589	229	Jurys Inn	D
Fattal/Independent	34,500	312	Independent	R
Fattal/Jurys Inn	4,708	133	Jurys Inn	D
Fattal/Jurys Inn	6,475	182	Jurys Inn	I
Fattal/Jurys Inn	5,107	130	Jurys Inn	R
Fattal/Jurys Inn	13,023	270	Jurys Inn	D
Fattal/Jurys Inn	14,465	321	Jurys Inn	R
Fattal/Jurys Inn	4,993	118	Jurys Inn	D
Fattal/Jurys Inn	10,400	142	Jurys Inn	D
NH/NH	26,963	305	NH	I
NH/NH	10,827	214	NH	I
Grand City Hotels/Independent	10,811	189	Independent	I
Radisson Hospitality/Radisson Blu	19,493	206	Radisson Blu	R
NH/NH	7,301	140	NH	R
NH/NH	22,208	499	NH	I

FACTS – TOTAL PANDOX PORTFOLIO

Rooms by agreement type, 31 December 2020



Rooms by brand, 31 December 2020



¹⁾ D = Domestic, R = Regional, I = International.

Operator Activities

Hotel	City	Location	Environmental certification/ environmental management system	Type of agreement ¹⁾
Belgium				
Crowne Plaza Antwerp	Antwerp	Ring road	IHG Green Engage, SafeGuard, BREEAM certification in progress	FR
Crowne Plaza Brussels – Le Palace	Brussels	City centre	Green Key, IHG Green Engage, SafeGuard, BREEAM certification in progress	FR
Hilton Grand Place Brussels	Brussels	City centre	Green Key, ISO 14001, LightStay, SafeGuard, BREEAM certification in progress	FR
Holiday Inn Brussels Airport	Brussels	Airport	Green Key, ISO 14001, LightStay, SafeGuard, BREEAM certification in progress	FR
Hotel Hubert Brussels	Brussels	City centre	Green Key, SafeGuard, BREEAM certification in progress	IO
Hotel Indigo Brussels City	Brussels	City centre	Green Key, SafeGuard, BREEAM certification in progress	FR
The Hotel Brussels	Brussels	City centre	Green Key, SafeGuard, BREEAM certification in progress	IO
Finland				
Hotel Korpilampi, Espoo	Espoo	Resort	Green Key, BREEAM certification in progress	IO
Denmark				
Hotel Mayfair	Copenhagen	City centre	Green Key	IO
Hotel Twentyseven	Copenhagen	City centre	Green Key	IO
Canada				
DoubleTree by Hilton Montreal	Montreal	City centre	Green Key, SafeGuard	FR
InterContinental Montreal	Montreal	City centre	Green Key, SafeGuard	M
Netherlands				
Novotel Den Haag World Forum	The Hague	Congress centre	Planet 21	M
United Kingdom				
<i>England</i>				
Hilton Garden Inn Heathrow	London	Airport	ISO 14001, LightStay, SafeGuard, BREEAM certification in progress	FR
<i>Scotland</i>				
Radisson Blu Glasgow	Glasgow	City centre	Green Tourism Silver, BREEAM certification in progress	M
Germany				
Holiday Inn Lübeck	Lübeck	Ring road	IHG Green Engage, SafeGuard, BREEAM certification in progress	FR
Hotel Berlin, Berlin	Berlin	City centre	Green Key, ISO 14001, SafeGuard, BREEAM certification in progress	IO
Novotel Hannover	Hannover	City centre	Planet 21, SafeGuard	M
Radisson Blu Bremen	Bremen	City centre	Green Key, BREEAM In Use, SafeGuard	FR
Radisson Blu Dortmund	Dortmund	Congress centre	Green Key, BREEAM In Use, SafeGuard	FR

External management agreements

Hotel	City	Location	Type of agreement ¹⁾
Bahamas			
Pelican Bay, Grand Bahama Island*	Lucaya	Resort	AM

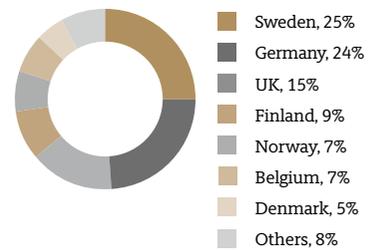
* Owned by Sundt AS, a related party of Helene Sundt AS and CGS Holding AS, a principal shareholder in Pandox. Pandox is paid based on a percentage of the hotel's revenues.

¹⁾ O = Revenue-based, OG = Revenue-based with guaranteed minimum rent level, OR = Revenue-based and profit-based, R = Profit-based, F = Fixed, IO = International profit-based, M = Management agreement, FR = Franchise agreement, AM = Asset management agreement.

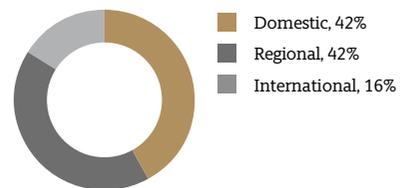
Operator/brand	Sq m	Number of rooms	Brand	Demand ¹⁾
Pandox/Crowne Plaza	18,340	262	Crowne Plaza	D
Pandox/Crowne Plaza	28,095	354	Crowne Plaza	I
Pandox/Hilton	22,186	224	Hilton	I
Pandox/Holiday Inn	21,072	310	Holiday Inn	I
Pandox/Independent	4,650	100	Independent	I
Pandox/Indigo	13,850	284	Indigo	I
Pandox/Independent	35,612	421	Independent	I
Pandox/Independent	12,918	160	Independent	D
Pandox/Independent	7,465	203	Independent	R
Pandox/Independent	7,963	200	Independent	R
Pandox/Hilton	44,148	595	Hilton	I
IHG/InterContinental	25,524	357	InterContinental	I
Grape/Novotel	10,500	216	Novotel	R
Pandox/Hilton	14,733	364	Hilton	I
Radisson Hospitality/Radisson Blu	20,261	247	Radisson Blu	
Pandox/Holiday Inn	7,022	159	Holiday Inn	D
Pandox/Independent	42,610	701	Independent	I
Grape/Novotel	13,048	205	Novotel	D
Pandox/Radisson Blu	26,900	235	Radisson Blu	D
Pandox/Radisson Blu	9,100	190	Radisson Blu	D

FACTS – TOTAL PANDOX PORTFOLIO

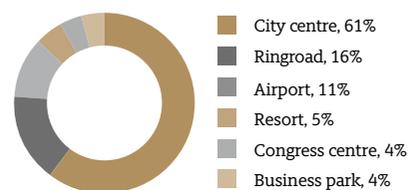
Rooms by country, 31 December 2020



Rooms by demand type, 31 December 2020



Rooms by location, 31 December 2020

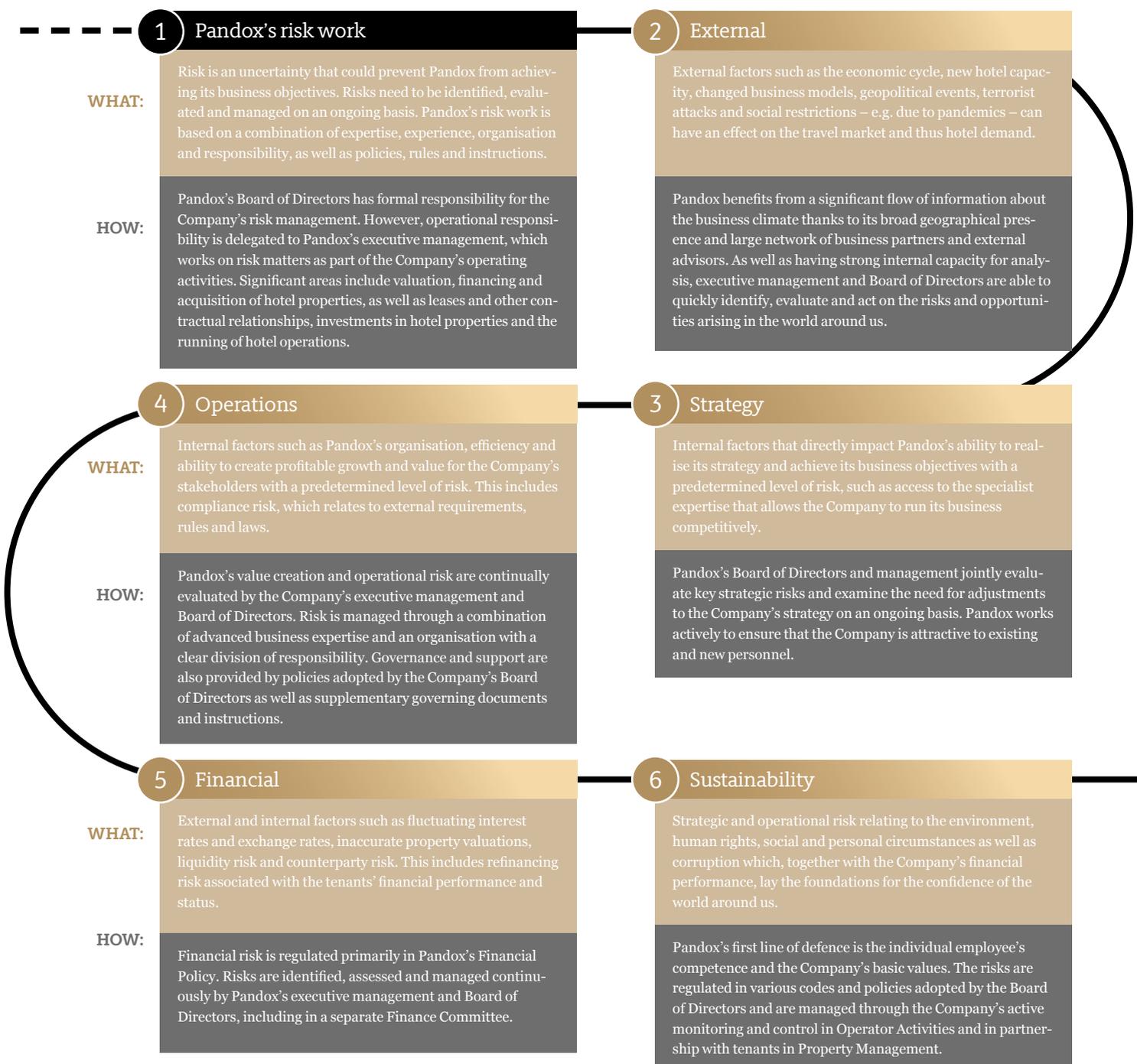


Operator/brand	Sq m	Number of rooms	Brand	Demand ¹⁾
Sundt AS/Independent	NM	186	Independent	

¹⁾ D = Domestic, R = Regional, I = International.

Thorough risk management creates opportunities

A number of factors affect, or could affect, Pandox’s operations – either directly or indirectly. Pandox works continuously and in a structured way to identify business risks, in order to manage these as consciously and effectively as possible. Good risk management contributes to profitable growth and strengthens confidence in the Company among the outside world.



1

PANDOX'S RISK WORK

Pandox's business activities are associated with risk and the Company works in a structured and proactive way to map, analyse and manage this. During the year, taking into account the extraordinary circumstances brought about by Covid-19, Pandox worked actively to manage risk through a newly established Financial Committee, with a particular focus on risk associated with the tenants' financial status, refinancing of loans and meeting the conditions of the loans. Risks were continuously assessed and managed within the framework of the Company's strategy and operations.

Pandox assesses each risk based on the expected impact (from insignificant to very significant) if the event that triggers the risk

should occur, and the likelihood (from very low to very high) of the risk then being realised. This assessment then forms the basis of an evaluation of how the risk should be prioritised, whether it requires specific action or if it can be managed as part of Pandox's normal administration. The effectiveness of existing measures to mitigate risk is assessed on a scale ranging from low to high control.

Identified risks are mapped in a risk matrix based on expected impact and likelihood. By taking active steps the potential effects of risks on the business can be reduced. One example of such a risk is interest rate fluctuation. This risk is managed primarily through Pandox's Financial Policy and internal expertise in treasury and risk.

FINANCIAL EFFECTS OF CHANGES IN CERTAIN KEY PARAMETERS, AS OF 31 DECEMBER 2020:

Investment properties, effect on fair value		Change	Effect on value, MSEK
Valuation yield	2 5	+/-0.5 pp	-4,222 /+5,076
Change in exchange rates	2 5	+/-1%	+/-356
Net operating income*	2 4 5 6	+/-1%	+/-391 (538)
Investment properties, effect on revenues*		Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate)	2 4 5	+/-1%	+/-3 (25)
Operating properties, effect on revenues*		Change	Revenue effect, MSEK
RevPAR (assuming a 50/50 split between occupancy and rate)	2 4 5	+/-1%	+/-7 (23)
Financial sensitivity analysis, effect on earnings		Change	Profit before changes in value, MSEK
Interest expense with current fixed interest, change in interest rates	2 5	+/-1%	-/+118
Interest expense with a change in the average interest rate	2 5	+/-1%	-/+316
Remeasurement of interest rate derivatives following shift in yield curves	2 5	+/-1%	-/+868

* The lower value relates to results for 2020 and the higher value in parentheses relates to a normal year "pre-corona".

FINANCIAL SENSITIVITY ANALYSIS

The sensitivity analysis to the left describes the financial effects of changes in certain key parameters linked to risk. The figures indicate which risk area is most relevant to each parameter. In terms of financial reporting of both income and financial position, it is mainly fluctuating interest rates, changes in RevPAR and valuation yields that have the greatest impact.

Reflections from a year with Covid-19

2020 has been a unique year from a risk perspective. Pandox's strategy, business model, organisation, employees, income statement and balance sheet have been tested to an extent never experienced before, due to a great many interacting factors. The main reason was social restrictions at a level unprecedented in modern history – especially in democratically governed countries – combined with inadequate government support measures that did not compensate for the loss of income. Moreover, there was a high correlation of these restrictions between countries. This decreased demand dramatically in all of Pandox's key markets and essentially made the Company's geographical diversification ineffectual.

The weakest link in the risk chain is currently financially squeezed operators that may not be able to pay their rent. This is in turn linked to the (discounted) cash flows that make up the value of Pandox's hotel properties, which in turn materially affect Pandox's financial key ratios such as the

interest coverage ratio and the loan-to-value ratio – and by extension also Pandox's refinancing risk.

Pandox's financial protection consists mainly of contracted minimum rent and fixed rent, which covers all Pandox's costs and ensures an interest coverage ratio with a satisfactory margin against financial covenants at Group level. Pandox also has a strong financial position with cash and cash equivalents and unutilised credit facilities of MSEK 5,221 as at 31 December 2020. In addition, the fact that Pandox is able to take over operations at hotel properties owned by the Company offers significant operational and financial protection. However, taking over operations on a large scale can reduce earnings in the short term.

See also pages 92–100 for more information on Pandox's work in the Covid-19 crisis.

PANDOX'S RISKS AND THE COMPANY'S MANAGEMENT OF SUCH RISKS ARE DESCRIBED IN MORE DETAIL BELOW.

Risk	Description	Risk management
1. EXTERNAL RISK		
Economic downturn	Economic activity is a primary driver of both business and leisure travel, and a weakened economy can therefore have a negative effect on demand.	<ul style="list-style-type: none"> The portfolio consists of a large number of sizeable hotel properties with a good spread as regards geography, location, brand, operating model and type of demand (international, domestic and regional) The hotel properties are predominantly full-service hotels in the upper-mid scale segment, which has historically been more stable in earnings than, for example, the high price segment
Disruptive business models	Pandox's business model may be challenged by the emergence of new business models, such as online travel agencies (OTAs) and so-called home-sharing services. If Pandox is not able to keep up with the competition, this could have a negative impact on revenues and earnings.	<ul style="list-style-type: none"> Pandox works with nearly 30 different hotel operators and hotel brands; this gives the Company a unique position as regards information and knowledge of market changes and also helps to spread commercial risk Pandox's working methods are based on optimising revenues taking into account the distribution landscape and its impact on revenue and costs, including through the support of a Group-wide Revenue Management Centre Long leases with external hotel operators containing a minimum guaranteed rent clause and general deductions for commission are not usually permitted
Geopolitical events	Security and geopolitical events can have significant effects on travel patterns and demand in the hotel market.	<ul style="list-style-type: none"> A well thought-out strategy and business plan exists for each individual hotel property and geographical area; the ability to continually monitor economic conditions for each individual hotel property creates a readiness to make quick business decisions when needed
Overexpansion of hotel rooms	New capacity in the form of new hotels and hotel rooms could have a significant adverse impact on RevPAR in individual markets.	<ul style="list-style-type: none"> Ongoing market analysis is carried out for each geographical area of operations and hotel property, which means that changes in the market are detected early on and measures can be initiated without delay
Pandemics	Global spread of infectious diseases resulting in extraordinary social measures in many countries simultaneously, such as travel restrictions, limits on meeting up and public gatherings, and restricting the ability to run hotel operations.	<ul style="list-style-type: none"> Geographically diversified hotel property portfolio Exposure to mainly domestic demand Significant proportion of leases with minimum guaranteed rent level and fixed rental income
2. STRATEGIC RISK		
Growth through acquisitions	Risks attributable to acquisitions is mainly the risk of paying too much for assets, the risk of incorrect assumptions as regards future earnings of the acquired asset/business, the risk of taking over leases or other agreements that are unfavourable, and the risk of management time and other resources being spent on acquisitions that are not completed.	<ul style="list-style-type: none"> Pandox's long-term focus on hotel properties as a class of asset has generated extensive specialist expertise An active Board of Directors and active principal shareholders, experienced management and a sound basis for decisions Pandox has a well thought-out strategy in which the country, city, type of hotel, brand, type of agreement, form of operation and yield are continually and consistently evaluated Tried and tested due diligence processes supported by internal and external specialists reduce the risk of incorrect acquisitions Pandox's way of working (the Pandox Method) increases cash flow and limits risk for the hotel in question
Major investments in the existing portfolio	There is a risk that the costs of investments may be higher than expected and that the return is therefore lower than expected because of inaccurate costings, unprofessional procurement or inefficient project implementation.	<ul style="list-style-type: none"> Extensive specialist knowledge of the identification, evaluation and implementation of investments in the existing hotel property portfolio Long-term investment management of measures implemented in the property portfolio Capital expenditure in excess of MSEK 10 is referred to the Board of Directors for a decision Monthly review of all investment projects Follow-up and calculation of actual costs and outcomes for completed investment projects
Impact of digitalisation	Pandox's ability to develop its organisation and its way of working to take into account new digital possibilities is a decisive factor in the Company's long-term competitiveness.	<ul style="list-style-type: none"> Digital expertise on the Board of Directors Pandox works proactively at an operational level to gather know-how on strategic digitalisation matters Work on targeted initiatives is in progress within various parts of the Company

Risk	Description	Risk management
3. OPERATIONAL RISK		
Dependence on key individuals	High dependence on individuals in key positions can pose a risk of daily duties not being able to be performed with adequate efficiency and quality.	<ul style="list-style-type: none"> • Plan for long-term talent supply • Good knowledge of external individuals in senior roles for recruitment • Strong external network with supporting specialist expertise • Remuneration Committee that ensures competitive levels of remuneration • Clear personal incentives and long contract terms • Procedures and process descriptions for key functions to reduce dependence on individual personnel
Access to the right competencies	The risk that Pandox is unable to find the right competencies in new markets or to replace lost competencies in existing markets, or is unable to do so sufficiently quickly.	<ul style="list-style-type: none"> • As part of operational HR work, recruitment needs are reviewed regularly at both the central and local level • Strong external network with supporting specialist expertise • Attractive workplace with great personal freedom in professional roles and good opportunities to develop
Tenants' business and financial status	The risk that tenants underperform and/or are unable to pay their rent.	<ul style="list-style-type: none"> • Individual business plans for each hotel property • Each tenant's results are followed up monthly, as are ongoing investment projects • Various guarantees that in certain circumstances may be called on to cover unpaid rent
Integration of acquisitions	Commercial, technical and accounting risks that arise ahead of, during and after an acquisition or business takeover.	<ul style="list-style-type: none"> • Many years of experience of integrating acquisitions in numerous geographical markets • Clear project organisation and allocation of roles • Internal specialist expertise in property, finance, tax, valuation, law and communication • Clear work methods and processes • Extensive external network with specialist expertise
Own operating activities at hotels	Pandox is exposed to certain risks that commonly occur within hotel operations, such as increased operating costs that cannot be fully offset by increased room rates or increased prices for other hotel services, the costs of compliance with laws and regulations, the ability to forecast occupancy and average room rates and to plan staffing, the quality and reputation of hotel brands used, an inability to keep pace with technical developments, faults in or damage to IT systems, as well as risks and costs associated with protecting the privacy of guests' personal data and providing for their physical safety.	<ul style="list-style-type: none"> • Strategic and operational work to ensure each hotel is optimally positioned in each market • Strong local management and an effective organisation • A Group-wide Revenue Management Centre for distribution • Modern systems for revenue forecasts, staffing and productivity • Ongoing benchmarking and analysis of each hotel's performance in relation to its immediate competitors
IT risk	As digitalisation as increased, so too has the risk of IT incidents that could result in the loss, manipulation or locking of data and systems.	<ul style="list-style-type: none"> • Well-separated system environments with few users at Group level • Regular risk analysis and continual maintenance of IT security supported by external expertise
Tax risk	<p>Pandox could be affected by changes in tax legislation or practice.</p> <p>Pandox's tax situation may worsen if the Company's past or current management and assessment of tax matters is successfully questioned.</p>	<ul style="list-style-type: none"> • Pandox has internal tax expertise and works with reputable external tax advisors on acquisitions, divestments and ongoing evaluation of changes in tax legislation and its interpretation in each country of operation • Planning of measures based on proposed changes to tax legislation is initiated at an early stage • In the event of inquiries from local tax authorities, reputable external tax advisors are consulted • Pandox has a Tax Policy adopted by the Board of Directors which, among other things, expressly stipulates that Pandox is to comply with all laws and rules in force where the Group's companies operate, and that tax is to be managed on a sound business basis and in an ethical way that is prudent and transparent; aggressive or advanced tax planning is not allowed

Risk	Description	Risk management
4. FINANCIAL RISK		
Fluctuations in interest rates	Interest expense is, and has historically been, Pandox's largest item of expenditure. Interest expense is affected by market interest rates and by credit institutions' margins, as well as by Pandox's strategy as regards fixed interest. The majority of Pandox's credit facilities have a variable rate of interest. There is a risk that Pandox's interest expense will increase if market interest rates rise, or that Pandox will fix its interest rates at a level that is higher than the market interest rate.	<ul style="list-style-type: none"> • Interest rate derivatives are used – mainly interest rate swaps – in order to manage interest rate risk and increase the predictability of Pandox's earnings • Variable interest rates are partially swapped through interest rate swaps, giving Pandox fixed interest rates • Pandox has a Financial Policy that regulates risk mandates and is approved annually by the Board of Directors • Internal specialist expertise in treasury and risk • Close cooperation with external financial expertise
Refinancing and liquidity risk	<p>Refinancing risk is the risk that financing cannot be obtained or renewed upon maturing, or only at significantly higher costs.</p> <p>Liquidity risk refers to the risk that Pandox will be unable to meet its payment commitments due to a lack of liquidity.</p>	<ul style="list-style-type: none"> • Pandox has access to long-term financing • Pandox's Financial Policy specifies minimum levels of unutilised credit and loan-to-value ratio • Pandox has a liquidity reserve to ensure that the Company is able to meet ongoing payment obligations at all times • Pandox has good access to long-term credit facilities • Pandox has access to long-term financing and in 2020 increased both its liquidity and credit facilities • Pandox has a diversified portfolio of lenders consisting of 11 Nordic and international banking partners • Pandox has established a separate Financial Committee consisting of members of Pandox's Board of Directors and executive management in order to manage key practical and strategic matters relating to the Company's financing
Breach of terms and covenants in credit agreements	Considering the extraordinary situation created by Covid-19, it cannot be ruled out that a situation might arise where, for example, commitments and covenants in the Company's credit agreements are not met	<ul style="list-style-type: none"> • Ongoing monitoring and control of the credit portfolio and its terms and covenants • Proactive and close dialogue with lenders concerning adapting the terms and covenants in existing credit agreements • Specific actions that can be taken, if needed, to remedy any non-compliance, such as payment of interest into an escrow account, adjustment of covenants, covenant holidays or certain repayments • In 2020 lenders provided waivers in individual credit agreements
Currency risk	Currency risk is defined as the risk of the consolidated income statement and consolidated statement of financial position being negatively impacted by exchange rate fluctuations. This risk can be divided up into transaction exposure, i.e. the net amount of operating and financial (interest/principal repayment) flows, and translation exposure associated with net investments in foreign Group companies.	<ul style="list-style-type: none"> • Foreign operations generally report both income and expenses in local currency, which means that currency exposure resulting from current flows, i.e. transaction exposure, is limited. In view of the limited risk, Pandox does not currency-hedge these flows unless there is a particular reason to do so • Equity is currency-hedged ahead of acquisitions, investments and divestments to avoid changes in the value of equity • Pandox reduces its currency exposure associated with net investments in foreign Group companies by taking out loans in local currencies
Certification and authorisation	Authority to take decisions, approval matrix and payment processes.	<ul style="list-style-type: none"> • An approval matrix established by the Board of Directors • Well-defined levels of authority in internal systems • Special verification for payments and orders above a certain level in the approval matrix
Financial statements	<p>Errors in or inconsistent quality of both internal and external reporting, such as errors in rent accounting and property valuation.</p> <p>Risks also include late reporting or reporting not being in compliance with the Group's accounting principles.</p>	<ul style="list-style-type: none"> • Pandox aims to have uniform procedures and checks for financial reporting that are adapted to and support its operations across the Group • Manuals, instructions, schedules and reviews with the subsidiaries in the Group to ensure consistent and timely reporting • An Audit Committee appointed by the Board of Directors reviews the Group's financial reporting and risk management
Property valuation	Individual and systematic errors in the valuation process, such as incorrect assumptions regarding growth, profitability and valuation yield.	<ul style="list-style-type: none"> • 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 underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and yield 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. These external valuations provide an important reference point for Pandox's internal valuations • Pandox always uses the valuation yield provided by external property appraisers • Quarterly review of valuations by management, Audit Committee and Board of Directors before publication of each financial report

Risk	Description	Risk management
5. SUSTAINABILITY RISK		
Environment	Pandox impacts the environment through the use of energy, water, chemicals and materials, and generates emissions and waste. A deterioration in the physical environment may impact people in and around our hotels as well as having a negative impact on the properties, which could result in increased costs and a need for investments.	<ul style="list-style-type: none"> • Environmental Policy • Collaboration with tenants and business partners on investments for environmental improvements • Measures to improve resource efficiency through our programme of green investments • Environmental certification of hotel operations and properties
Climate change	Extreme weather and floods could cause damage to the properties. Higher temperatures and more heatwaves could result in water shortages. Scarcity of natural resources could result in increased costs for materials and energy. The transformation of society could result in reduced international travel but greater regional travel, thereby creating new business opportunities.	<ul style="list-style-type: none"> • Environmental Policy • Measures to reduce energy and water consumption and to lower emissions of greenhouse gases and volumes of waste • Environmental certification of hotel operations and properties • Increased use of renewable energy and photovoltaics
Human rights	Failures in the supply chain and in the operations could result in infringement of human rights. In the property sector there is a risk of illegal labour and wage dumping; in the hotel industry, the main risk is of trafficking and prostitution in and around the hotels.	<ul style="list-style-type: none"> • Human Rights Policy • Code of Conduct for employees and business partners • Risk analysis and supplier monitoring process • Training in human rights for employees • Whistleblower system and process for following-up on incidents • Modern Slavery Act statement
Employees	There is a risk that Pandox may be seen as an unattractive employer and find it difficult to retain existing staff and to recruit new employees. Dissatisfied employees could have a negative effect on the Company, hotel guests and business partners, which is an operational risk.	<ul style="list-style-type: none"> • Code of Conduct for employees • Healthcare and wellbeing initiatives • Performance and career development reviews and annual pay revision • Opportunities for specialisation and further training • Varied work with great opportunities to have an influence
Occupational health and safety	In the hotel industry there are health and safety risks due to heavy lifting as well as slips, trips and falls, a risk of suffering burns and cuts, and risks relating to threats. Fires are another safety risk. Failures in health and safety procedures could result in injuries and ill-health among staff, guests and suppliers.	<ul style="list-style-type: none"> • Preventive healthcare and wellbeing initiatives • Regular fire inspections and fire drills • Contingency plans and security policies • Training in CPR and installation of defibrillators
Anti-corruption	Pandox has zero tolerance for corruption. Nonetheless, there is a risk of corruption in connection with, for example, sourcing of goods and services, bribery and partiality when signing agreements, and a risk of internal irregularities.	<ul style="list-style-type: none"> • Anti-corruption Policy • Code of Conduct for employees and business partners • Anti-corruption training • External whistleblower service for reporting irregularities • Internal control procedures
Data security	The risk that failures in data security and data processing could breach customers' privacy. There is also an increasing risk of falling victim to cybercrime in society.	<ul style="list-style-type: none"> • Each year the Board of Directors adopts an IT Policy • Code of Conduct for employees • Technical and organisational protective measures, such as firewalls and password-protected systems • Training of employees • Annual review of risks and vulnerabilities



Corporate data 2020

Financial information, sustainability notes
and governance



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Contents

FROM THE CFO	92
HOW TO READ THE FINANCIAL INFORMATION	93

Financial statements for the Group

ADMINISTRATION REPORT	94
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	102
COMMENTS – CONSOLIDATED COMPREHENSIVE INCOME	103
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	104
COMMENTS – CONSOLIDATED STATEMENT OF FINANCIAL POSITION	105
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	106
CONSOLIDATED STATEMENT OF CASH FLOW	107
COMMENTS – CONSOLIDATED STATEMENT OF CASH FLOW	106

Financial statements for the Parent Company

PARENT COMPANY INCOME STATEMENT	108
COMMENTS – PARENT COMPANY FINANCIAL STATEMENTS	108
PARENT COMPANY BALANCE SHEET	109
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY	110
PARENT COMPANY STATEMENT OF CASH FLOW	111

Notes

Figures in MSEK unless otherwise indicated.

A. ALTERNATIVE PERFORMANCE MEASURES	
A1. EBITDA	112
CASH EARNINGS	112
EPRA NRV	112
LOAN-TO-VALUE RATIO	112
OTHER ALTERNATIVE PERFORMANCE MEASURES	112
B. GENERAL INFORMATION AND OVERALL ACCOUNTING PRINCIPLES	
B1. OVERALL ACCOUNTING PRINCIPLES	115
B2. EVENTS AFTER THE CLOSING DAY	117
B3. RELATED PARTY TRANSACTIONS	117
C. REVENUE AND COSTS	
C1. BUSINESS SEGMENTS	118
C2. REVENUE	120
C3. CENTRAL ADMINISTRATION COSTS	121
C4. COSTS, PROPERTY MANAGEMENT	121
C5. COSTS, OPERATOR ACTIVITIES	121
C6. OPERATING COSTS BY TYPE	121
C7. SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS	122
D. TAX	
D1. TAX	125
E. ASSETS	
E1. INVESTMENT PROPERTIES	127
E2. EQUIPMENT/INTERIORS	130
E3. OPERATING PROPERTIES	130
E4. TRADE ACCOUNTS RECEIVABLE AND DEFERRED RENT ATTRIBUTABLE TO TEMPORARY PAYMENT TERMS	131
E5. OTHER NON-CURRENT RECEIVABLES	131
E6. PREPAID EXPENSES AND ACCRUED INCOME	131

F. OPERATING LIABILITIES	
F1. ACCRUED EXPENSES AND PREPAID INCOME	132
F2. PROVISIONS	132
F3. PLEDGED ASSETS AND CONTINGENT LIABILITIES	132

G. FINANCING, CAPITAL STRUCTURE AND EQUITY	
G1. FINANCIAL INCOME AND EXPENSE	133
G2. FINANCIAL RISK AND RISK MANAGEMENT	133
G3. FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION, FAIR VALUE AND OFFSETTING	137
G4. EQUITY	139
G5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES	140

H. GROUP STRUCTURE	
H1. PARTICIPATIONS IN SUBSIDIARIES	141

I. CASH FLOW STATEMENT	
I1. SPECIFICATION OF CASH FLOWS FOR THE GROUP	144

J. PARENT COMPANY ACCOUNTING PRINCIPLES AND SUPPLEMENTARY DISCLOSURES	
J1. PARENT COMPANY ACCOUNTING PRINCIPLES	145
J2. CURRENT AND NON-CURRENT LIABILITIES, PARENT COMPANY	145
J3. APPROPRIATION OF PROFIT	145

K. SUSTAINABILITY	
K1. ABOUT THE SUSTAINABILITY REPORT	146
K2. MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE	147
K3. SUSTAINABILITY MANAGEMENT	150
K4. ENERGY	151
K5. CARBON EMISSIONS	151
K6. WATER	152
K7. WASTE	152
K8. SUSTAINABILITY CERTIFICATION	152
K9. EMPLOYEES	153
K10. ANTI-CORRUPTION	156
K11. SUPPLIERS	156
K12. GUESTS	156

FROM THE CHAIRMAN	157
CORPORATE GOVERNANCE REPORT	158

SIGNING OF THE ANNUAL REPORT	164
AUDITOR'S REPORT	165

The formal audited sections of the annual report can be found on pages 94–145 and page 164.

From the CFO

From attack to active defence

2020 was another very active year for Pandox – but for different reasons than in previous years because of Covid-19. Over a long weekend in mid-March we completely changed tactics, from focusing on acquisitions and growth to addressing liquidity, financial position, minimum rents and government relief programmes. Thanks to Pandox’s well-trained team, we were quickly able to organise ourselves and deal with the main issues in order to strengthen our financial position and secure liquidity.



guaranteed rents, tend to be overshadowed in normal years but were particularly important in 2020.

Although the contribution from revenue-based rent was low, our contractual minimum rents and fixed rents amounting to around MSEK 500 per quarter were sufficient to cover all our costs. With this foundation, Pandox is able to report a positive result before changes in value for 2020 – ultimate proof of the defensive qualities of our business model.

Proactive and constructive dialogue with our 11 Nordic and international banking partners meant that in addition to refinancing loans of around MSEK 5,000, we were also able to secure new financing for previously completed acquisitions totalling around MSEK 1,665. I’m particularly pleased about this in a turbulent year.

READY FOR ANY SCENARIO

We do not know when the virus will be under control and the world will return to normal, and this is beyond Pandox’s control. What we can influence is how we ourselves act.

We are going into 2021 with a stable platform, good procedures, strong liquidity, a proven business model, good relationships with lenders, long-term shareholders and a clear plan for the way forward. None of this would be possible, however, without our strong team of “Pandoxers” who are solution-minded, courageous and forward-looking. We’re ready!

Stockholm, March 2021
Liia Nõu

CLEAR PRIORITIES IN A DIFFICULT SITUATION

When the WHO confirmed on 11 March 2020 that Covid-19 was a pandemic, we changed our business focus over the course of a long weekend. From being on the attack and looking at acquisitions and growth, we switched to active defence and addressed matters surrounding liquidity, financial position, property valuations, minimum rents and government relief programmes.

For me, and for my colleagues in accounting and finance, this meant we had new priorities in our daily work. The first priority was to ensure that we were heading in the same direction and working on the key matters. We increased the number of daily checks, to ensure more than ever that all was in order and that we had good control over our liquidity and incoming and outgoing payments. The second priority was to adapt

our existing procedures to be more precise; for example, ensuring that our rents were received at the appointed time. The third focus area was to have close, constructive and proactive dialogue with our lenders so that they would feel secure with the decisions we were making. The fourth priority was perhaps the most important: to keep calm – to trust our methods and the “machinery” that we had built up over many years. Many of us have been colleagues for a long time, and we are used to working together both in sunshine and in pouring rain.

RESILIENT BUSINESS MODEL

Pandox’s business model, which is largely centred on revenue-based rent, provides powerful leverage when times are good in the hotel market. The defensive qualities of the business model, i.e. minimum and

How to read the financial information

From a financial perspective, Pandox operates two types of business which are reported as distinct business segments. The largest is Property Management which, taking into account the nature of hotel properties, is fully comparable to most other

property companies. The second is Operator Activities where Pandox, in addition to owning the hotel property, also operates the hotel in the property. This combination means that Pandox's earnings at the aggregate level are not fully comparable with

those of other property companies and that Pandox's two business segments are not fully comparable with each other either.

For a better understanding of Pandox's financial statements and to facilitate financial analysis, we have explained a few important items below.

INCOME STATEMENT

● **Net sales:** Consists of both rental income from Property Management and revenue from Operator Activities and is therefore less useful as an aggregate measurement. Revenue from the respective business segments should be assessed separately.

● **Net operating income:** For comparability between the business segments, depreciation is added to gross profits for Operator Activities.

● **Changes in value:** Three different types of changes in value are recognised under this heading:

1. Unrealised changes in value of properties refers to the change (increase/decrease) in the market value of investment properties. Remember that operating properties are not measured at market value according to IFRS. They are instead recognised at cost. Pandox does, however, assess the market value of operating properties on an ongoing basis and reports the value for information purposes. This value is also included in EPRA NRV.

2. Realised changes in value of properties is the difference between the properties' book value and the value realised upon divestment.

3. Unrealised changes in value of derivatives refers to the change (increase/decrease) in the market value of interest rate derivatives used to reach a desired interest maturity profile.

● **Tax:** Consists of current tax, which is the tax on operating activities paid by Pandox, and deferred tax, which – simply put – is equivalent to the change in the difference between the fair value and the adjusted taxable value of the properties.

● **Cash earnings:** A key measure of Pandox's financial value creation and the basis for valuation of the hotel properties. The item cash earnings consists of EBITDA minus financial expense (normally significant) plus financial income (normally marginal) and current tax. Cash earnings are more volatile than net operating income because they include more cost items, which may also vary from quarter to quarter.

Consolidated statement of comprehensive income

NOTE		2020	2019
REVENUE			
	Revenue Property Management		
	Rental income	2,228	3,017
	Other property revenue	171	112
	Revenue, Operator Activities	779	3,426
	Net sales	3,178	5,553
	Costs, Property Management	(381)	(365)
	Costs, Operator Activities	(1,182)	(1,993)
	Gross profit	1,615	3,195
	--of which gross profit, Property Management	2,018	2,764
	--of which gross profit, Operator Activities	(403)	(569)
	General administration	(17)	(17)
	Financial income	2	1
	Financial expense	(60)	(86)
	Financial expense for right-of-use assets	(8)	(8)
	Profit before changes in value	1,468	2,076
Changes in value			
	Properties, unrealised	(1,779)	1,389
	Properties, realised	9	79
	Derivatives, unrealised	(21)	(9)
	Profit before tax	(154)	3,464
	Current tax	(5)	(12)
	Deferred tax	191	(52)
	Profit for the year	(146)	3,790
Other comprehensive income			
	Items that have been or may be reclassified to profit or loss		
	Revaluation of investments in foreign operations	(459)	520
	Translation differences, foreign operations	(35)	(47)
	Other comprehensive income for the year	(1,050)	46
	Comprehensive income for the year	(2,418)	2,746
	Profit for the year attributable to the shareholders of the parent company	(1,399)	2,706
	Profit for the year attributable to non-controlling interests	(101)	(10)
	Total comprehensive income for the year	(1,500)	2,696
Per share data			
	Weighted average number of shares	GA	
	Total earnings per share before and after taxation, SEK		

▶ See page 103 for more comments on Pandox's performance.

BALANCE SHEET

● **Non-current assets:** Here operating properties (the sum of operating properties and equipment/internals) are recognised at cost and investment properties at fair value (market value).

● **Deferred tax assets:** This consists of the carrying amount of tax loss carryforwards which Pandox expects to be able to utilise in future financial years, and temporary measurement differences for interest rate derivatives. The loss carryforwards are mainly in the Nordic markets.

● **Deferred tax liabilities:** These largely consist of temporary differences between the fair value and adjusted taxable value of investment properties, and temporary differences between the carrying amount and taxable value of operating properties.

● **Equity/assets ratio:** The equity/assets ratio is a common method of measuring a company's financing situation and its ability to withstand financial difficulties and losses. A company's actual equity/assets ratio may, however, deviate significantly from the reported equity/assets ratio because it does not take into account so-called hidden reserves, i.e. assets that are not included or may be undervalued in the balance sheet. In Pandox's case EPRA NRV is a more accurate measure of equity because it includes the market value of all properties and derivatives and of deferred tax assets and tax liabilities. Growth in EPRA NRV is also how Pandox measures return on the shareholders' combined equity in the Company.

Consolidated statement of financial position

NOTE	31 Dec 2020	31 Dec 2019	
ASSETS			
Non-current assets			
	Operating properties	6,872	6,307
	Equipment, intangibles	63	654
	Investment properties	50,181	53,697
	Deferred current asset receivables attributable to new temporary payment terms	24	189
	Right-of-use assets	2,826	3,064
	Deferred tax assets	631	383
	Derivatives ¹⁾	43	117
	Other non-current receivables	36	14
	Total non-current assets	61,380	64,156
Current assets			
	Investments	9	14
	Current tax assets	95	106
	Bank accounts receivable	54	307
	Deferred current asset receivables attributable to new temporary payment terms	25	—
	Prepaid expenses and accrued income	110	288
	Other receivables	189	250
	Cash and cash equivalents	2,622	632
	Total current assets	3,405	1,607
	Total assets	64,785	65,763
EQUITY AND LIABILITIES			
Equity			
	Share capital	460	460
	Other paid-in capital	7,525	7,525
	Reserves	(734)	258
	Retained earnings including net profit for the year	15,609	18,107
	Total equity attributable to the owners of the parent	23,860	26,350
	Non-controlling interests	288	136
	Total equity	24,148	26,486
Liabilities			
Non-current liabilities			
	Non-current interest-bearing liabilities ²⁾	26,014	25,887
	Other non-current liabilities	5	18
	Non-current lease liabilities	2,861	3,014
	Derivatives ³⁾	84	604
	Provisions	12	11
	Deferred tax liabilities	4,307	4,512
	Total non-current liabilities	34,129	31,026
Current liabilities			
	Provisions	159	97
	Current interest-bearing liabilities ²⁾	5,418	6,014
	Current lease liabilities	27	30
	Tax liabilities	118	109
	Trade accounts payable	179	304
	Other current liabilities	265	216
	Accrued expenses and prepaid income	461	581
	Total current liabilities	6,607	7,361
	Total liabilities	40,736	38,387
Total equity and liabilities			
		64,785	65,763

▶ See page 105 for more comments on Pandox's financial position.

Administration Report

The Board of Directors and Chief Executive Officer hereby submit the Annual Report and consolidated accounts for the 2020 financial year for Pandox AB (publ), company registration number 556030-7885, Box 15, 101 20 Stockholm, Sweden, street address Vasagatan 11.

Figures in brackets refer to the corresponding period the previous year. The financial statements are presented in whole millions of Swedish kronor (MSEK), which means that there may be differences in certain tables due to rounding off. The Board of Directors proposes that the income statement and balance sheet in the Annual Report be adopted by the Annual General Meeting on 12 April 2021.

The information in the Sustainability Report on pages 146–156 (and 41–61), in the statement by the Chairman on page 157 and in the Corporate Governance Report on pages 158–163 (and 170–173) has not been audited by the Company's external auditors and does not form part of the statutory annual report.

With respect to the Company's financial results and position in general, please refer to the financial statements and comments that follow.

OPERATIONS

Pandox is listed on Nasdaq Stockholm's Nordic Large Cap list. Pandox is one of Europe's leading hotel property companies, with a geographical focus on Northern Europe. Pandox's strategy is to own sizeable hotel properties in the upper-mid to high-end segment with strategic locations in key leisure and corporate destinations. Pandox is an active owner with a business model based on long-term leases with the best

operators in the market. In the absence of these conditions, Pandox has many years of experience of running hotels itself, which creates business opportunities throughout the hotel value chain.

At the end of 2020 Pandox's hotel property portfolio contained 156 (155) hotels with a total of 35,060 (34,685) hotel rooms in 15 countries, with a market value of MSEK 59,542 (63,469). Of the 156 hotels, 136 (137) were leased on a long-term basis to well-known tenants with established brands, providing income stability and lower investment costs and risk for Pandox. The remaining 20 (18) hotel properties are owned and operated by Pandox under various brands.

In the Property Management business segment, the acquisition of Maritim Hotel Nürnberg was completed in 2020. Two properties in Denmark were reclassified to Operator Activities. In addition, an office property belonging to Jurys Inn Cardiff was acquired.

The weighted average unexpired lease term (WAULT) for investment properties was 14.6 (15.6) years. Pandox has a management agreement for Pelican Bay Lucaya Resort in the Bahamas, which is owned by affiliates of Helene Sundt AS and CGS Holding AS.

2020 was a year like no other in the history of the hotel industry. The year was dominated by Covid-19 and the restrictions

introduced to stop the spread of the virus, which had a clear negative impact on demand in the hotel market.

REVENUE AND PROFIT

Group

Profit for the year attributable to the Parent Company's shareholders amounted to MSEK –1,399 (2,706). The decrease is explained mainly by the downturn in the market because of Covid-19 and by unrealised changes in the value of properties amounting to MSEK –1,779 (1,389). The Group's net sales totalled MSEK 3,178 (5,553). For comparable units net sales decreased by 50 percent, adjusted for currency effects.

Property Management

Revenue from Property Management amounted to MSEK 2,399 (3,129), a decrease of 23 percent. Revenue includes one-time revenue equivalent to MSEK 28 relating to settlement with Tribe Invest, as well as transition relief totalling the equivalent of MSEK 35.

For comparable units revenue decreased by 32 percent, adjusted for currency effects. The decrease is explained by low demand due to extensive government restrictions in response to Covid-19, which significantly limited the ability to operate hotels from March onwards. The negative effects of Covid-19 were offset to some extent by revenue from contractual minimum rent and fixed rent, and a clear improvement in demand during the holiday period in the third quarter and in early autumn. However, the year ended with the reintroduction of restrictions and this had a significantly negative impact on demand in essentially all of Pandox's submarkets.

Net operating income from Property Management amounted to MSEK 2,018 (2,764), a decrease of 27 percent. For comparable units net operating income decreased by 31 percent, adjusted for currency effects.

Contribution of business segments to profit

MSEK	2020	2019	2018	2017	2016
Property Management					
Gross profit	2,018	2,764	2,517	1,882	1,495
Unrealised changes in value	–1,779	1,389	1,428	1,625	1,301
Realised changes in value	0	70	67	6	159
Property Management contribution	239	4,223	4,012	3,513	2,955
Operator Activities					
Profit before changes in value	–403	431	377	324	292
Unrealised changes in value	—	—	—	—	—
Realised changes in value	—	—	—	283	—
Operator Activities contribution	–403	431	377	607	292

Operator Activities

Revenue from Operator Activities amounted to MSEK 779 (2,424), a decrease of 68 percent. Again, the decrease is due to effects related to Covid-19. The relatively large loss of revenue compared with Property Management is partly explained by the fact that as an operator of hotels, Pandox has full exposure to the hotels' revenue, and partly by the higher percentage of large conference hotels in international markets, in particular Brussels. For comparable units revenue and RevPAR decreased by 72 and 75 percent respectively, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -168 (625). The decrease is explained in its entirety by low demand as a result of Covid-19. Pandox benefitted during the period from government grants equivalent to around MSEK 214 within Operator Activities. Read more in the section on Covid-19 effects.

The Group's EBITDA, financial expenses and changes in value

EBITDA amounted to MSEK 1,699 (3,231), a decrease of 47 percent, which is explained by a decrease in underlying net operating income for both Property Management and Operator Activities.

Financial expense amounted to MSEK -902 (-866). The increase is mainly due to increased gross debt.

Profit before changes in value amounted to MSEK 458 (2,074), a decrease of 78 percent that is mainly due to the decline in the market because of Covid-19. Unrealised changes in value for investment properties amounted to MSEK -1,779 (1,389); see also the section on the effects of Covid-19. Realised changes in value amounted to MSEK 0 (70). At the end of the period Pandox's property portfolio had a total market value of MSEK 59,542 (63,469), of which investment properties accounted for MSEK 50,181 (53,697) and operating properties for MSEK 9,361

(9,772). The market value of operating properties is reported for information purposes only and is included in EPRA NRV.

► *Complete information on changes in the value of properties can be found on page 75.*

As of 31 December 2020 the average valuation yield for Pandox's investment properties was 5.44 (5.41) percent and for operating properties 6.37 (6.41) percent.

Unrealised changes in the value of derivatives amounted to MSEK -221 (-39).

CURRENT AND DEFERRED TAX

Current tax amounted to MSEK -57 (-122), which is mainly explained by intra-Group eliminations. Current tax being charged despite a negative result is explained by full intra-Group eliminations – for example across national borders – not being possible. Deferred tax amounted to MSEK 191 (-672).

► *See also Note D1.*

CASH FLOW AND CASH EARNINGS

Cash earnings amounted to MSEK 660 (2,177). Cash flow from operating activities before changes in working capital amounted to MSEK 613 (2,119). Taxes paid amounted to MSEK -45 (-208). The change in working capital affected cash flow in the amount of MSEK -153 (-185). Cash flow from investing activities affected cash flow in the amount of MSEK -1,598 (-5,188) and is mainly explained by fewer acquisitions. Cash flow from financing activities amounted to MSEK 3,071 (3,193). Significant items include new borrowing and loan repayments. Cash and cash equivalents at the end of the period amounted to MSEK 2,622 (632).

FINANCING

As of 31 December 2020 the loan-to-value ratio was 48.7 (46.0) percent. Cash and cash equivalents, including credit facilities, amounted to MSEK 5,221 (4,215), of which unutilised credit facilities amounted to MSEK 2,599 (3,583).

At the end of the period the loan portfolio, excluding loan arrangement fees, amounted to MSEK 31,629 (29,823). The average fixed interest period was 2.8 (3.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.6 (2.6) percent, including effects of interest rate derivatives but excluding arrangement fees. The average repayment period was 2.8 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives are used, mainly in the form of interest rate swaps. At the end of the period Pandox had interest rate derivatives totalling a gross amount of MSEK 22,395 and a net amount of MSEK 17,441, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 51 percent net of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

At the end of the period, the net market value of Pandox's financial derivatives amounted to MSEK -798 (-577).

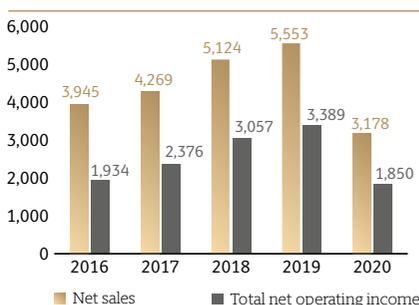
EQUITY AND NET ASSET VALUE

Equity attributable to the Parent Company's shareholders amounted to MSEK 23,880 (26,350) and EPRA NRV (net asset value) was MSEK 30,813 (34,270). EPRA NRV per share was SEK 167.60 (186.40).

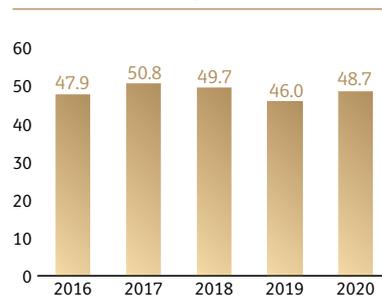
ACQUISITIONS, SALES AND RECLASSIFICATIONS

In the Property Management business segment, the acquisition of Maritim Hotel Nürnberg was completed in 2020 and two properties in Denmark were reclassified to Operator Activities. In addition, an office property belonging to Jurys Inn Cardiff was acquired.

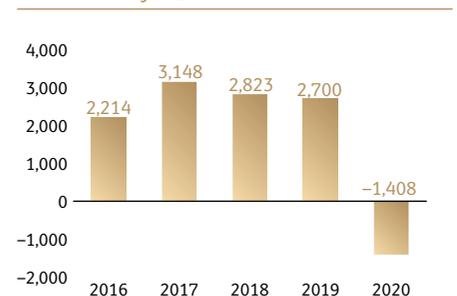
Net sales and total net operating income, MSEK



Loan-to-value ratio, %



Profit for the year, MSEK



INVESTMENTS IN EXISTING HOTEL PROPERTIES

In the period January–December 2020 investments in property, plant and equipment, excluding acquisitions, amounted to MSEK 907 (674), of which MSEK 492 (412) was for Investment Properties, MSEK 406 (257) was for Operating Properties and MSEK 9 (5) was for the head office. At the end of 2020 approved investments for ongoing and future projects amounted to around MSEK 1,125. Of this figure, around MSEK 790 is expected to be completed during 2021.

Larger projects are Crowne Plaza Brussels Le Palace, NH Brussels Bloom, Hilton Brussels Grand Place, DoubleTree by Hilton Montreal, Holiday Inn Brussels Airport, Hotel Berlin Berlin, Hotel Pullman Stuttgart Fontana, Dorint Parkhotel Bad Neuenahr, Holiday Inn Lübeck, NH Frankfurt Airport, NH Munich Airport, The Midland Manchester, Scandic Luleå, Quality Park Södertälje, Hotel Twentyseven and the green investment programme.

PARENT COMPANY

Administration for activities within Pandox's property-owning companies is provided by staff employed by the Parent Company, Pandox AB (publ). The costs of these services are invoiced to Pandox's subsidiaries. Amounts invoiced during the period January–December 2020 totalled MSEK 150 (122) and profit for the period amounted to MSEK –486 (2,313). At the end of the period the Parent Company's equity amounted to MSEK 8,603 (9,089) and the external interest-bearing debt was MSEK 4,804 (6,305), of which MSEK 3,294 (3,427) was in the form of long-term debt.

SHARES AND OWNERSHIP

The class B shares of Pandox AB (publ) were listed on Nasdaq Stockholm on 18 June 2015. Pandox's share capital at the end of the year amounted to MSEK 460 (460) distributed among a total of 183,849,999 shares, of which 75,000,000 are class A shares and 108,849,999 are class B shares. The shares are denominated in SEK and each share has a quota value of SEK 2.50. According to the Articles of Association, holders of class A shares are entitled to convert all or part of their holding in class A shares to class B shares. The Articles of Association stipulate limitations on the transfer of shares and on voting rights for class A shares. All class B shares are transferable without restriction. Each class A share in Pandox entitles the holder to three votes at shareholders' meetings, while each class B share entitles the holder to one vote at shareholders' meetings. No pledges have been made to the employees regarding shareholdings.

Certain of the Group's major financing agreements contain a conventional Change of Control clause. This means that in certain circumstances, the lenders have the right to demand renegotiation of the terms or to call for early repayment in the event of a change of control over the Company.

The following shareholders have direct or indirect ownership representing 10 percent or more of the voting rights for all shares in the Company:

Holding on 31 December 2020	% of votes
Eiendomsspar Sverige AB	36.6
Helene Sundt AB	18.2
Christian Sundt AB	18.1

ASSET MANAGEMENT

Capital structure

Pandox's target is a loan-to-value ratio of between 45 and 60 percent, depending on the market environment and opportunities that exist.

This key ratio is defined as interest-bearing liabilities divided by the sum of the market value of investment properties and operating properties.

► See also key ratios on page 112.

Dividend

The Board of Directors is proposing that no dividend is paid for the 2020 financial year. Pandox's target is a dividend pay-out ratio of between 30 and 50 percent of cash earnings, with an average pay-out ratio over time of around 40 percent. Cash earnings is defined as EBITDA plus financial income, less financial expense and current tax. Future dividend pay-out and the size of such dividends depend mainly on Pandox's future performance, financial position, cash flows and working capital requirement.

Debt management

Pandox seeks to achieve the lowest possible financing costs while simultaneously limiting interest rate, currency and borrowing risks.

Pandox's Financial Policy describes in more detail how financial risks are to be managed.

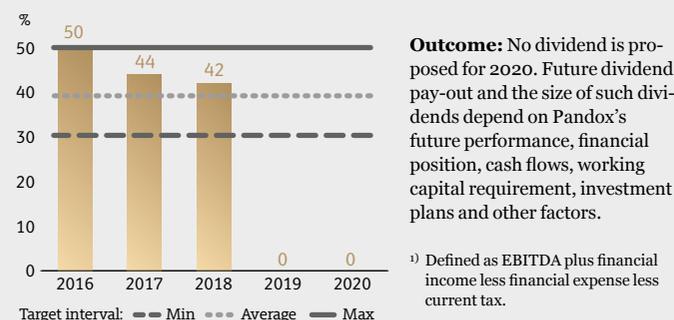
► For more information see Note G2 on page 133.

Financial targets

Pandox has a dividend target and a capital structure target.

Dividend: Pandox's target is a dividend pay-out ratio of between 30 and 50 percent of cash earnings ¹⁾, with an average pay-out ratio over time of around 40 percent.

DIVIDEND PAY-OUT RATIO of cash earnings, %

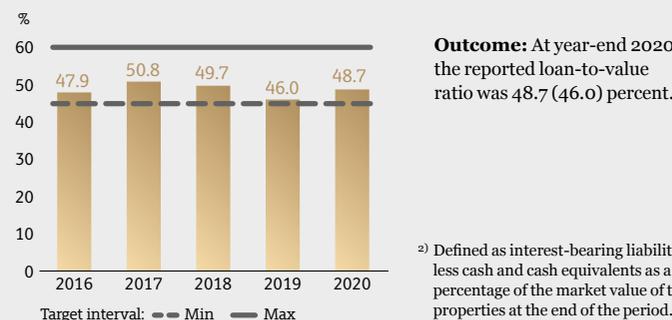


Outcome: No dividend is proposed for 2020. Future dividend pay-out and the size of such dividends depend on Pandox's future performance, financial position, cash flows, working capital requirement, investment plans and other factors.

¹⁾ Defined as EBITDA plus financial income less financial expense less current tax.

Capital structure: A reported loan-to-value ratio ²⁾ of between 45 and 60 percent, depending on market development and the opportunities that exist.

LOAN-TO-VALUE RATIO net, %



²⁾ Defined as interest-bearing liabilities less cash and cash equivalents as a percentage of the market value of the properties at the end of the period.

RISKS AND UNCERTAINTIES

Summary of Covid-19 effects for Pandox

Property Management business segment

Pandox is monitoring and evaluating the business climate on an ongoing basis and is in close dialogue with tenants in the Property Management segment regarding each respective party's business situation.

Contractual guaranteed minimum rents plus contractual fixed rents amount to the equivalent of nearly MSEK 2,000 on an annual basis.

Agreements on temporary changes to payment terms are made with tenants where this is possible and appropriate. No reductions in hotel rents have been granted. At 31 December 2020 accounts receivable relating to deferred rent under new temporary payment terms amounted to the equivalent of MSEK 439.

Pandox received transition relief in government programmes in Norway and Sweden totalling an amount equivalent to MSEK 35 for full-year 2020, which was recognised in Other property revenue.

► For more information see page 24.

Operator Activities business segment

Pandox took advantage of relief programmes within Operator Activities in Belgium, Germany, the Netherlands, Canada, and Finland amounting to the equivalent of MSEK 97 for full-year 2020. This is recognised as a decrease in costs under "Costs, Operator Activities".

In addition, around MSEK 117 for the full year was transferred directly from the authorities to Pandox employees in the form of salary support for furloughed personnel. These are therefore not included in Pandox's reported figures.

The combined government grants received within Operator Activities totalled MSEK 214 for full-year 2020.

► For more information see page 26.

Current earnings level

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

Investments

Planned investments in 2021 amount to the equivalent of around MSEK 790, added to which is MSEK 45 for maintenance. Possible practical restrictions due to Covid-19 constitute a risk that planned investment volumes will not be fully reached in 2021.

Valuation of hotel properties

Pandox performs internal valuations of its hotel property portfolio and investment properties are recognised at fair value in accordance with accounting standard IAS 40. Operating properties are recognised at cost less depreciation and any impairment. For operating properties, internal valuations are reported for information purposes only and they are included in EPRA NRV.

The valuation model consists of an accepted and proven cash flow model, where the future cash flows that the hotel properties are expected to generate are discounted by the market yield requirements. 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 underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and yield in the long term. External valuations of all properties are normally 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. These external valuations provide an important reference point for Pandox's internal valuations.

At the end of 2020 Pandox valued the hotel properties according to the same method and model used since the IPO in 2015.

Uncertainty about the pandemic's impact on future cash flows remains high. This is partly due to uncertainty about vaccination programmes, the spread of infection and related governmental restrictions, and partly to uncertainty about the possible lasting effects of Covid-19 on the economy in general and on the hotel market in the longer term. The pandemic's effects on valuation yields cannot yet be determined with any reasonable degree of certainty as there is not sufficient evidence available in the transaction market or for the valuation of hotel properties.

Parameters that affect the valuations are closely monitored and as the effects of Covid-19 become clearer, Pandox will be able to estimate valuation yields and future cash flows with greater precision.

Due to Covid-19 only about 60 external valuations, as a reference point for Pandox's internal valuations, were carried out during the year.

The external valuations exhibit significant variation both within and between markets, which reflects continued elevated uncertainty. Overall, completed external valuations are about 6 percent below Pandox's internal valuations – within a range of about 0 to –10 percent per country. Hotel properties in the Nordic region consistently exhibit less difference and dispersion between Pandox's and the external appraisers' values, while there is a greater difference for hotel properties outside the Nordic region.

The valuation difference for hotel properties outside the Nordic region is mainly explained by the fact that external appraisers have increased the yield requirements on hotel properties based on the assumption of continued negative effects from Covid-19.

For 2020 the unrealised changes in value for investment properties amounted to MSEK –1,779, mainly explained by lower expected cash flows due to Covid-19.

► For more information see page 75 and Note E1.

Financing

Pandox has a strong financial position. As of 31 December 2020 the net loan-to-value ratio was 48.7 percent, and cash and cash equivalents plus unutilised credit facilities amounted to MSEK 5,221.

Pandox's debt financing consists exclusively of credit facilities from 11 Nordic and international banks secured mainly by mortgage collateral. Credit facilities with a maturity of less than one year amount to MSEK 5,544. Of this figure, MSEK 3,802 will mature in December 2021. Constructive discussions on refinancing are ongoing.

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 coverage ratio at a level where satisfactory headroom is provided by revenue from contractual minimum rents and fixed rents alone

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 2020 lenders provided waivers in individual credit agreements.

► For more information see page 95 and Note G2.

Government relief programmes for tenants and employees

In certain countries there are programmes that cover a specific percentage of a company's fixed costs. In general, there is no rent support for property owners. Tenants in Germany and the UK were able to postpone rent payments during some parts of the year, and to capitalise and pay their rents subsequently over an extended period. This possibility has been extended until 31 March 2021 in the UK but has expired in Germany, which has instead introduced revenue support for companies affected by restrictions in November and December 2020.

After the end of the period, other than the above-mentioned revenue support in Germany, the main form of relief that was still available and that could be used was further support in Pandox's various markets.

In 2021 Pandox intends to apply for additional government grants to cover costs in 2020, which will be recognised when the figures are known.

Tax measures

To address the financial impact of Covid-19 on Pandox, certain tax measures have been taken such as correcting preliminary tax payments, property tax and deferral of VAT payments. Tax payments for 2020 amounting to the equivalent of around MSEK 93, mainly VAT-related, have been deferred until 2021, for example.

Pandox has taken a cautious approach with respect to certain assistance that involves additional costs – for example interest and deferral of tax payments – in order to reduce the one-time effect when the Covid-19 crisis is over and the relief packages end. 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.

Potential effects of Brexit

Pandox's operations in the UK mainly serve local customers and operate in local currency. The preliminary assessment is that the UK's leaving the EU will have a limited effect on Pandox's local operations in the UK. It is not possible to assess the impact on financing in GBP and on the value of investment properties in the longer term, other than as described in the notes concerned. On translation of the UK financial statements to SEK any changes in the exchange rate between SEK and GBP will affect the consolidated financial statements.

General risks and uncertainties

Risks and uncertainties that impact Pandox's earnings and cash flow from operating activities are mainly related to changes in rental income in Property Management and changes in revenue and costs in Operator Activities.

The primary operating risks consist of a weakening of the hotel market and/or increased competition, a fall in occupancy rates and thereby lower revenue, unfavourable cost development and lower productivity.

▶ *Pandox's risks and risk management are described further on pages 84–89.*

Rental income in Property Management is largely linked to the hotels' revenue and normally involves a guaranteed minimum rent, making it possible to have increased income in an improved market as well as downside protection in a weaker market. In some cases, however, the minimum rent is at a significantly lower level than the current revenue-based rent. Also, it is the hotel operator that has operational responsibility and thereby has the greatest ability to impact the hotel's results. The division of maintenance costs and investments between the tenant and the hotel property owner distinguishes hotel properties from other real estate because the tenant bears a greater responsibility. ▶ *This is described further on pages 24 and 33.*

Within the Operator Activities business segment Pandox has operational and investment responsibility, and is thereby fully exposed with respect to operations and profits. ▶ *This is described further on pages 24 and 33.*

Pandox has a substantial loan portfolio and interest expense is the Company's largest expense item. Pandox is exposed to changes in interest levels as a result of changed market interest rates and/or interest rate margins from Pandox's lenders. Refinancing risk is the risk of not being able to obtain or renew financing when a loan matures, or being forced to borrow at a significantly higher cost. Liquidity risk is the risk that Pandox will not have sufficient funds to meet its payment obligations at any point in time.

▶ *Financial risks are described in detail on page 84 and in Note G2.*

TAX SITUATION

At the end of the year deferred tax assets amounted to MSEK 631 (383). This consists mainly of the carrying amount of tax loss carryforwards which the Company expects to be able to utilise in future financial years,

and temporary measurement differences for interest rate derivatives.

Deferred tax liabilities amounted to MSEK 4,307 (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 carrying amount and the taxable value of operating properties.

ONGOING DISPUTES

The tenant at Park Centraal Amsterdam has filed a lawsuit against a Pandox subsidiary demanding certain temporary adjustments to an existing lease, mainly with respect to the minimum rent level. Court proceedings are expected to commence in the second quarter of 2021.

A Pandox subsidiary has filed a lawsuit against Köln Bonn Airport which has not granted an extension of a heritage building right for the Leonardo Hotel Köln Bonn Airport property. The hotel has 177 rooms. An initial oral hearing in court was held at the end of January 2021. Pandox believes that there is a good possibility of a favourable resolution, or compensation, for the Company.

As Pandox previously communicated, it has received a decision from the Swedish Tax Agency regarding the Group's transfer pricing. Pandox has now appealed the decision to the Supreme Administrative Court and is waiting for a decision, which is expected to be handed down in 2021. Pandox is maintaining its position that the Company has followed the law. Pandox's transfer pricing does not differ from industry practice. However, the Swedish Tax Agency is of the opinion that profits are to be allocated not to the country where the properties are located and the operations are conducted, but to the country of the parent company – i.e. Sweden. Pandox maintains that the Group's companies are following and have followed applicable laws on transfer pricing and taxation in the countries where the Group's companies operate. Pandox has been granted an extension of payment by the Swedish Tax Agency due to the uncertainty regarding the outcome of the case. Pandox believes that there is a good possibility that a higher court will rule in favour of the Company.

WORK OF THE BOARD OF DIRECTORS

A statement by the Chairman can be found on page 157. A Corporate Governance Report has been prepared and can be found on pages 158–163 and 170–173. The

work of the Board of Directors is described in the Corporate Governance Report.

► See page 158.

EMPLOYEES

On 31 December 2020 Pandox had 634 (1,460) full-time employees, based on the number of hours worked converted into full-time equivalents. The number of employees in the Operator Activities business segment is 587 (1,419). There are 47 (41) employees in the Property Management business segment and in central administration. The average number of employees was 841 (1,381), of which 412 (718) are men and 429 (663) are women.

EMPLOYEES AND SUSTAINABILITY

Pandox's most important contribution to more sustainable development is developing profitable, green properties and signing green leases with hotel operators. In 2020 Pandox performed a review of its material topics in sustainability, which have been divided into five focus areas and linked to the UN's Sustainable Development Goals. These are: 1) Environment and climate, 2) Responsible and fair business, 3) Guest satisfaction and security, 4) Attractive and equal workplace, and 5) Living local communities. Despite the ongoing pandemic, the green investment programme remains in place with MSEK 80 being invested in 12 of Pandox's hotel properties in Operator Activities between 2020 and 2023. These are expected to generate an average return of around 20 percent. The more capital-intensive investments have had to be postponed for one or two quarters and consequently the significant savings effect will not be seen until late 2021/2022. The programme includes BREEAM In Use certification of the hotel properties at the Very Good level. Pandox certified its first three hotel properties according to plan and a further nine properties embarked on certification during the year.

During the year 760 employees were furloughed and 179 had to be laid off, calculated as the number of full-time equivalents. Since the support packages varied from country to country, a higher proportion of employees were furloughed in countries where greater support was provided. Gender equality is a priority area for Pandox. During the year Pandox succeeded in increasing the percentage of female general managers to 30 (13) percent by implementing a requirement for both men and women to be represented in the recruitment process for senior positions.

A Sustainability Report has been prepared and can be found on pages 146–156 and 41–61.

► Pandox's sustainability work is described in detail on pages 41–61.

GUIDELINES FOR REMUNERATION AND OTHER EMPLOYMENT TERMS FOR THE EXECUTIVE MANAGEMENT TEAM

These guidelines cover the Company's board members and executive management team, which includes the Chief Executive Officer and other senior executives. The guidelines are forward-looking and are to be applied to contractual remuneration, and changes that are made to contractual remuneration, after the guidelines are adopted by the 2021 Annual General Meeting. The guidelines do not cover remuneration that is voted on at shareholders' meetings. The proposed guidelines are unchanged from the current guidelines.

Promotion of the Company's business strategy, long-term interests and sustainability

Pandox's vision is to be a world-leading hotel property company. Pandox's strategy is to own large hotel properties in the upper-mid to high-end segment in strategic locations and to lease them to strong hotel operators under long-term revenue-based leases. In situations where the conditions are not in place for a profitable lease, Pandox can choose to operate a hotel itself. Pandox is an active owner that moves freely throughout the hotel value chain, which both reduces risk and creates new business opportunities. Through specialisation, business agility and carefully considered diversification in multiple dimensions, Pandox is laying the foundation for the Company's value creation.

Long-term, successful and sustainable implementation of the Company's business strategy requires the Company to be able to recruit and retain qualified employees. To do this, the Company needs to be able to offer competitive remuneration. These guidelines enable senior executives to be offered a competitive remuneration package.

Variable cash remuneration as described in these guidelines must also be aimed at promoting the Company's business strategy and long-term interests, including its sustainability.

Remuneration for senior executives

Forms of remuneration etc.

Remuneration is to be in line with market norms and may consist of the following components: fixed cash salary, short-term

variable cash remuneration, cash-based incentive scheme, pension benefits and other benefits. The shareholders' meeting may in addition – and irrespective of these guidelines – decide to offer, for example, share-related/share price-related or performance-based remuneration.

Variable remuneration is maximised at six monthly salaries for the Chief Executive Officer and four monthly salaries for other senior executives. In addition, the Chief Executive Officer and other senior executives may be offered the opportunity to participate in long-term, cash-based incentive schemes and, if such schemes are introduced by the Board and Remuneration Committee, they must be designed in a similar way to Pandox's existing cash-based incentive schemes. If such a scheme is implemented it must also, within the framework of the scheme, continue to be possible for the participant to receive several annual salaries if the return for the Company's shareholders during the same period has been very good.

Pension benefits for the Chief Executive Officer and other senior executives are to be in the form of defined contribution plans. Pension premiums for the defined contribution pension plans may be up to a maximum of 35 percent of fixed annual cash salary. Variable cash remuneration is to be non-pensionable.

Other benefits may include life insurance, health insurance and car benefits. Such benefits are not to constitute a significant portion of the total remuneration.

Additional cash remuneration may be paid in extraordinary circumstances provided that such extraordinary arrangements are for a limited time and only at the individual level. They may be either for the purpose of recruiting or retaining an executive, or as compensation for work over and above the individual's normal duties. Such remuneration must be commercially justified, in proportion to the individual's fixed salary and not be paid out more than once a year per individual. Decisions on such remuneration are to be made by the Board at the suggestion of the Remuneration Committee.

Regarding employment terms that are subject to rules other than those in Sweden, appropriate adjustments may be made to follow mandatory rules or established local practices, while also remaining in line with the overall purpose of these guidelines as far as possible.

Criteria for payment of variable cash remuneration etc.

The variable cash remuneration and remuneration payable under any cash-based incentive scheme are to be linked to predetermined and measurable criteria, which may be financial or non-financial. Fulfilment of criteria to receive short-term, variable cash remuneration must, however, be able to be measured for a period of one year. They may also be based on individualised quantitative and qualitative targets. The criteria for both short-term and long-term variable cash remuneration are to be designed to promote the Company's business strategy and long-term interests, including its sustainability, for example by being clearly linked to the business strategy or promoting the executive's long-term development.

When the measurement period for meeting the criteria for payment of variable cash remuneration has ended, the extent to which the criteria have been met is to be assessed. The Remuneration Committee is responsible for making this assessment. With respect to financial targets, the assessment is to be based on the latest financial information published by the Company.

The Board of Directors must have the ability, by law or contractually, and observing any limitations thereby imposed, to reclaim in full or in part any variable remuneration that has been paid out on erroneous grounds.

Fees for board members

The board members' fees for serving on Pandox's Board are decided on by the shareholders' meeting. Board members only have the right to receive fees that the shareholders' meeting has decided on. Additional remuneration may, however, be payable for services rendered to Pandox by the board members within their respective areas of expertise and outside their board assignment. Such remuneration is to be in line with market norms and set out in a consultant agreement approved by the Board.

Employment terms*Salary and employment terms for employees*

In the preparation of the Board's proposals for these remuneration guidelines, the salary and employment terms of the Company's employees have been taken into account by including information on total remuneration, remuneration components and remuneration increases and rates of increase over

time as a basis for the Remuneration Committee's and the Board's decision when evaluating whether the guidelines and the limitations they impose are reasonable.

End of employment

If notice is given by the Company, the period of notice for the Chief Executive officer and other senior executives is maximised at between six and 12 months. If notice is given by the senior executive, the period of notice is maximised at six months. If the Company serves the CEO with notice of termination, severance pay of 18 monthly salaries is payable. This may be reduced if the CEO is receiving other income. No other severance pay is payable.

Decision process, changes and deviations, etc.*Decision process to establish, review and implement the guidelines*

The Board has established a Remuneration Committee. The Committee's duties include preparing for board decisions on proposed guidelines for remuneration for senior executives. The Board is to prepare proposals for new guidelines at least once every four years and to submit the proposal for a decision by the Annual General Meeting. These guidelines are to apply until new guidelines have been adopted by the shareholders' meeting. The Remuneration Committee is also to monitor and evaluate variable remuneration programmes for the executive management team, the application of guidelines for remuneration for senior executives, and the remuneration structures and levels applied within the Company. The members of the Remuneration Committee are independent of the Company and the executive management team. When the Board addresses and decides on remuneration-related matters, neither the CEO nor other members of the executive management team are to be present if the discussion concerns them.

Deviation from the guidelines

The Board may decide to temporarily deviate entirely or partly from the guidelines if there are special reasons for doing so in an individual case and deviation is necessary to meet the Company's long-term interests, including its sustainability, or to ensure the Company's financial strength. As stated above, the Remuneration Committee's duties include preparing for the Board's remuneration decisions, including decisions on deviating from the guidelines.

EXPECTATIONS REGARDING FUTURE DEVELOPMENT

The most important drivers of cash earnings for Pandox are the growth of the hotel market, acquisitions and the organic growth the Company generates itself through cash flow-driving investments in the existing portfolio.

APPROPRIATION OF PROFIT

At the disposal of the Annual General Meeting:

Retained earnings	8,619,319,250
Profit for the year	-486,372,393
SEK	8,132,946,857

The Board proposes that the earnings be allocated as follows:

Carried forward	8,132,946,857
SEK	8,132,946,857

EVENTS AFTER THE CLOSING DAY

No events or transactions of significance have taken place since 31 December 2020 that affect the financial statements provided for the Pandox Group for the 2020 financial year.



Consolidated statement of comprehensive income

MSEK	Note	2020	2019
Revenue, Property Management			
Rental income	C1, C2, E1	2,228	3,017
Other property revenue	C1, C2, E1	171	112
Revenue, Operator Activities	C1	779	2,424
● Net sales		3,178	5,553
Costs, Property Management	C1, C4, C6, C7, G5	-381	-365
Costs, Operator Activities	C1, C5, C6, C7, G5	-1,182	-1,993
● Gross profit		1,615	3,195
– of which gross profit, Property Management	C1	2,018	2,764
– of which gross profit, Operator Activities	C1	-403	431
● Central administration	C1, C3, C6, C7	-171	-175
● Financial income	C1, G1	2	1
● Financial expense	C1, G1	-902	-866
Financial expense for right-of-use assets	G1, G5	-86	-81
Profit before changes in value		458	2,074
● Changes in value			
Properties, unrealised	C1, E1	-1,779	1,389
Properties, realised	C1, E1	0	70
Derivatives, unrealised	C1, G2	-221	-39
Profit before tax		-1,542	3,494
● Current tax	C1, D1	-57	-122
● Deferred tax	C1, D1	191	-672
● Profit for the year		-1,408	2,700
Other comprehensive income			
<i>Items that have been or may be reclassified to profit or loss</i>			
Hedging of net investment in foreign operations		-659	520
Translation differences, foreign operations		-351	-474
● Other comprehensive income for the year		-1,010	46
Comprehensive income for the year		-2,418	2,746
Profit for the year attributable to the shareholders of the parent company		-1,399	2,706
Profit for the year attributable to non-controlling interests		-9	-6
Total comprehensive income for the year attributable to the shareholders of the parent company		-2,379	2,749
Total comprehensive income for the year attributable to non-controlling interests		-39	-3
Per share data	G4		
Weighted average number of shares		183,849,999	170,053,287
Total earnings per share before and after dilution, SEK		-7.61	15.91

● See comments on next page.

Comments

Consolidated comprehensive income

Net sales

Revenue from Property Management amounted to MSEK 2,399 (3,129), a decrease of 23 percent. Revenue includes one-time revenue equivalent to MSEK 28 relating to a settlement with Tribe Invest AS, as well as transition relief totalling the equivalent of MSEK 35.

For comparable units revenue decreased by 32 percent, adjusted for currency effects. The decrease is explained by low demand due to extensive government restrictions in response to Covid-19, which significantly limited the ability to operate hotels from March onwards.

Revenue from Operator Activities amounted to MSEK 779 (2,424), a decrease of 68 percent. For comparable units revenue decreased by 72 percent, adjusted for currency effects. Again, the decrease is due to effects related to Covid-19. The relatively large loss of revenue compared with Property Management is partly explained by the fact that as an operator of hotels, Pandox has full exposure to the hotels' revenue, and partly by the higher percentage of large conference hotels in international markets, in particular Brussels.

The Group's net sales amounted to MSEK 3,178 (5,553). For comparable units, net sales decreased by 50 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 2,018 (2,764), a decrease of 27 percent. For comparable units net operating income decreased by 31 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -168 (625). The decrease is explained in its entirety by low demand as a result of Covid-19. During the period Pandox benefitted from govern-

ment grants equivalent to around MSEK 97 in Operator Activities, which are reported as a cost reduction. In addition, around MSEK 117 was transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel. These amounts are therefore not included in Pandox's reported figures.

Total net operating income amounted to MSEK 1,850 (3,389), a decrease of 45 percent.

► *Details of Operator Activities' costs can be found in Note C5.*

Central administration

Central administration costs amounted to MSEK -171 (-175). These include costs for corporate governance, administrative personnel, IT and office rents.

Financial income and expense

Financial expense amounted to MSEK -902 (-866), of which MSEK -72 (-56) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK 2 (1). Financial expense for right-of-use assets amounted to MSEK -86 (-81).

Changes in value

Unrealised changes in value amounted to MSEK -1,779 (1,389) for investment properties. Unrealised changes in the value of derivatives amounted to MSEK -221 (-39).

Current and deferred tax

Current tax amounted to MSEK -57 (-122), which is mainly explained by intra-Group eliminations. Current tax being charged despite a negative result is explained by full intra-Group eliminations – for example across national borders – not being possible. Deferred tax amounted to MSEK 191 (-672).

Profit for the year

Profit for the period amounted to MSEK -1,408 (2,700) and profit for the period attributable to Parent Company shareholders amounted to MSEK -1,399 (2,706), which is equivalent to SEK -7.61 (15.91) per share.

Other comprehensive income for the year

Other comprehensive income for the year includes translation differences for foreign operations and remeasurement for the year of property, plant and equipment and related hedging in respect of net assets in foreign operations.

Consolidated statement of financial position

MSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
● Operating properties	E3	6,872	6,307
Equipment/interiors	E2	502	554
● Investment properties	E1	50,181	53,697
Deferred non-current rent receivables attributable to new temporary payment terms	E4	189	—
Right-of-use assets	G5	2,926	3,064
● Deferred tax assets	D1	631	383
Derivatives ¹⁾	G2, G3	43	117
Other non-current receivables	E5, G3	36	34
Total non-current assets		61,380	64,156
Current assets			
Inventories		9	14
Current tax assets	D1	95	106
● Trade accounts receivable	E4, G3	180	367
Deferred current rent receivables attributable to new temporary payment terms	E4	250	—
Prepaid expenses and accrued income	E6	110	288
Other receivables		169	250
● Cash and cash equivalents		2,622	632
Total current assets		3,435	1,657
Total assets		64,815	65,813
EQUITY AND LIABILITIES			
Equity			
	G4		
Share capital		460	460
Other paid-in capital		7,525	7,525
Reserves		-714	258
Retained earnings including net profit for the year		16,609	18,107
Total equity attributable to the owners of the parent		23,880	26,350
Non-controlling interests		208	156
Total equity		24,088	26,506
Liabilities			
Non-current liabilities			
● Non-current interest-bearing liabilities ^{2) 3)}	G2, G3	26,034	23,587
Other non-current liabilities		5	18
Non-current lease liabilities	G5	2,901	3,034
● Derivatives ¹⁾	G2, G3	841	694
● Provisions	F2	32	41
● Deferred tax liabilities	D1	4,307	4,552
Total non-current liabilities		34,120	31,926
Current liabilities			
Provisions	F2	139	97
● Current interest-bearing liabilities ^{2) 3)}	G2, G3	5,418	6,034
Current lease liabilities	G5	27	30
Tax liabilities	D1	118	109
Trade accounts payable	G3	179	304
● Other current liabilities		265	226
Accrued expenses and prepaid income	F1	461	581
Total current liabilities		6,607	7,381
Total liabilities		40,727	39,307
Total equity and liabilities		64,815	65,813

¹⁾ The fair value measurement for derivatives 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 177 (202) have reduced interest-bearing liabilities.

● See comments on next page.

Comments

Consolidated statement of financial position

NON-CURRENT ASSETS

Operating properties

The 20 (18) properties within the Operator Activities segment are classified as operating properties and are reported at cost less depreciation and impairment losses. The carrying amount including equipment/interiors amounted to MSEK 7,374 (6,861). During the year two hotel properties were reclassified from Property Management to Operator Activities.

Investment properties

The number of investment properties at the end of the year was 136 (137). They are reported at fair value (market value) and amounted to MSEK 50,181 (53,697). During the year one property in Germany was acquired and two hotel properties in Denmark were reclassified from Property Management to Operator Activities. Unrealised changes in the value of investment properties for the year amounted to MSEK -1,779 (1,389). Investments in the existing portfolio during the year, excluding acquisitions, amounted to MSEK 907 (674), of which MSEK 492 (412) was in investment properties, MSEK 406 (257) was in operating properties and MSEK 9 (5) related to the head office.

Right-of-use assets

Pandox is applying IFRS 16 from 1 January 2019. Right-of-use assets amounted to MSEK 2,926 (3,064).

Deferred tax assets

At the end of the period deferred tax assets amounted to MSEK 631 (383). This consists mainly of the carrying amount of tax loss carryforwards which the Company expects to be able to utilise in future financial years, and temporary measurement differences for interest rate derivatives.

► See Note D1.

CURRENT ASSETS

Trade accounts receivable

Pandox's trade accounts receivable consist of rent receivables and trade accounts receivable in the Operator Activities segment. In light of Covid-19, agreements were made with tenants during the year concerning temporary changes in payment terms. On 31 December 2020 trade accounts receivable attributable to new temporary payment terms totalled the equivalent of MSEK 439. No reductions in hotel rents have been granted.

► See Note E4.

Cash and cash equivalents

Pandox's cash and cash equivalents of MSEK 2,622 (632) are mainly managed by the Parent Company through a central accounts structure at a bank, with cash being deposited in a joint interest-bearing account. Any surplus may over time be deposited in a time deposit account at the bank. Pandox has unutilised credit facilities totalling MSEK 2,599 (3,583).

EQUITY AND LIABILITIES

Financial position and net asset value

At the end of the period the loan-to-value ratio was 48.7 (46.0) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 23,880 (26,350) and net asset value (NRV) as defined by EPRA was MSEK 30,813 (34,270). EPRA NRV per share was SEK 167.60 (186.40).

NON-CURRENT LIABILITIES

Interest-bearing liabilities

At the end of the period the loan portfolio, excluding loan arrangement fees, amounted to MSEK 31,629 (29,823). The average fixed interest period was 2.8 (3.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.6 (2.6) percent, including effects of interest rate derivatives but excluding arrangement fees. The average repayment period was 2.8 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Lease liabilities

Lease liabilities totalled MSEK 2,928 (3,064), of which MSEK 27 (30) relates to current liabilities.

Derivatives

In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives, mainly interest rate swaps, are used. At the end of the period Pandox had interest rate derivatives totalling a gross amount of MSEK 22,395 and a net amount of MSEK 17,441, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 51 percent net of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year. The market value of the derivatives is measured each quarter and the change in value is recognised in profit or loss. On 31 December 2020 the market value of Pandox's financial derivatives amounted to MSEK -798 (-577).

Provisions

Provisions of MSEK 171 (138) relate to incentive schemes for senior executives and pension provisions.

Deferred tax liabilities

Deferred tax liabilities amounted to MSEK 4,307 (4,552) and relate mainly to temporary differences between the carrying amount and the taxable value of operating properties.

► See Note D1.

CURRENT LIABILITIES

Interest-bearing liabilities

The portion of the debt that matures within one year.

Other current liabilities

Liabilities include prepaid rent, accrued interest expense and trade accounts payable.

Consolidated statement of changes in equity

MSEK	Attributable to owners of the parent						Total	Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Translation reserve	Revaluation reserve ³⁾	Retained earnings, including profit for the year				
Equity, opening balance, 1 January 2019	419	4,556	46	169	16,188	21,378	160	21,538	
Profit for the year	—	—	—	—	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 with non-controlling interests	—	—	—	—	—	—	-1	-1	
Dividend	—	—	—	—	-787	-787	—	-787	
Equity, closing balance, 31 December 2019	460	7,525	89	169	18,107	26,350	156	26,506	
Equity, opening balance, 1 January 2020	460	7,525	89	169	18,107	26,350	156	26,506	
Profit for the year	—	—	—	—	-1,399	-1,399	-9	-1,408	
Other comprehensive income	—	—	-980	—	—	-980	-30	-1,010	
Transactions with non-controlling interests ²⁾	—	—	8	—	-99	-91	91	—	
Equity, closing balance, 31 December 2020	460	7,525	-883	169	16,609	23,880	208	24,088	

¹⁾ The proceeds of the new share issue are reported net after deducting transaction costs of MSEK -39.

²⁾ Transfer from owners of the parent to non-controlling interests.

³⁾ Change in fair value due to reclassification of hotel properties from Operator Activities to Property Management.

2019

Shares outstanding at year-end 183,849,999

2020

Shares outstanding at year-end 183,849,999

The share quota value is SEK 2.50.

Comments

Consolidated statement of cash flow

Cash flow from operating activities before changes in working capital amounted to MSEK 613 (2,119). The decrease is mainly due to lower sales revenues.

Changes in working capital amounted to MSEK -153 (-185).

Investing activities affected cash flow in the amount of MSEK -1,598 (-5,188). During the year Pandox took over one investment property in Germany. In addition, acquisition expenses for the compa-

nies in Germany acquired in 2019 were capitalised. This affected cash flow in the amount of MSEK -689 (-4,901). No properties were divested during the year, compared with a figure of MSEK 390 in 2019. Investments in properties and non-current assets amounted to MSEK -907 (-674). Financing activities affected cash flow in the amount of MSEK 3,071 (3,193). The change is explained by new loans of MSEK 9,755 (12,565) and debt repayment of

MSEK -6,664 (-11,584). Dividends paid affected cash flow in the amount of MSEK -20 (-798). Cash flow for the year amounted to MSEK 1,933 (-61). Cash and cash equivalents at year-end amounted to MSEK 2,622 (632).

Consolidated statement of cash flow

MSEK	Note	2020	2019
OPERATING ACTIVITIES			
Profit before tax		-1,542	3,494
Reversal of depreciation		238	195
Realised changes in value, investment properties		—	-96
Unrealised changes in value, investment properties		1,779	-1,389
Unrealised changes in value, derivatives		221	39
Other items not included in cash flow	I1	-38	84
Taxes paid		-45	-208
Cash flow from operating activities before changes in working capital		613	2,119
Increase/decrease in operating receivables		-36	-23
Increase/decrease in operating liabilities		-117	-162
Changes in working capital		-153	-185
Cash flow from operating activities		460	1,934
INVESTING ACTIVITIES			
Investments in investment properties		-492	-412
Investments in operating properties		-348	-152
Investments in equipment/interiors		-67	-110
Divestment of hotel properties, net effect on liquidity	I1	—	390
Acquisition of hotel properties, net effect on liquidity	I1	-689	-4,901
Acquisition of financial assets		-2	-3
Cash flow from investing activities		-1,598	-5,188
FINANCING ACTIVITIES			
New share issue		—	3,049
Transaction costs		—	-39
New loans		9,755	12,565
Debt repayment		-6,664	-11,584
Guaranteed dividend, minority interests		-20	-11
Paid dividend		—	-787
Cash flow from financing activities		3,071	3,193
Cash flow for the year		1,933	-61
Cash and cash equivalents at beginning of year		632	674
Exchange rate differences in cash and cash equivalents		57	19
Cash and cash equivalents at year-end		2,622	632
Information on interest paid			
Interest received		2	1
Interest paid		-819	-782
Financial expense for right-of-use assets		-86	-81
Information on cash and cash equivalents at year-end		2,622	632
Cash and cash equivalents consist of bank balances			

See page 106 for comments.



Parent Company income statement

MSEK	Note	2020	2019
Net sales	B3	150	122
Administration costs	C3, C7	-219	-226
Operating profit		-69	-104
Profit from participations in Group companies	G1, B3	—	2,337
Other interest expense and similar profit/loss items ¹⁾	G1, B3	-383	376
Derivatives, unrealised		-188	-58
Profit after financial items		-640	2,551
Year-end appropriations		1	-252
Profit before tax		-639	2,299
Tax on profit for the year	D1	0	0
Deferred tax	D1	153	14
Profit for the year		-486	2,313

¹⁾ The Company has not presented Other comprehensive income since the Company has no items reported as Other comprehensive income.

Comments Parent Company's financial statements

Administration for the activities of Pandox's property-owning companies is provided by staff employed by the Parent Company, Pandox AB (publ). The costs of these services are invoiced to Pandox's subsidiaries. The total amount invoiced in the period January – December 2020 was MSEK 150 (122). Profit from participations in Group companies of MSEK — (2,337) refers to dividends received from Group companies and capital gains due to divestment of subsidiaries. Year-end appropriations are the net reported amounts of Group contributions paid and received. Profit for the year amounted to MSEK -486 (2,313). The lower

profit compared with 2019 is mainly due to currency effects on internal loans and to no dividends having been received from subsidiaries.

Tax on profit for the year is MSEK 0 (0). During the year the Company recognised tax assets for its tax loss carryforwards as well as temporary differences in the value of interest rate derivatives amounting to MSEK 289 (136). See Note D1.

The Parent Company's assets consist mainly of shares and participations in subsidiaries and receivables from Group companies. Shares and participations in Group companies amount to MSEK 7,482 (7,393).

The increase is due to shareholder contributions provided. The proceeds of a directed share issue increased equity by MSEK - (3,010).

At the end of the period the Parent Company's equity amounted to MSEK 8,603 (9,089). External interest-bearing liabilities amounted to MSEK 4,804 (6,305), of which MSEK 3,294 (3,427) was in the form of non-current interest-bearing liabilities. No dividend is proposed for 2020.

Parent Company balance sheet

MSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment			
Equipment	E2	11	4
Total property, plant and equipment		11	4
Financial non-current assets			
Shares and participations in Group companies	H1	7,482	7,393
Receivables from Group companies	B3	11,637	14,148
Other non-current receivables	E5	24	21
Deferred tax assets	D1	289	136
Total financial non-current assets		19,432	21,698
Total non-current assets		19,443	21,702
Current assets			
Other receivables		10	14
Prepaid expenses and accrued income	E6	7	21
Receivables from Group companies		848	1,160
Cash and bank balances		1,756	84
Total current assets		2,621	1,279
Total assets		22,064	22,981
EQUITY AND LIABILITIES			
Equity			
Share capital	G4	460	460
Statutory reserve		10	10
Share premium reserve		2,969	2,969
Retained earnings		5,650	3,337
Profit for the year		-486	2,313
Total equity		8,603	9,089
Provisions	F2	168	137
Non-current liabilities			
Non-current interest-bearing liabilities ¹⁾	J2	3,294	3,427
Liabilities, Group companies		1,895	2,399
Derivatives		677	518
Total non-current liabilities		5,866	6,344
Current liabilities			
Current interest-bearing liabilities ¹⁾	J2	1,510	2,878
Trade accounts payable		6	7
Liabilities, Group companies	B3	5,837	4,455
Other current liabilities		11	11
Accrued expenses and prepaid income	F1	63	60
Total current liabilities		7,427	7,411
Total liabilities		13,461	13,892
Total equity and liabilities		22,064	22,981

¹⁾ Arrangement fees of approximately MSEK 18 (20) have reduced interest-bearing liabilities.

Statement of changes in equity for the Parent Company

MSEK	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	
Equity, opening balance, 1 January 2019	419	10	0	3,390	734	4,553
Appropriation of profit	—	—	—	734	-734	—
Profit for the year ¹⁾	—	—	—	—	2,313	2,313
Dividend	—	—	—	-787	—	-787
New share issue ²⁾	41	—	2,969	—	—	3,010
Equity, closing balance, 31 December 2019	460	10	2,969	3,337	2,313	9,089
Equity, opening balance, 1 January 2020	460	10	2,969	3,337	2,313	9,089
Appropriation of profit	—	—	—	2,313	-2,313	—
Profit for the year ¹⁾	—	—	—	—	-486	-486
Equity, closing balance, 31 December 2020	460	10	2,969	5,650	-486	8,603

¹⁾ The Company has not presented Other comprehensive income since the Company has no items reported as Other comprehensive income.

²⁾ The proceeds of the new share issue are reported net after deducting transaction costs of MSEK -39.

2019

Shares outstanding at year-end 183,849,999

2020

Shares outstanding at year-end 183,849,999

The share quota value is SEK 2.50.

Statement of cash flow for the Parent Company

MSEK	2020	2019
OPERATING ACTIVITIES		
Profit after financial items	-640	2,551
Reversal of depreciation	2	1
Other items not included in cash flow	189	95
Taxes paid	0	0
Cash flow from operating activities before changes in working capital	-449	2,647
Increase/decrease in operating receivables	20	9
Increase/decrease in operating liabilities	1,692	86
Changes in working capital	1,712	95
Cash flow from operating activities	1,263	2,742
INVESTING ACTIVITIES		
Changes in shares and participations	-90	—
Investment in equipment	-9	-5
Acquisition of financial assets	-4,192	-5,090
Divestment of financial assets	6,700	674
Cash flow from investing activities	2,409	-4,421
FINANCING ACTIVITIES		
New share issue	—	3,049
Transaction costs	—	-39
Group contributions received	214	692
Group contributions provided	-213	-943
New loans	3,945	6,931
Debt repayment	-5,946	-7,224
Paid dividend	—	-787
Cash flow from financing activities	-2,000	1,679
Cash flow for the year	1,672	0
Cash and cash equivalents at beginning of year	84	84
Cash and cash equivalents at year-end	1,756	84
Information on interest paid		
Interest received	389	370
Interest paid	-312	-321
Information on cash and cash equivalents at year-end	1,756	84
Cash and cash equivalents consist of bank balances		

A1 Alternative performance measures

Key figures not defined according to IFRS

A number of the financial descriptions and measures in this annual report provide information about the development and status of financial and per share measurements that are not defined in accordance with the IFRS (International Financial Reporting Standards). The alternative financial performance measures below provide useful supplementary information to investors and management, as they facilitate evaluation of company performance. Since not all

companies calculate performance measures in the same manner, these are not always comparable to measures used by other companies. Hence these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated the table below presents measures which are not defined according to IFRS, along with a reconciliation of these. ► *The definitions of these measures also appear on page 176.*

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES (MSEK)	2020	2019
Net interest-bearing debt		
Non-current interest bearing liabilities	26,034	23,587
Current interest-bearing liabilities	5,418	6,034
Arrangement fees for loans	177	202
Cash and cash equivalents	-2,622	-632
Net interest-bearing debt	29,007	29,191
Loan-to-value ratio, net %		
Net interest-bearing debt	29,007	29,191
Market value, properties	59,542	63,469
Loan-to-value ratio, %	48.7	46.0
Interest coverage ratio ¹⁾, times		
EBITDA	1,699	3,231
Less: Financial expense for right-of-use assets	-86	-81
Net interest expense	793	764
Interest coverage ratio ¹⁾, times	2.03	4.12
<small>¹⁾ Adapted to how Pandox reports interest coverage ratio in respect of financial covenants. See also definitions of financial key ratios on page 176.</small>		
Interest coverage ratio, times, as presented previously		
Profit before changes in value	458	2,074
Interest expense	795	765
Depreciation	235	194
Interest coverage ratio, times, as presented previously	1.87	3.96
Average interest on debt, %		
Average interest expense	811	782
Non-current interest-bearing liabilities	26,034	23,587
Arrangement fees for loans	177	202
Current interest-bearing liabilities	5,418	6,034
Average interest on debt, %	2.6	2.6
See Note G2 for a complete reconciliation		
Investments, incl. Parent Company excl. acquisitions	907	674

1

RECONCILIATION ALTERNATIVE PERFORMANCE MEASURES (MSEK)	2020	2019
Net operating income, Property Management		
Rental income	2,228	3,017
Other property revenue	171	112
Costs, excl. property administration	-215	-247
Net operating income, Property Management before property administration	2,184	2,882
Property administration	-166	-118
Net operating income, Property Management	2,018	2,764
Net operating income, Operator Activities		
Revenue, Operator Activities	779	2,424
Costs, Operator Activities	-1,182	-1,993
Gross profit	-403	431
Add: Depreciation included in costs	235	194
Net operating income, Operator Activities	-168	625
EBITDA		
Gross profit from respective business segment	1,615	3,195
Add: Depreciation included in costs, Operator Activities	235	194
Less: Central administration, excluding depreciation	-151	-158
EBITDA	1,699	3,231
Cash earnings		
EBITDA	1,699	3,231
Add: Financial income	2	1
Less: Financial expense	-902	-866
Less: Financial expense for right-of-use assets	-86	-81
Less: Unrealised translation gains on bank balances	4	14
Less: Current tax	-57	-122
Cash earnings	660	2,177
EPRA NRV		
Group equity attributable to owners of the parent	23,880	26,350
Add: Revaluation of operating properties	1,998	2,915
Add: Fair value of financial derivatives	798	577
Less: Deferred tax assets related to derivatives	-171	-123
Add: Deferred tax liabilities related to properties	4,307	4,552
EPRA NRV	30,813	34,270
Growth in EPRA NRV, annual rate, %		
EPRA NRV attributable to owners of the parent, opening balance	34,270	27,476
EPRA NRV attributable to owners of the parent, closing balance	30,813	34,270
Dividend added back, current year	—	787
Excluding proceeds from new share issue	—	-3,010
Growth in EPRA NRV, annual rate, %	-10.1	16.6

2

3

CONT. RECONCILIATION ALTERNATIVE
PERFORMANCE MEASURES
PER SHARE ¹⁾

	2020	2019
Comprehensive income per share, SEK		
Comprehensive income for the period attributable to owners of the parent, MSEK	-2,379	2,749
Weighted average number of shares before and after dilution	183,849,999	170,053,287
Comprehensive income per share, SEK	-12.94	16.17
Cash earnings per share, SEK		
Cash earnings attributable to owners of the parent, MSEK	669	2,183
Weighted average number of shares before and after dilution	183,849,999	170,053,287
Cash earnings per share, SEK	3.64	12.84
Net asset value (EPRA NRV) per share, SEK		
EPRA NRV, MSEK	30,813	34,270
Number of shares at year-end	183,849,999	183,849,999
Net asset value (EPRA NRV) per share, SEK	167.60	186.40
Dividend per share, SEK		
Dividend, MSEK	—	—
Number of shares at dividend	183,849,999	183,849,999
Dividend per share, SEK	—	—
Weighted average number of shares before and after dilution	183,849,999	170,053,287
Number of shares at year-end	183,849,999	183,849,999
PROPERTY-RELATED PERFORMANCE MEASURES		
Number of hotels, end of period ²⁾	156	155
Number of rooms, end of period ²⁾	35,060	34,685
WAULT, years	14.6	15.6
Market value properties, MSEK	59,542	63,469
Market value investment properties, MSEK	50,181	53,697
Market value operating properties, MSEK	9,361	9,772
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	222	904

¹⁾ The total number of shares outstanding after full dilution amounts to 183,849,999, of which 75,000,000 are class A shares and 108,849,999 are class B shares. Calculated on the total number of shares for balance sheet items and the weighted number of shares for income statement items.

²⁾ Pandox's owned hotel properties.

1

EXPLANATIONS**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, the interest coverage ratio, the average interest on debt and interest-bearing net debt are other relevant measures of Pandox's financial risk.

2

Growth and profitability

Pandox's overall goal is to increase cash flow and property value and thereby have the resources for investments to support the Company'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 dividend share of 40 percent over time. Measuring net operating income creates transparency and comparability between the Company's two business segments and with other property companies. EBITDA measures Pandox's total operational profitability in a uniform way.

3

Net asset value (EPRA NRV) and equity

Net asset value (EPRA NRV), which corresponds to the previously reported EPRA NAV, is the aggregate 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 tax liabilities. The market value of operating properties is also included in the calculation.

►► Note A1, cont.

Net asset value expressed as EPRA NRV, EPRA NTA and EPRA NDV

Net asset value is the aggregate capital that the Company manages on behalf of its shareholders. Net asset value can be calculated in various ways, primarily affected by the time horizon and the portfolio's turnover. In general, Pandox has an industrial and long-term investment horizon.

As of 31 December 2020 Pandox is reporting the performance measures EPRA NRV (net reinstatement

value), which for Pandox corresponds to the previously reported EPRA NAV, EPRA NTA (net tangible assets) and EPRA NDV (net disposal value). See page 176 for definitions.

EPRA NRV is the long-term net asset value and is based on the balance sheet adjusted for items where there will be no payments made in the near future, such as goodwill, financial derivatives, deferred tax liability and surplus value of operating properties. EPRA NTA is the same as long-term net asset value

with the difference that goodwill not attributable to deferred tax is to be added back and that deferred tax can be assigned a market value taking into account how the entity has carried out real estate transactions in recent years. As Pandox has no goodwill and has a long-term investment horizon, in Pandox's case the value of NRV and NTA is the same. EPRA NDV is net asset value according to equity in the balance sheet adjusted for goodwill (Pandox has no goodwill) and surplus value of operating properties.

31 DECEMBER 2020

Figures in MSEK	Current EPRA performance measures						Previously reported performance measures	
	EPRA NRV	SEK per share ²⁾	EPRA NTA	SEK per share ²⁾	EPRA NDV ¹⁾	SEK per share ²⁾	EPRA NAV	SEK per share ²⁾
Group equity attributable to owners of the parent	23,880	129.89	23,880	129.89	23,880	129.89	23,880	129.89
Add: Revaluation of operating properties	1,998	10.87	1,998	10.87	1,998	10.87	1,998	10.87
Add: Fair value of financial derivatives	798	4.34	798	4.34	N/A	N/A	798	4.34
Less: Deferred tax assets related to derivatives	-171	-0.93	-171	-0.93	N/A	N/A	-171	-0.93
Add: Deferred tax liabilities	4,307	23.43	4,307	23.43	N/A	N/A	4,307	23.43
Total	30,813	167.60	30,813	167.60	25,878	140.76	30,813	167.60

¹⁾ In the performance measure EPRA NDV financial derivatives and deferred tax liabilities are not added back. See also page 176 for definitions of key ratios.

²⁾ Number of shares at year-end.

31 DECEMBER 2019

Figures in MSEK	Current EPRA performance measures						Previously reported performance measures	
	EPRA NRV	SEK per share ²⁾	EPRA NTA	SEK per share ²⁾	EPRA NDV ¹⁾	SEK per share ²⁾	EPRA NAV	SEK per share ²⁾
Group equity attributable to owners of the parent	26,350	143.32	26,350	143.32	26,350	143.32	26,350	143.32
Add: Revaluation of operating properties	2,915	15.85	2,915	15.85	2,915	15.85	2,915	15.85
Add: Fair value of financial derivatives	577	3.14	577	3.14	N/A	N/A	577	3.14
Less: Deferred tax assets related to derivatives	-123	-0.67	-123	-0.67	N/A	N/A	-123	-0.67
Add: Deferred tax liabilities	4,552	24.76	4,552	24.76	N/A	N/A	4,552	24.76
Total	34,270	186.40	34,270	186.40	29,265	159.18	34,270	186.40

¹⁾ In the performance measure EPRA NDV financial derivatives and deferred tax liabilities are not added back. See also page 176 for definitions of key ratios.

²⁾ Number of shares at year-end.

B

General information and overall accounting principles

B1 OVERALL ACCOUNTING PRINCIPLES

Introduction

The consolidated accounts cover Pandox AB (the Parent Company) and its subsidiaries (the Group). The Parent Company, Pandox AB (publ), is a Swedish company (company reg. no. 556030-7885) and has its registered office in Sweden at Vasagatan 11, SE-111 20 Stockholm. Pandox was formed in 1995 and the Company's B shares have been listed on Nasdaq Stockholm since 18 June 2015. For disclosures concerning the ownership structure see "The shares and ownership structure" on page 38. The financial statements as per 31 December 2020 were approved by the Board of Directors and CEO on 7 March for adoption at the Annual General Meeting on 12 April 2021.

The executive management team and the Board of Directors have discussed the development, choice of and disclosures on the Group's important accounting principles and estimates, as well as the application of these.

The accounting principles can be found in the respective note where appropriate. For the Parent Company's accounting principles see Note J1. The following distinction is made in the notes:

S ACCOUNTING PRINCIPLES

Refers to the principles, bases, rules and practices that the Company applies in the preparation and presentation of the Annual Report.

! KEY ESTIMATES AND JUDGMENTS

When preparing financial statements it is necessary to make judgments in the application of accounting principles and estimates with respect to the value of assets, liabilities, revenue and expenses. Estimates and assumptions are based on past experience and other factors deemed relevant and reasonable. Estimates and assumptions are reviewed regularly and compared with the actual outcome.

1. Accounting basis

1.1 Conformity with standards and laws

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

1.2 Basis for valuation

Investment properties and derivative instruments are recognised at fair value on an ongoing basis. Other assets and liabilities are recognised at historic cost or, where applicable, at amortised cost in the case of non-derivative financial liabilities and financial assets.

1.3 Functional currency and reporting currency

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the reporting currency of the Parent Company and of the Group. The financial statements are therefore presented in Swedish kronor. All figures are in millions of Swedish kronor (MSEK) unless indicated otherwise.

1.4 Classification

Non-current assets and non-current liabilities consist of amounts expected to be recovered or paid after 12 months have passed since the balance sheet date. Current assets and current liabilities consist of amounts expected to be recovered or paid within 12 months of the balance sheet date.

1.5 Reporting of acquisitions

The IFRS 3 financial reporting standard states that acquisitions are to be classified as business combinations or asset purchases. In an asset purchase, the transaction is not covered by IFRS 3. An individual assessment of the nature of the acquisition

is required for each individual transaction. Whether or not an acquisition is classified as an asset purchase depends on whether Pandox acquires the property but refrains from taking over management and operation of the business. In the case of business combinations, Pandox uses its own personnel for management and operation of the acquired property. If the main purpose of the acquisition is to acquire the purchased company's properties, and where no administrative organisation exists, the transaction is recognised as an asset purchase.

Further, in conjunction with the acquisition, the identifiable assets and liabilities are to be measured both for items in the acquired company's balance sheet which are to be recognised according to Pandox's accounting principles, and for items that were not subject to recognition in the acquired company's balance sheet, such as the fair value of acquired property. As there are not usually any listed prices for the assets and liabilities to be measured, various valuation models must be used. These valuation models are based on a number of different assumptions. It may also take time to establish the assets and liabilities taken over, based on the reconciliation to be carried out with counterparties and any legal restructuring carried out in order to separate operations taken over. Until a final settlement has been drawn up or legal restructuring has been completed, the accounts that consolidate acquired properties, assets and liabilities are prepared based on available information, review and assessment to ensure that Pandox's accounting principles are applied. On final settlement a difference may arise, requiring the acquired property value to be adjusted. In asset purchases, no separate deferred tax is recognised at the time of acquisition; instead the asset is recognised at cost, which corresponds to the fair value of the asset after deducting any discount for non-tax-deductible costs. Transaction expenses are capitalised and added to the acquisition cost.

2. New accounting standards

Changes effective from 2020 have had no material impact on the consolidated financial statements.

On 1 January 2021 Phase 2 of the amendments to IFRS 9 Financial Instruments relating to hedge accounting enter into force. Phase 2 clarifies how the effects on the financial statements resulting from the IBOR reform are to be accounted for, including changes in contractual cash flows or hedging relationships that may arise as a consequence of the Interest Rate Benchmark Reform. The amendments are not expected to have any impact on the Group's financial statements.

No other published standards and interpretations that are mandatory for the Group in the 2021 financial year are expected to have any impact on the Group's financial statements.

3. Foreign currency

3.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate in effect on the transaction date. Functional currency is the currency of the primary economic environment where the companies conduct their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate in effect on the closing day. Exchange rate differences that arise on translation are recognised in profit for the year. Non-monetary assets and liabilities recognised at historic cost are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate in effect on the date of fair value measurement.

3.2 Financial statements of foreign entities

Assets and liabilities of foreign entities and consolidated surpluses and deficits are translated from the foreign entity's functional currency to the Group's reporting currency (Swedish kronor) at the exchange rate in effect on the closing day. Revenue and expenses in a foreign entity are translated to Swedish kronor at an average exchange rate that is an approximation of the exchange rates in effect on each

►► Note B1, cont.

transaction date. Translation differences arising in currency translation of foreign entities and net investments or other financial instruments designated for hedging of such investments are recognised in other comprehensive income and accumulated in a separate component of equity called the translation reserve. When a controlling interest ceases to exist for a foreign entity, the cumulative translation differences relating to the entity are realised, at which point they are reclassified from the translation reserve in equity to profit or loss for the year. In the case of a disposal where the controlling interest still exists, a proportional percentage of the cumulative translation differences is transferred from the translation reserve to non-controlling interests.

The Company has decided to state the cumulative translation differences attributable to foreign entities at zero at the time of the transition to IFRS.

EXCHANGE RATES

The exchange rates used were obtained from the Riksbank (Sweden's central bank), www.riksbank.se.

Currency code	Ultimo 31 Dec 2019	Average Jan–Dec 2020	Ultimo 31 Dec 2020
CAD	7.128300	6.860300	6.399600
CHF	9.572917	9.797863	9.254141
DKK	1.396783	1.406762	1.349232
EUR	10.433600	10.486700	10.037500
GBP	12.214500	11.798100	11.087300
NOK	1.057883	0.978569	0.954564
SEK	1.000000	1.000000	1.000000

4. Consolidation principles

4.1 Controlling interests and the acquisition method

Subsidiaries are companies that are under the direct or indirect control of the Parent Company. A controlling interest exists if the Parent Company directly or indirectly has a controlling interest over the investment object, is exposed to or has the right to variable returns from its holding in the investment object and can use its influence over the investment object to affect the size of its returns.

The acquisition method of accounting is used for subsidiaries. With the acquisition method, a subsidiary is regarded as a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The fair value on the date of acquisition of the identifiable assets acquired and liabilities assumed, as well as any non-controlling interests, are established in an acquisition analysis. Transaction fees, with the exception of transaction fees relating to any equity instruments or debt instruments issued, are recognised directly in profit or loss for the year.

4.2 Changes in ownership

Acquisitions made on several occasions which increase ownership of a company are recognised as step acquisitions. Once a controlling interest has been achieved, changes in ownership are recognised as a transfer in equity between owners of the Parent Company and non-controlling interests. In the case of a reduction of ownership to the extent that the controlling interest is lost, the subsidiary's assets and liabilities – and, where applicable, non-controlling interests – are derecognised, at which point the capital gain or loss is recognised through profit or loss combined with any gain or loss on remaining holdings measured at fair value, with changes in value recognised through profit or loss.

4.3 Asset purchases

An acquisition of a company can be regarded either as an asset purchase or as a business combination. In an asset purchase, the transaction is not covered by IFRS 3. See also on reporting of acquisitions under section 1.5.

5. Inventories

Inventories are stocks of consumables in the hotel operations. Inventories are measured at cost or net realisable value, whichever is lower. The cost of inventories is calculated using the first-in, first-out (FIFO) method and includes expenditures that have arisen from the acquisition of inventory assets and from bringing them to their present location and condition.

Net realisable value is the estimated selling price in the course of operations less the estimated costs necessary to make the sale.

6. Impairment

The assets carried in the Group are tested on each closing date for indications of impairment. IAS 36 is applied for impairment of assets other than financial assets, which are recognised according to IFRS 9. Inventories, deferred tax assets, assets arising in connection with employee benefits (IAS 19) and investment property measured at fair value (IAS 40) are exceptions, the carrying amounts of these being determined according to the respective standard.

6.1 Impairment of property, plant and equipment

If there is an indication of impairment, the recoverable amount of the asset is calculated as described below. If it is not possible to determine the largely independent cash flows for an individual asset, and its fair value less costs to sell cannot be used, the assets are grouped for the purpose of impairment testing at the lowest level at which it is possible to identify largely independent cash flows – a so-called cash-generating unit.

An impairment loss is recognised when an asset's or a cash-generating unit's carrying amount exceeds its recoverable amount. Impairment losses are expensed through profit or loss. The recoverable amount is fair value less costs to sell or value in use – whichever is higher. When calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the specific asset.

6.2 Impairment of financial assets

At each reporting date the Company assesses whether there is objective evidence of impairment of a financial asset or group of assets. Objective evidence consists of an observable circumstance that has arisen and that has a negative impact on the ability to recover the cost of the asset.

The Company reviews which rents are unpaid by the 10th day of the next month.

The Company classifies rent receivables and other receivables as doubtful based on individual assessments in connection with the monthly reviews. For impairment of receivables the simplified model is applied and the loss allowance corresponds to expected credit losses over the remaining term. Receivables where there is indication of impairment are recognised at the present value of future cash flows. Receivables close to their due date are not discounted.

6.3 Reversal of impairment losses

Impairment losses on assets covered by IAS 36 are reversed if there is both an indication that the impairment loss no longer exists and there has been a change in the assumptions on which the calculation of the recoverable amount was based. An impairment loss is reversed only to the extent that the carrying amount of the asset after the reversal does not exceed the carrying amount that the asset would have had, minus depreciation/amortisation where applicable, if no impairment loss had been recognised.

Impairment losses on loans receivable and trade accounts receivable that are recognised at amortised cost are reversed if the past reason for the impairment loss no longer exists and the corresponding payment is expected to be received from the customer.

►► Note B1, cont.

7. Assets and liabilities held for sale

The significance of a non-current asset or a disposal group that has been classified as held for sale is that its carrying amount will be largely recovered through the sale of the asset and not through its use. An asset or disposal group is classified as held for sale if it is available for immediate sale in its existing condition and it is very likely that a sale will take place. These assets or disposal groups are reported on a separate line as current assets or current liabilities in the statement of financial position. For depreciable assets, depreciation stops after it is classified as an asset held for sale.

Immediately before classification as held for sale, the Group determines the carrying amount of the assets and all the assets and liabilities in a disposal group in accordance with the applicable standards. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at their carrying amount or fair value, whichever is the lower, less costs to sell. Certain assets – individual assets or assets in a disposal group – are exempted from the measurement rules described above, such as financial assets and deferred tax assets.

8. Potential effects of Brexit

Pandox's operations in the UK mainly serve local customers and operate in local currency. The preliminary assessment is that the UK's leaving the EU will have a limited effect on Pandox's local operations in the UK. It is not possible to assess the impact on financing in GBP and on the value of investment properties in the longer term, other than as described in the notes concerned. On translation of the UK financial statements to SEK any changes in the exchange rate between SEK and GBP will affect the consolidated financial statements.

B2 EVENTS AFTER THE CLOSING DAY

No events or transactions of significance have taken place since 31 December 2020 that affect the financial statements provided for the Pandox Group for the 2020 financial year.

B3 RELATED PARTY TRANSACTIONS

Related companies are defined as the subsidiaries in the Pandox Group and companies over which related physical persons have a controlling, joint controlling or significant influence. Related persons include board members, senior executives and close family members of the above. Pandox AB has three main owners: Eiendomsspar AS, Christian Sundt AB and Helen Sundt AB. The Parent Company is a related party of its subsidiaries. Certain dividend restrictions apply in a few of the subsidiaries' credit agreements. Disclosures concerning remuneration to key individuals in senior positions can be found in Note C7. Disclosures concerning subsidiaries can be found in Note H1.

Group-internal transactions are entered into on market terms. The transactions entail allocation of central administration costs and interest relating to financial receivables and liabilities.

The management agreements that Pandox had with Eiendomsspar AS regarding nine hotels in Oslo that are owned by Eiendomsspar AS or subsidiaries of Eiendomsspar AS ended on 31 December 2019. In 2020 revenue from the asset management agreements therefore amounted to MSEK 0 (4). The management agreement for Pelican Bay Lucaya Resort in the Bahamas, owned by affiliates of Helene Sundt AS and CGS Holding AS, remains in place and revenue from this amounted to MSEK 0 (1) in 2020.

Eiendomsspar AS owns 5.1 percent of 22 properties in Germany and 9.9 percent of another hotel property in Germany. The acquisitions were made by Pandox in 2015, 2016 and 2019.

Parent Company

The Parent Company's fees for central administrative services from Group companies during the year amounted to MSEK 150 (122). No other purchases were made between the Parent Company and its Group companies.

TRANSACTIONS BETWEEN THE PARENT COMPANY AND RELATED PARTIES

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Central administration costs	150	122
Interest income from subsidiaries	388	369
Dividends from subsidiaries	—	2,337
Interest paid to subsidiaries	-46	-47
Receivables from related parties	12,485	15,308
Liabilities to related parties	7,732	6,854
Group contributions received	214	692
Group contributions provided	-213	-943

C Revenue and costs

C1 BUSINESS SEGMENTS

§ ACCOUNTING PRINCIPLES

A business segment is a unit in the Group with operations from which revenue can be generated and costs incurred, and for which independent financial information is available. A business segment's performance is monitored by the Company's chief operating decision-maker (CEO) to evaluate performance and to be

able to allocate resources to the business segment. Pandox has two segments: Property Management and Operator Activities. Segment reporting applies the same accounting principles as those used in the annual report in general, and the sum of the segments is equal to the figure for the Group.

Pandox's business segments are Property Management and Operator Activities. The Property Management segment 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. For 2020 the Property Management segment also includes nine management agreements for externally owned hotel properties. These management agreements ended on 31 December 2019. The Operator Activities segment owns hotel properties and operates hotels. The Operator Activities segment also includes one management agreement for an additional

externally owned hotel property. Unallocated items are any items that are not attributable to a specific segment or are common to both segments, as well as financial expense attributable to 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. Scandic Hotels Group and Fattal Hotels Group are tenants which, individually, account for more than 10 per cent of revenue.

GROUP 2020

Business segments, MSEK	Property Management ³⁾	Operator Activities ³⁾	Group-wide and unallocated items	Total
Revenue, Property Management				
Rental income and other property revenue ¹⁾	2,399	—	—	2,399
Revenue, Operator Activities	—	779	—	779
Net sales	2,399	779	—	3,178
Costs, Property Management	-381	—	—	-381
Costs, Operator Activities ²⁾	—	-1,182	—	-1,182
Gross profit	2,018	-403	—	1,615
Central administration	—	—	-171	-171
Financial income	—	—	2	2
Financial expense	—	—	-902	-902
Financial expense for right-of-use assets	—	—	-86	-86
Profit before changes in value	2,018	-403	-1,157	458
Changes in value				
Properties, unrealised	-1,779	—	—	-1,779
Properties, realised	0	—	—	0
Derivatives, unrealised	—	—	-221	-221
Profit before tax	239	-403	-1,378	-1,542
Current tax	—	—	-57	-57
Deferred tax	—	—	191	191
Profit for the year	239	-403	-1,244	-1,408

¹⁾ Other revenue refers to government assistance amounting to MSEK 35. For full-year 2020 revenue-based rent in Property Management amounted to MSEK 249

²⁾ Including depreciation of operating properties in the amount of MSEK 235 and reduced costs due to government assistance of MSEK 97.

³⁾ Management revenue is recognised over time and fixed fees are received in advance. Variable compensation within Property Management is paid on a six-monthly or annual basis, as agreed. In Operator Activities revenue and payments received are recognised at the time of delivery of the service and/or product.

2020

Geographical market, MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Net sales									
Property Management	559	123	145	204	664	46	480	178	2,399
Operator Activities	—	9	—	17	214	278	131	130	779
Properties, market value ¹⁾	14,573	3,383	3,036	3,873	15,047	4,136	10,666	4,828	59,542
Investments in properties ²⁾	192	43	36	117	92	240	108	70	898
Acquisition of properties	—	—	—	—	643	—	48	-2	689
Book value, operating properties	—	724	—	26	1,914	2,535	878	1,286	7,363
Total non-current assets at carrying amount excl. deferred tax	15,182	3,406	3,038	4,552	14,455	3,579	11,514	4,834	60,560

¹⁾ Also includes fair value of operating properties at MSEK 9,361.

²⁾ Includes investments in equipment/intérieurs of operating properties at MSEK 59.

►► Note C1, cont.

GROUP 2019

Business segments, MSEK	Property- Management ²⁾	Operator Activities ²⁾	Group-wide and unallocated items	Total
Revenue, Property Management				
Rental income and other property revenue	3,129	—	—	3,129
Revenue, Operator Activities	—	2,424	—	2,424
Net sales	3,129	2,424	—	5,553
Costs, Property Management	-365	—	—	-365
Costs, Operator Activities ¹⁾	—	-1,993	—	-1,993
Gross profit	2,764	431	—	3,195
Central administration	—	—	-175	-175
Financial income	—	—	1	1
Financial expense	—	—	-866	-866
Financial expense for right-of-use assets	—	—	-81	-81
Profit before changes in value	2,764	431	-1,121	2,074
Changes in value				
Properties, unrealised	1,389	—	—	1,389
Properties, realised	70	—	—	70
Derivatives, unrealised	—	—	-39	-39
Profit before tax	4,223	431	-1,160	3,494
Current tax	—	—	-122	-122
Deferred tax	—	—	-672	-672
Profit for the year	4,223	431	-1,954	2,700

¹⁾ Expenses for Operator Activities include depreciation of operating properties at MSEK 194.

²⁾ Management revenue is recognised over time and fixed fees are received in advance. Variable compensation within Property Management is paid on a six-monthly or annual basis, as agreed. In Operator Activities revenue is recognised and payments are received at the time of delivery of the service and/or product.

2019

Geographical market, MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Net sales									
Property Management	915	235	219	312	550	56	652	190	3,129
Operator Activities	—	—	—	43	544	1,050	274	513	2,424
Properties, market value ¹⁾	14,940	3,591	3,455	4,057	15,440	4,625	12,054	5,307	63,469
Investments in properties ²⁾	155	25	59	79	49	161	50	91	669
Acquisition of properties	—	—	—	—	4,618	7	-101	377	4,901
Realised change in value, properties	96	—	—	—	—	—	—	—	96
Book value, operating properties	—	—	—	26	1,973	2,521	934	1,403	6,857
Total non-current assets at carrying amount excl. deferred tax	15,604	3,604	3,459	4,763	14,708	3,463	12,871	5,131	63,603

¹⁾ Also includes fair value of operating properties at MSEK 9,772.

²⁾ Includes investments in equipment/interiors of operating properties at MSEK 105.

C2 REVENUE**§** ACCOUNTING PRINCIPLES*Rental income*

Rental income from Property Management is recognised on a straight line basis according to the terms and conditions in the leases (rental agreements). Rental income relates to the leased space in hotel operations and other minor rental income from offices and retail outlets.

Other property revenue and government grants

Other property revenue consists mainly of charges for heating, electricity and property tax and is recognised on a straight line basis based on the terms and conditions in the leases (rental agreements).

Government grants within Property Management relate to transition relief recognised as other revenue and are presented within “Other property revenue” in the consolidated income statement. Government assistance is recognised in the same period as the costs it is intended to cover and is not reported in the income statement unless it is reasonably certain that the grant will be received.

Revenue from Operator Activities

Revenue from Operator Activities relates to the hotel operations operated under management agreements and franchise agreements as well as hotels operated by Pandox. The revenue comes mainly from accommodation, food and beverages, as well as conference activities. Revenue from Operator Activities is recognised in the period in which the activities are performed.

Revenue from property sales

Revenue from property sales is normally recognised on the occupancy date unless the risks and benefits have been transferred to the purchaser on an earlier occasion. Control of the asset may have been transferred on a date earlier than the occupancy date; in which case, the property sale is recognised as revenue at this earlier date. When assessing the date on which revenue is recognised, consideration is given to what has been agreed between the parties concerning risks and benefits, as well as involvement in day-to-day management. In addition, consideration is given to circumstances beyond the seller's and/or purchaser's control that could affect the outcome of the transaction.

In the sale of properties where rent guarantees exist, the present value is calculated of the likely outflow of guarantee payments and this is recognised as a provision.

Pandox's revenue is attributable to the segments Property Management and Operator Activities.

Revenue from Property Management consists of rental income and a smaller element of other property revenue. Rental income relates to long leases with reputable hotel operators. The leases are generally linked to the hotels' sales of rooms, conference facilities and food and beverages, and usually involve a guaranteed minimum rent – making it possible to have increased revenue as well as downside protection. Contractual rental income has been translated at the exchange rate on the closing day. Total variable rental income accounts for MSEK 249 (1,199) of the total rental income of MSEK 2,228 (3,017) in 2020.

The management agreements that Pandox had with Eiendomsspar AS regarding nine hotels in the Oslo region ended on 31 December 2019. One management agreement remains in place.

The Operator Activities segment generates revenue from hotels that are operated by Pandox itself. In this segment the hotels' revenue from sales of rooms, conference facilities, food and beverages etc. accrues entirely to Pandox. Total revenue from Operator Activities amounts to MSEK 779 (2,424).

The average remaining lease terms at the end of the financial year amounted to 14.6 (15.6) years for the current portfolio. The maturity structure of the future rental income as of the closing day is presented in the table below. Revenue due more than 12 months after the closing date has been calculated based on the outcome of variable compensation in 2020 and is therefore an estimate.

GROUP
RENTAL INCOME, MATURITY STRUCTURE OF CONTRACTUAL RENT

MSEK	2020	2019
Rental income		
Due within one year	2,975	3,124
Due in 1–5 years	13,015	14,760
Due after more than 5 years	27,312	31,136
Total	43,302	49,020

Around two percent of rental income comes from other rents from offices and retail outlets, and other minor rental income. These lease terms are significantly shorter and the rental income is not included in the table above.

Government grants*Property Management*

Pandox received transition relief in government programmes in Norway and Sweden totalling an amount equivalent to MSEK 35 in 2020, which was recognised in “Other property revenue”.

In 2021 Pandox intends to apply for additional government grants to cover costs in 2020, which will be recognised when the figures are established. In Sweden, assistance granted may be kept provided that the company concerned and all its parent companies do not resolve to pay a dividend to shareholders before 1 July 2021. No government grants are recognised as liabilities, since all fulfilled the conditions for recognition in the income statement. See also accounting principles.

For comprehensive information on government grants, see the Administration Report and Note C7 concerning government grants within Operator Activities.

C3 CENTRAL ADMINISTRATION COSTS

Central administration includes costs for central functions such as executive management, business development, finance, the Board of Directors, HR, legal affairs, IT, audit, administration, IR, project costs, costs of maintaining the Company's listing, and depreciation of the machinery and equipment belonging to central administration.

REMUNERATION TO AUDITORS

MSEK	Group		Parent Company	
	2020	2019	2020	2019
PwC				
Audit assignments	-12.5	-11.0	-3.6	-2.9
Audit-related services ¹⁾	-1.4	-0.6	-1.1	-0.1
<i>(of which to the auditor for the Parent Company Pricewaterhouse-Coopers AB)</i>	-1.1	-0.1	—	—
Tax advisory services ¹⁾	-0.2	-0.2	—	—
<i>(of which to the auditor for the Parent Company Pricewaterhouse-Coopers AB)</i>	—	—	—	—
Other assignments ¹⁾	-0.2	—	-0.2	—
<i>(of which to the auditor for the Parent Company Pricewaterhouse-Coopers AB)</i>	-0.2	—	—	—
Other auditors				
Audit assignments	-1.4	-0.2	—	—
Audit-related services	—	—	—	—
Tax advisory services	-0.2	—	—	—
Other assignments	—	—	—	—
Total	-15.9	-12.0	-4.9	-3.0

¹⁾ Audit-related services include review of government grants and taxonomy analysis.

C4 COSTS, PROPERTY MANAGEMENT

GROUP

MSEK	2020	2019
Operating costs	-52	-41
Maintenance costs	-44	-71
Property tax	-119	-122
Property administration	-166	-118
Other administration costs	0	-13
Total	-381	-365

Operating costs include costs for electricity, heating, water and janitorial services. Maintenance costs consist of ongoing maintenance to maintain the standard of the properties and their technical systems. Site leasehold rent must be paid annually to the municipality by owners of buildings on municipal land. As a consequence of IFRS 16, from 2019 onwards site leasehold rent paid is recognised as a financial expense; see also Note G5.

A portion of the operating costs and the property tax is passed on to the tenants. This revenue is recognised under the heading "Other property revenue" in the income statement at MSEK 92 (112). Property administration of MSEK -166 (-118) includes costs of bookkeeping, auditing, legal advice and other administrative costs.

C5 COSTS, OPERATOR ACTIVITIES

GROUP

MSEK	2020	2019
Employee costs ¹⁾	-397	-798
Marketing and sales	-55	-148
Repairs and maintenance	-41	-42
Property tax	-68	-95
Other operating costs	-386	-716
Depreciation	-235	-194
Total	-1,182	-1,993

¹⁾ Government grants reduced this item by MSEK 97 (-).

Costs for Operator Activities include costs for employees, administration, marketing, maintenance and operating costs. Maintenance costs consist of ongoing maintenance to maintain the standard of the properties and their technical systems. Also included is depreciation of operating properties recognised at book value and charged with annual depreciation. The operating properties are reported at cost, which is decreased on an ongoing basis for depreciation.

C6 OPERATING COSTS BY TYPE

GROUP

MSEK	2020	2019
Employee costs ¹⁾	-550	-939
Cost of goods sold	-55	-148
Maintenance	-85	-113
Operation and administration	-603	-906
Property tax	-187	-217
Depreciation	-254	-210
Total	-1,734	-2,533

¹⁾ Government grants reduced this item by MSEK 97 (-).

Employee costs include salary costs of MSEK 547 (936). Maintenance costs consist of ongoing maintenance to maintain the standard of the properties and their technical systems. Also included is depreciation of operating properties recognised at book value and charged with annual depreciation, as well as depreciation of office equipment.



C7 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

§ ACCOUNTING PRINCIPLES

Short-term benefits

Short-term benefits to employees are undiscounted and are expensed when the related services are performed. A liability is recognised for the anticipated cost of bonus payments when the Group has a valid legal or constructive obligation to make such payments because services have been performed by employees and the obligations can be reliably calculated.

Defined contribution pension plans

Defined contribution plans are plans for post-employment benefits where a company pays fixed contributions to another company (normally an insurance company) and has no legal or constructive obligation to pay any additional amount, even if the other company does not meet its commitments. In such plans the size of the employee's pension depends on the contributions the company pays into the plan or to an insurance company, and on the return on capital those contributions provide. Consequently, it is the employee who bears the actuarial risk that the benefits will be lower than expected and the investment risk, i.e. that the invested assets will be insufficient to provide the anticipated benefits. The Company's obligations with respect to contributions to defined contribution plans are expensed through profit or loss as they are earned when the employees perform services for the Company over a period of time.

Endowment policies for employees

The Company has defined contribution endowment policies for employees who have a pension premium exceeding 10 price base amounts. Under the Company's pension policy, the portion which exceeds 10 price base amounts is invested in an endowment policy. The premium is defined as a percentage of salary taking into account the employee's salary and age, and the endowment policy is pledged to the employee. Endowment policies are recognised as an estimated liability, with a corresponding asset owned by the Parent Company.

Incentive schemes for employees

Pandox's incentive schemes are reported according to IFRS 2. The schemes give rise to a commitment to the scheme participants that is measured at fair value and recognised as an expense, with a corresponding increase in provisions. Fair value is calculated as of the end of each reporting period. The expense including payroll overheads is distributed and the provision accumulated over the scheme's vesting period.

See also the Administration Report for terms relating to the Board's proposed guidelines for remuneration for senior executives, remuneration for senior executives and employment terms.

Government grants

Based on the nature of the business, within Operator Activities Pandox has elected to recognise all government grants net as a cost reduction and these are presented within "Costs, Operator Activities" in the consolidated income statement. Government assistance is recognised in the same period as the costs it is intended to cover and is not recognised in the income statement until it is reasonably certain that the grant will be received.

Salary costs and board fees for the Group and the Parent Company amount to MSEK -553.6 (-939.3) and are presented in the table below.

SALARIES, FEES AND BENEFITS

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Chairman of the Board				
Christian Ringnes	-0.8	-0.8	-0.8	-0.8
Other board members				
Leiv Askvig ¹⁾	-0.2	-0.5	-0.2	-0.5
Ann-Sofi Danielsson	-0.5	-0.5	-0.5	-0.5
Jeanette Dyhre Kvisvik	-0.4	-0.4	-0.4	-0.4
Helene Sundt ²⁾	—	-0.1	—	-0.1
Bengt Kjell	-0.7	-0.7	-0.7	-0.7
Jon Rasmus Aurdal	-0.5	-0.5	-0.5	-0.5
Jakob Iqbal ³⁾	-0.3	—	-0.3	—
Chief Executive Officer				
Basic salary	-8.4	-8.0	-8.4	-8.0
Variable remuneration	-4.3	-4.0	-4.3	-4.0
Incentive schemes	-7.2	-7.2	-7.2	-7.2
Other senior executives				
Basic salary	-17.7	-15.7	-17.7	-15.7
Variable remuneration	-5.8	-5.0	-5.8	-5.0
Other remuneration ⁴⁾	-7.0	-6.9	-1.0	-1.0
Incentive schemes	-14.0	-14.0	-13.0	-13.0
Other employees	-373.9	-701.1	-28.5	-27.8
Incentive schemes	-3.4	-3.5	-2.6	-2.6
Total	-445.1	-768.9	-91.9	-87.8
Contractual pension costs				
Chief Executive Officer	-2.9	-2.8	-2.9	-2.8
Other senior executives	-6.4	-7.2	-6.4	-7.2
Other employees	-22.5	-20.2	-6.0	-3.6
Total	-31.8	-30.2	-15.3	-13.6
Payroll overheads including payroll tax				
Chairman of the Board	-0.1	-0.1	-0.1	-0.1
Other board members	-0.6	-0.6	-0.6	-0.6
Chief Executive Officer	-6.9	-6.7	-6.9	-6.7
Other senior executives, eight individuals	-13.4	-12.8	-13.4	-12.6
Other employees	-55.7	-120.0	-10.5	-11.0
Total	-76.7	-140.2	-31.5	-31.0
Total	-553.6	-939.3	-138.7	-132.4

¹⁾ Left the Board at the Annual General Meeting in April 2020.

²⁾ Left the Board at the Annual General Meeting in April 2019.

³⁾ Joined the Board at the Annual General Meeting in April 2020.

⁴⁾ Remuneration is invoiced by one senior executive.

▶▶ Note C7, cont.

The Board's proposed guidelines for remuneration of senior executives and board members

Scope

These guidelines cover the Company's board members and executive management team, which includes the Chief Executive Officer and other senior executives. The guidelines are effective for 2020 and are to be applied to contractual remuneration, and to changes that are made to contractual remuneration, after the guidelines were adopted by the 2020 Annual General Meeting. The guidelines do not cover remuneration that is voted on at shareholders' meetings.

Promotion of the Company's business strategy, long-term interests and sustainability

Pandox's vision is to be a world-leading hotel property company. Pandox's strategy is to own large hotel properties in the upper-mid to high-end segment in strategic locations and to lease them to strong hotel operators under long-term revenue-based leases. In situations where conditions are not in place for a profitable lease relationship, Pandox can choose to operate the hotel itself. Pandox is an active owner that moves freely throughout the hotel value chain, which both reduces risk and creates new business opportunities. Through specialisation, business agility and carefully considered diversification in multiple dimensions, Pandox is laying the foundation for the Company's value creation.

Long-term, successful and sustainable implementation of the Company's business strategy requires the Company to be able to recruit and retain qualified employees. To do this, the Company needs to be able to offer competitive remuneration. These guidelines enable senior executives to be offered a competitive remuneration package.

Variable cash remuneration as described in these guidelines must also be aimed at promoting the Company's business strategy and long-term interests, including its sustainability.

Remuneration for senior executives

Forms of remuneration etc.

Remuneration is to be in line with market norms and may consist of the following components: fixed cash salary, short-term variable cash remuneration, cash-based incentive scheme, pension benefits and other benefits. The shareholders' meeting may in addition – and irrespective of these guidelines – decide to offer, for example, share-related/share price-related or performance-based remuneration.

Variable remuneration is maximised at six monthly salaries for the Chief Executive Officer and four monthly salaries for other senior executives. In addition, the Chief Executive Officer and other senior executives may be offered the opportunity to participate in long-term, cash-based incentive schemes and, if such schemes are introduced by the Board and Remuneration Committee, they must be designed in a similar way to Pandox's existing cash-based incentive schemes. If such a scheme is implemented it must also, within the framework of the scheme, continue to be possible for the participant to receive several annual salaries if the return for the Company's shareholders during the same period has been very good.

Pension benefits for the Chief Executive Officer and other senior executives are to be in the form of defined contribution plans. Pension premiums for the defined contribution pension plans may be up to a maximum of 35 percent of fixed annual cash salary. Variable cash remuneration is to be non-pensionable.

Other benefits may include life insurance, health insurance and a company car. Such benefits are not to constitute a significant portion of the total remuneration.

Additional cash remuneration may be paid in extraordinary circumstances provided that such extraordinary arrangements are for a limited time and only at the individual level. They may be either for the purpose of recruiting or retaining an executive, or as compensation for work over and above the individual's normal duties. Such remuneration must be commercially justified, in proportion to the individual's fixed salary and not be paid out more than once a year per individual. Decisions on such remuneration are to be made by the Board at the suggestion of the Remuneration Committee.

Regarding employment terms that are subject to rules other than those in Sweden, appropriate adjustments may be made to follow mandatory rules or established local practices, while also remaining in line with the overall purpose of these guidelines as far as possible.

Criteria for payment of variable cash remuneration etc.

The variable cash remuneration and remuneration payable under any cash-based incentive scheme are to be linked to predetermined and measurable criteria, which may be financial or non-financial. Fulfilment of criteria to receive short-term, variable cash remuneration must, however, be able to be measured for a period of one year. They may also be based on individualised quantitative and qualitative targets. The criteria for both short-term and long-term variable cash remuneration are to be designed to promote the Company's business strategy and long-term interests, including its sustainability, for example by being clearly linked to the business strategy or promoting the executive's long-term development.

When the measurement period for meeting the criteria for payment of variable cash remuneration has ended, the extent to which the criteria have been met is to be established. The Remuneration Committee is responsible for making this assessment. With respect to financial targets, the assessment is to be based on the latest financial information published by the Company.

The Board of Directors must have the ability, by law or contractually, and observing any limitations thereby imposed, to reclaim in full or in part any variable remuneration that has been paid out on erroneous grounds.

Fees for board members

The board members' fees for serving on Pandox's Board are decided on by the shareholders' meeting. Board members only have the right to receive fees that the shareholders' meeting has decided on. Additional remuneration may, however, be payable for services rendered to Pandox by the board members within their respective areas of expertise and outside their board assignment. Such remuneration is to be in line with market norms and set out in a consultant agreement approved by the Board.

Employment terms

Salary and employment terms for employees

In the preparation of the Board's proposals for these remuneration guidelines, the salary and employment terms of the Company's employees have been taken into account by including information on total remuneration, remuneration components and remuneration increases and rates of increase over time as a basis for the Remuneration Committee's and the Board's decision when evaluating whether the guidelines and the limitations they impose are reasonable.

End of employment

If notice is given by the Company, the period of notice for the Chief Executive officer and other senior executives is maximised at between six and 12 months. If notice is given by the senior executive, the period of notice is maximised at six months. If the Company serves the CEO with notice of termination, severance pay of 18 monthly salaries is payable. This may be reduced if the CEO is receiving other income. No other severance pay is payable.

Decision process, changes and deviations, etc.

Decision process to establish, review and implement the guidelines

The Board has established a Remuneration Committee. The Committee's duties include preparing for board decisions on proposed guidelines for remuneration for senior executives. The Board is to prepare proposals for new guidelines at least once every four years and to submit the proposal for a decision by the Annual General Meeting. These guidelines are to apply until new guidelines have been adopted by the shareholders' meeting. The Remuneration Committee is also to monitor and evaluate variable remuneration programmes for the executive management team, the application of guidelines for remuneration for senior executives, and the remuneration structures and levels applied within the Company. The members of the Remuneration Committee are independent of the Company and the executive management team. When the Board addresses and decides on remuneration-related matters, neither the CEO nor other members of the executive management team are to be present if the discussion concerns them.

Deviation from the guidelines

The Board may decide to temporarily deviate entirely or partly from the guidelines if there are special reasons for doing so in an individual case and deviation is necessary to meet the Company's long-term interests, including its sustainability, or to

►► Note C7, cont.

ensure the Company's financial strength. As stated above, the Remuneration Committee's duties include preparing for the Board's remuneration decisions, including decisions on deviating from the guidelines.

Incentive schemes for employees

Pandox has two incentive schemes for senior executives and key individuals:

- Incentive scheme 1 was a bonus scheme implemented in 2015 that was contracted to mature on 31 December 2020. Among other things, the scheme was based on comparing an average share price ("Maturity Price") with an adjusted assumed initial share price ("Initial Share Price") that is adjusted for an annual return and for dividends paid. The difference between the Maturity Price and the Adjusted Initial Share Price, multiplied by a fictitious allocation of shares per participant, determined the amount to be paid out in cash to the participants. When the scheme matured, remuneration totalling MSEK 60 excluding payroll overheads became payable to senior executives under the scheme. This figure includes MSEK 22 for the CEO. The remuneration will be paid out in 2021 or later.
- Incentive scheme 2 is a continuous, ongoing performance- and cash-based incentive scheme based on predetermined and measurable financial and non-financial criteria.

Government grants

Operator Activities

In 2020 Pandox benefitted from government grants equivalent to around MSEK 214, of which MSEK 97 has been recognised in the income statement as a cost reduction within "Costs, Operator Activities".

See table below for government grants recognised in the income statement. In 2021 Pandox intends to apply for additional government grants to cover costs for 2020, which will be recognised when the figures are known. No government grants are recognised as liabilities, since all fulfilled the conditions for recognition in the income statement. See also accounting principles. For comprehensive information on government grants see the Administration Report.

GOVERNMENT GRANTS RECOGNISED IN THE INCOME STATEMENT

MSEK	Group	
	2020	2019
Operator Activities		
Cost reduction recognised within Costs, Operator Activities	97	—
<i>Of which salary support including payroll overheads</i>	78	—
<i>Of which government grants relating to local taxes and levies</i>	11	—
<i>Of which local municipal grants</i>	6	—
<i>Of which other government grants</i>	2	—

Parent Company Board of Directors 2020:

Christian Ringnes, Chairman	Jon Rasmus Aurdal Bengt Kjell	Jeanette Dyhre Kvisvik
Jakob Iqbal	Ann-Sofi Danielsson	

Senior executives 2020:

Anders Nissen, CEO	Aldert Schaaphok	Erik Hvesser
Liia Nõu, CFO	Martin Creydt	
Lars Häggström	Anders Berg	
Jonas Törner	Karmen Bergholcs	

Board of Directors and senior executives in 2020:

Number in the Parent Company: 14, of which 4 women

Number in the Group: 15, of which 4 women

The average number of employees in 2020 amounted to 841 (1,381) broken down by country and gender as shown below.

Average number of employees	Group		Parent Company	
	2020	2019	2020	2019
Women	412	663	20	18
Men	429	718	21	16
Total	841	1,381	41	34
Board of Directors				
Women	2	2	2	2
Men	4	4	4	4
Total	6	6	6	6
Senior executives				
Women	2	2	2	2
Men	7	7	6	6
Total	9	9	8	8
Average number of employees by country				
Sweden	41	34	41	34
Belgium	245	509	—	—
Germany	211	306	—	—
Canada	156	278	—	—
Denmark	15	1	—	—
Finland	20	26	—	—
Norway	2	2	—	—
Netherlands	22	1	—	—
United Kingdom	129	224	—	—
Total	841	1,381	41	34

D Tax

D1 TAX

§ ACCOUNTING PRINCIPLES

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit or loss for the year, except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the accompanying tax effect is also recognised in other comprehensive income or equity.

Current tax is tax to be paid or received for the year in question applying the tax rates that have been enacted or substantively enacted as of the closing day. Current tax also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill, nor are differences arising on initial recognition of assets and liabilities that are not business combinations and that on the transaction date affect neither recognised nor taxable profit – such as in the case of asset purchases. Also not taken into account are temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Deferred tax is measured based on how the underlying assets or liabilities are expected to be realised or paid. Deferred tax is calculated applying the tax rates and tax rules that have been enacted or substantively enacted as of the closing day.

Deferred tax assets related to deductible temporary differences and loss carryforwards are only recognised to the extent that it is probable they will be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

When shares in subsidiaries are acquired, the acquisition is classified as either a business combination or an asset purchase. In business combinations, deferred tax is recognised at a nominally applicable undiscounted rate according to the principles above. In asset purchases, no deferred tax is recognised; instead the value of the property is decreased by the amount that, at the time of purchase, related to deductions attributable to deferred tax on the assets. However, deferred tax is recognised on changes in the value of investment properties during the year.

! KEY ESTIMATES AND JUDGMENTS

Pandox has tax loss carryforwards. Pandox has measured the loss carryforwards that, according to the tax rules in effect, will be able to be utilised against future profits. Pandox cannot, however, provide any guarantee that current or new tax rules will not limit the possibility of utilising the loss carryforwards.

TAX IN THE INCOME STATEMENT

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Current tax	-57	-122	0	0
Deferred tax	191	-672	153	14
Total	134	-794	153	14

RECONCILIATION OF EFFECTIVE TAX RATE

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Tax				
Reported profit before tax	-1,542	3,494	-639	2,299
Income tax assessed based on the tax rate in effect	330	-748	138	-492
Tax relating to previous years	18	20	—	—
Tax-exempt income	307	563	13	501
Distribution of net interest income	—	—	—	9
Non-deductible expenses	-403	-341	-1	-3
Utilisation of previously unrecognised tax losses	18	61	—	—
Tax loss carryforwards for which no deferred tax asset is recognised	-124	-53	—	—
Recognition of previous unrecognised tax losses	56	13	—	—
Adjustment of temporary differences	-94	-333	9	—
Change in tax rate ¹⁾	-8	109	-6	-1
Effective tax rate for foreign companies	34	-85	—	—
Tax for the year according to the income statement	134	-794	153	14

¹⁾ With effect from 1 January 2019 the tax rate in Sweden is 21.4 percent for companies with financial years beginning on or after 1 January 2019. The tax rate is being reduced to 20.6 percent for financial years beginning on or after 1 January 2021.

GROUP DEFERRED TAX ASSETS

MSEK	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Opening balance, tax loss carryforwards	179	320	26	25
Adjusted opening balance	56	51	—	—
Additional tax loss carryforwards	145	11	117	1
Utilised tax loss carryforwards	-1	-208	—	—
Change in tax rate	—	2	—	—
Translation difference on loss carryforwards outside Sweden	-7	3	—	—
Closing balance	372	179	143	26
Opening balance, interest rate derivatives	124	118	105	92
Adjusted opening balance	2	—	—	—
Change for the year	39	7	39	13
Change in tax rate	—	-1	—	—
Translation difference	—	0	—	—
Closing balance	165	124	144	105
Opening balance, other temporary differences	80	27	5	4
Adjusted opening balance	19	2	—	—
Change for the year	1	50	-3	1
Translation difference	-6	1	—	—
Closing balance	94	80	2	5
Closing balance, tax assets	631	383	289	136

The Group's accumulated tax losses are estimated at MSEK 2,663 (2,053) as of 31 December 2020. Deferred tax assets have been estimated at MSEK 1,288 (769) of the tax loss. Deferred tax assets have not been reported on tax losses of MSEK 1,375 (1,284) where settlement against future taxable profits is considered to be uncertain.

The change in deferred tax assets for the year has been recognised in the income statement, except for translation differences on foreign deficits.

►► Note D1, cont.

GROUP DEFERRED TAX LIABILITIES

MSEK	Investment properties	Operating properties	Untaxed reserves	Other temporary differences	Total
Opening balance, 1 Jan 2019	3,163	229	38	—	3,430
Adjusted opening balance	162	177	—	48	387
Change recognised in the income statement	703	16	6	13	738
Sales	-5	—	—	—	-5
Acquisitions	—	-2	—	—	-2
Currency translation	9	-5	0	0	4
Closing balance, 31 Dec 2019	4,032	415	44	61	4,552
Opening balance, 1 Jan 2020	4,032	415	44	61	4,552
Adjusted opening balance	—	—	—	-23	-23
Change recognised in the income statement	-172	56	6	-1	-111
Currency translation	-86	-19	-2	-4	-111
Closing balance, 31 Dec 2020	3,774	452	48	33	4,307

Deferred tax liabilities relating to investment properties are temporary differences between fair value and adjusted taxable value. The adjustment represents the difference between the property's recognised cost on the date of acquisition, after

deducting any tax discount, and the property's estimated value on the date of acquisition. Deferred tax liabilities relating to operating properties are temporary differences between cost and the taxable value of the properties.

E Assets

E1 INVESTMENT PROPERTIES

§ ACCOUNTING PRINCIPLES

Investment properties are properties owned for the purpose of obtaining rental income, an appreciation in value or a combination of both. Investment properties include buildings, land, land improvements and property equipment. Properties under construction and reconstruction that are intended for use as investment properties once work is completed are also classified as investment properties.

Investment properties are recognised at fair value in accordance with accounting standard IAS 40. Investment properties are initially recognised at cost including expenses directly attributable to the acquisition.

Fair value is based on the market value and represents the estimated amount that would be received in a transaction on the measurement date between knowledgeable parties who are independent of each other and who have an interest in ensuring that the transaction is executed following customary marketing, where both parties are assumed to have acted knowledgeably, prudently and without compulsion.

The valuation model used is a combination of the location price method and the yield-based method. The valuation model consists of a cash flow model in which future cash flows that the investment properties are expected to generate are discounted. In addition to the internal valuation, the investment properties go through an annual external valuation process. A detailed inspection is conducted at least every three years or in conjunction with major changes to the property. A description of the measurement methods applied, significant inputs in value assessments and the fair value hierarchy level for the property holdings can be found on the following pages.

Both unrealised and realised changes in value are recognised in profit or loss for the year. Realised changes in value are changes in value from the most recent quarterly report up to the divestment date for properties divested during the period, after taking into account capitalised investment expenses during the period. Unrealised changes in value refers to other changes in value not arising from acquisitions or capitalised investment expenses. Operating properties that are reclassified as investment properties are recognised at fair value on the date of reclassification.

Property sales and property purchases are recognised when the risks and benefits associated with ownership are transferred to the buyer from the seller.

Further expenditures are only added to the carrying amount for investment properties if it is probable that the future economic benefits associated with the expenditure will accrue to the Company and the cost can be reliably calculated. All other further expenditures are expensed in the period when they arise. Expenditures relating to the replacement of identified components and the addition of new components are added to the carrying amount if they meet the above criteria. Repairs and maintenance costs are expensed as they arise.

Change in value of investment properties and unrealised changes in value of derivatives

Unrealised and realised changes in the fair value of investment properties and unrealised changes in the value of interest rate derivatives are recognised through profit or loss on separate lines after the financial items under the heading "Changes in value".

! KEY ESTIMATES AND JUDGMENTS

Pandox recognises its investment properties according to the fair value method. Any decline in market value has a negative impact on the Company's balance sheet and income statement. This can happen as a result of factors such as a weakened economy, rising interest rates, increased operating costs and other property-specific events. Pandox performs internal valuations of all investment properties and recognises property holdings at fair value. To ensure that the internal valuations are accurate, valuations of all investment properties are normally carried out annually by external property appraisers – but due to Covid-19 only about 60 external valuations, as a reference point for Pandox's internal valuations, were carried out during the year. For more information see the section on the valuation model on page 128 and the section on risks and uncertainties in the Administration Report on pages 97–98. The external appraisers also complete a more in-depth inspection at least every three years or in conjunction with major changes to the investment property.

Regarding operating properties, i.e. properties where Pandox also acts as hotel operator, see Note E3. The table below shows the change in the fair value of investment properties:

GROUP	31 Dec 2020	31 Dec 2019
MSEK		
Opening balance	53,697	47,139
Acquisitions (at cost) ¹⁾	693	4,020
Investments in existing portfolio	492	412
Divestments	—	–480
Reclassified to/from operating properties ²⁾	–739	—
Change in value, unrealised	–1,779	1,389
Change in value, realised	—	96
Change in exchange rates	–2,183	1,121
Closing balance	50,181	53,697

¹⁾ Refers to the acquisition of one hotel property in Germany and adjustment of previous acquisitions in 2019.

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

Realised and unrealised changes in value are recognised in the income statement in the respective line items.

►► Note E1, cont.

The tables below show the change for each geographical market:

BY GEOGRAPHICAL MARKET 31 DECEMBER 2020

MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Opening balance	14,940	3,591	3,455	4,034	12,104	920	11,127	3,524	53,697
Acquisitions	—	—	—	—	645	—	48	—	693
Investments in existing portfolio	192	19	35	113	23	33	54	23	492
Reclassified to/from operating properties	—	-739	—	—	—	—	—	—	-739
Change in value, unrealised	-559	-105	-118	-143	-327	-48	-404	-75	-1,779
Change in value, realised	—	—	—	—	—	0	—	—	0
Change in exchange rates	—	-97	-337	-153	-483	-35	-947	-131	-2,183
Closing balance	14,573	2,669	3,035	3,851	11,962	870	9,878	3,341	50,181

BY GEOGRAPHICAL MARKET 31 DECEMBER 2019

MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Opening balance	14,940	3,495	3,223	3,922	7,392	846	10,138	3,181	47,139
Acquisitions	—	—	—	—	4,088	—	-68	—	4,020
Investments in existing portfolio	155	25	59	79	14	4	20	56	412
Divestments	-480	—	—	—	—	—	—	—	-480
Change in value, unrealised	229	18	68	-27	478	57	354	212	1,389
Change in value, realised	96	—	—	—	—	—	—	—	96
Change in exchange rates	—	53	105	60	132	13	683	75	1,121
Closing balance	14,940	3,591	3,455	4,034	12,104	920	11,127	3,524	53,697

Valuation model

Pandox establishes the market value of all investment properties quarterly and recognises property holdings at fair value. In order to ensure that the internal valuations are accurate, external valuations of all investment properties are normally carried out annually by independent property appraisers, and their assumptions and values form an important reference point for Pandox in the assessment of the investment properties' fair values. The external appraisers complete a more in-depth inspection of each property at least every three years or in conjunction with major changes to the investment property.

The valuation model consists of an accepted and proven cash flow model where future cash flows that 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 matters and investments aimed at maximising the hotel property's cash flow and return in the long term. In the valuation of the hotel properties, an expected site leasehold rent is included in the calculation where applicable. The valuation model calculates the present value of the investment properties' net operating income, rent payments received minus payments made in respect of operation, maintenance, property tax, insurance and site leasehold rent, where applicable, over 10 years, less outstanding approved investments over the same period. The residual value at the end of year 10 is arrived at by dividing the net operating income by a yield discounted to present value. A market valuation yield was applied to calculate the residual value.

In the assessment of rental income and the hotel properties' future earnings capacity, the underlying revenues in the operator's (tenant's) business are calculated taking into consideration and analysing supply and demand, market share, segments and average prices, among other things. Based on this analysis, the operator's revenue per segment is estimated and the contractually agreed revenue-based rent is applied in order to calculate the total hotel rent. Where the estimated revenue-based rent is less than the agreed minimum level, the minimum rent level is used as revenue. In certain cases a hotel property may contain other tenants (such as offices, parking garage, retail outlets, mobile phone antennas) which are

calculated based on existing rental agreements. The majority of tenants pay supplements for items such as property tax and energy, which are calculated according to existing rental agreements. Property payments refer to operation, maintenance, property tax, insurance and, where applicable, site leasehold rent.

The valuation yields applied in the calculations are based on the market's valuation yield; if this is not available, it is derived from sales of comparable hotel properties. In the absence of such information, a combination of Pandox's experience of hotel property transactions and the location price method is used. Other key factors include the condition of the property, its location and development opportunities. Pandox's undeveloped land and development rights are not substantial, totalling an insignificant amount. Valuation is based on level 3 in the fair value hierarchy for all investment properties.

Due to Covid-19 only about 60 external valuations, as a reference point for Pandox's internal valuations, were carried out during the year.

The external valuations exhibit significant variation both within and between markets, which reflects continued elevated uncertainty. Overall, completed external valuations are about 6 percent below Pandox's internal valuations – within a range of about 0 to -10 percent per country. Hotel properties in the Nordic region consistently exhibit less difference and dispersion between Pandox's and the external appraisers' values, while there is a greater difference for hotel properties outside the Nordic region.

The valuation difference for hotel properties outside the Nordic region is mainly explained by the fact that external appraisers have increased the yield requirements on hotel properties based on the assumption of lasting negative effects from Covid-19.

►► Note E1, cont.

CALCULATION ASSUMPTIONS BY GEOGRAPHICAL AREA IN 2020

	Fair value, MSEK	Valuation yield		Discount rate	
		Range, %	Average, %	Range, %	Average, %
Sweden	14,573	4.2–6.6	5.2	6.2–8.6	7.2
– of which Stockholm	5,564	4.2–5.8	4.9	6.2–7.8	6.9
– of which Gothenburg	2,874	4.3–6.1	4.7	6.3–8.1	6.7
– of which Malmö	1,315	4.9–6.0	5.2	6.9–8.0	7.2
– of which Other Sweden	4,820	5.4–6.6	5.8	7.4–8.6	7.8
Denmark	2,669	4.8–6.2	5.2	6.8–8.2	7.2
Norway	3,035	4.2–8.3	5.7	6.2–10.3	7.7
Finland	3,851	4.4–8.0	5.6	6.2–9.8	7.4
Germany	11,962	4.8–6.6	5.6	6.8–8.6	7.6
Belgium	870	6.0–6.1	6.0	8.0–8.1	8.0
UK, Ireland	9,878	4.9–6.7	5.6	6.9–8.7	7.6
Other	3,343	5.2–6.1	5.5	6.7–7.6	7.0
Total	50,181	4.2–8.3	5.4	6.2–10.3	7.4

CALCULATION ASSUMPTIONS BY GEOGRAPHICAL AREA IN 2019

	Fair value, MSEK	Valuation yield		Discount rate	
		Range, %	Average, %	Range, %	Average, %
Sweden	14,940	4.2–6.6	5.2	6.2–8.6	7.2
– of which Stockholm	5,825	4.2–5.8	4.9	6.2–7.8	6.9
– of which Gothenburg	2,920	4.3–6.1	4.7	6.3–8.1	6.7
– of which Malmö	1,360	4.9–6.0	5.2	6.9–8.0	7.2
– of which Other Sweden	4,835	5.4–6.6	5.8	7.4–8.6	7.8
Denmark	3,591	4.8–6.2	5.3	6.8–8.2	7.3
Norway	3,455	4.3–8.3	5.7	6.3–10.3	7.7
Finland	4,034	4.4–8.0	5.5	6.2–9.8	7.3
Germany	12,104	4.6–6.6	5.4	6.6–8.6	7.4
Belgium	920	6.0–6.1	6.0	8.0–8.1	8.0
UK, Ireland	11,127	4.9–6.7	5.6	6.9–8.7	7.6
Other	3,526	5.0–6.1	5.5	6.8–7.9	7.3
Total	53,697	4.2–8.3	5.4	6.2–10.3	7.4

The sensitivity analysis below shows how changes in a parameter affect the value in isolation.

SENSITIVITY ANALYSIS – FAIR VALUE

	Change	Effect on value in 2020, MSEK	Effect on value in 2019, MSEK
Valuation yield	+/-0.5pp	-4,222/+5,076	-4,544/+5,470
Change in exchange rates	+/-1%	+/-356	+/-388
Rental income ¹⁾	+/-1%	+/-409 (582)	+/-602
Discount rate	+/-0.5pp	-3,178/+3,640	-3,408/+3,903
Net operating income ¹⁾	+/-1%	+/-391 (538)	+/-535

¹⁾ The lower value relates to results for 2020 and the higher value in parentheses relates to a normal year "pre-corona".

Significant commitments

At the end of 2020 approved investments for future projects amounted to approximately MSEK 1,125. Of this figure, approximately MSEK 790 is expected to be completed during 2021. Larger projects include Crown Plaza Brussels Le Palace, NH Brussels Bloom, Hilton Brussels Grand Place, Doubletree by Hilton Montreal, Holiday Inn Brussels Airport, Hotel Berlin Berlin, Hotel Pullman Stuttgart and the programme of green investments.

Specification of property revenue and related costs

MSEK	2020	2019
Rental income/other property revenue	2,399	3,129
– of which guaranteed rents	1,939	1,760
Direct costs for investment properties that generated rental income during the period (operating and maintenance costs, property tax and site leasehold rent) ¹⁾	-215	-238

¹⁾ Excluding property administration and insurance costs.

E2 EQUIPMENT/INTERIORS**§** ACCOUNTING PRINCIPLES

Property, plant and equipment are recognised within the Group at cost minus accumulated depreciation and any impairment losses. Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the manner intended when it was purchased. Accounting principles for impairment losses are described below. The carrying amount of a property, plant and equipment item is removed from the statement of financial position when an item is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising from divestment or disposal of an asset consist of differences between the selling price and the asset's carrying amount minus direct costs to sell.

Depreciation principles

Depreciation occurs on a straight line basis over the estimated useful life of the asset:

- Machinery and equipment 3–15 years

Further expenditures

Further expenditures are added to cost only if it is likely that the future economic benefits associated with the asset will accrue to the Company and the cost can be reliably calculated. All other further expenditures are expensed in the period when they arise.

Parent Company

Property, plant and equipment for the Parent Company is recognised at cost after deducting accumulated depreciation and any impairment losses in the same way as for the Group, but with the addition of any appreciation.

	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
MSEK				
Cost, opening balance	1,168	1,090	8	4
Acquisitions	–2	75	—	—
Investments	68	109	9	4
Reclassification from work in progress	7	12	—	—
Sales/disposals	—	–154	—	—
Reclassifications	122	—	—	—
Translation differences	–68	36	—	—
Accumulated cost, closing balance	1,295	1,168	17	8
Depreciation, opening balance	–615	–606	–4	–3
Depreciation for the year	–97	–88	–2	–1
Sales/disposals	—	97	—	—
Reclassifications	–122	—	—	—
Translation differences	41	–17	—	—
Accumulated depreciation, closing balance	–794	–615	–6	–4
Residual value according to plan	502	554	11	4

E3 OPERATING PROPERTIES**§** ACCOUNTING PRINCIPLES

The properties used in Operator Activities are classified as operating properties. Operating properties are recognised at cost minus depreciation and any impairment losses.

The operating properties consist of a number of components with varying useful lives. The main division is into buildings and land. There is no depreciation of the land component as its useful life is deemed to be unlimited. The buildings consist of a number of components whose useful lives vary.

Further expenditures are added to cost only if it is likely that the future economic benefits associated with the asset will accrue to the Company and the cost can be reliably calculated. All other further expenditures are expensed in the period when they arise.

A further expenditure is added to cost if the expenditure is related to replacement of identified components or parts thereof. In cases where a new component is created, this expenditure is also added to cost. Any undepreciated carrying amounts for replaced components, or parts of components, are disposed of and expensed at the time of the replacement. Repairs are expensed on a continuous basis. Depreciation periods are between three years and 200 years, depending on the component.

The following main groups of components have been identified and form the basis for the depreciation of buildings, the straight line method of depreciation being applied:

– Frame	150–200 years
– Roof	50 years
– Facade	50 years
– Interior surfaces	20 years
– Installations	25 years
– Bathrooms	25 years
– Special adaptations	50 years
– Fixtures and fittings	15–25 years
– Land improvements	28 years
– Equipment/interiors	3–25 years

The depreciation methods, residual values and useful lives used are reassessed at the end of each year.

Operating properties that are reclassified as investment properties are recognised at fair value on the date of reclassification. The difference between fair value and the carrying amount on the date of reclassification is posted to the revaluation reserve via other comprehensive income after deducting deferred tax.

Investment properties that are reclassified as operating properties are recognised at fair value on the date of reclassification.

▶▶ Note E3, cont.

GROUP	31 Dec 2020	31 Dec 2019
MSEK		
Buildings		
Cost, opening balance	6,287	5,369
Reclassification	825	-97
Acquisitions	-2	780
Investments	64	70
Sales/disposals	—	-33
Reclassification from construction/reconstruction work in progress	50	17
Translation difference	-388	181
Accumulated cost, closing balance	6,836	6,287
Depreciation, opening balance	-914	-844
Reclassification	-162	37
Sales/disposals	—	16
Depreciation for the year	-125	-101
Translation difference	59	-22
Accumulated depreciation, closing balance	-1,142	-914
Residual value according to plan, buildings	5,694	5,373
Land		
Cost, opening balance	863	783
Reclassification	76	—
Acquisitions	—	62
Translation difference	-43	18
Accumulated cost, land, closing balance	896	863
Total residual value according to plan, closing balance	6,590	6,236
Work in progress, operating properties		
Cost, opening balance	71	18
Investments	284	82
Reclassification from construction/reconstruction work in progress	-57	-29
Translation difference	-16	0
Cost, work in progress, closing balance	282	71
Total, operating properties	6,872	6,307

The fair value (market value) of the operating properties exceeds their cost and is shown below. See Note E1 for the fair value measurement model.

MSEK	31 Dec 2020	31 Dec 2019
Market value, operating properties (incl. equipment/interiors)	9,361	9,772

E4 TRADE ACCOUNTS RECEIVABLE AND DEFERRED RENT ATTRIBUTABLE TO NEW TEMPORARY PAYMENT TERMS

Trade accounts receivable consist exclusively of rent receivables from hotel operations.

In light of Covid-19, agreements were made with tenants during the year concerning temporary changes in payment terms. On 31 December 2020 trade accounts receivable attributable to new temporary payment terms totalled the equivalent of MSEK 439. No reductions in hotel rents have been granted.

GROUP	31 Dec 2020	31 Dec 2019
MSEK		
Non-current rent receivables attributable to new temporary payment terms	189	—
Current rent receivables attributable to new temporary payment terms	250	—
Rent receivables and trade accounts receivable	180	367
Closing balance	619	367

E5 OTHER NON-CURRENT RECEIVABLES

MSEK	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Endowment policy	24	21	24	21
Prepaid compensation for land use	5	5	—	—
Other non-current receivables	7	8	—	—
Total	36	34	24	21

E6 PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Prepaid expenses	74	91	7	21
Accrued rental income	36	197	—	—
Total	110	288	7	21

F Operating liabilities

F1 ACCRUED EXPENSES AND PREPAID INCOME

PREPAID INCOME AND ACCRUED EXPENSES

MSEK	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Prepaid rent	171	191	—	—
Accrued interest expense	65	93	21	19
Accrued property tax	10	5	—	—
Accrued employee costs	33	54	10	9
Other	182	238	32	32
Total	461	581	63	60

F2 PROVISIONS

§ ACCOUNTING PRINCIPLES

A provision differs from other liabilities in that there is uncertainty concerning the time of payment or the sum required for settlement. A provision is recognised in the statement of financial position when there is an existing legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are made in the amount that represents the best estimate of funds needed to settle the existing obligation on the closing day. A provision for a loss-making contract is recognised when the anticipated benefits the Group is expected to receive from a contract are lower than the unavoidable costs to meet the obligations under the contract.

In the sale of properties where rent guarantees exist, the present value is calculated of the likely outflow of guarantee payments, and this is recognised as a provision. Disputes may arise in the course of operating activities, but there has been no material impact on the Group's financial position.

Parent Company

Provisions are recognised on a separate line in the balance sheet for the Parent Company. The Parent Company applies the easing rule in RFR2 in its recognition of financial guarantees, which means that IFRS 9 Financial Instruments is not applied. The Parent Company's financial guarantees mainly consist of sureties in favour of subsidiaries and are reported as contingent liabilities. Where a commitment exists for the Parent Company, the financial guarantee is instead recognised as a provision.

MSEK	Group		Parent Company	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Carrying amount at beginning of period	138	101	137	100
Provisions made during the period	33	38	31	37
Amounts used during the period	—	-1	—	—
Carrying amount at end of period	171	138	168	137
– of which the long-term portion of the provisions	32	41	29	40
– of which the short-term portion of the provisions	139	97	139	97

The provisions consist of pension provisions, provisions for incentive schemes and provisions for equipment in buildings.

The opening balance of provisions was MSEK 26 (21) for pensions, MSEK 111 (79) for incentive schemes and MSEK 1 (1) for rent guarantees for hotels sold in 2014.

The change for the year consists of MSEK 28 for incentive schemes, MSEK 3 for pensions and MSEK 2 for equipment in buildings.

The closing balance of provisions was MSEK 29 (26) for pensions, MSEK 139 (111) for incentive schemes and MSEK 3 (1) for equipment in buildings.

F3 PLEDGED ASSETS AND CONTINGENT LIABILITIES

§ ACCOUNTING PRINCIPLES

A contingent liability is recognised when there is a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events that are outside the Group's control, or where there is an obligation that is not recognised as a liability or provision because it is not likely that an outflow of resources will be required or this cannot be estimated with sufficient reliability.

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Assets pledged to credit institutions				
Assets pledged for own liabilities, properties	31,576	30,099	—	—
Bank deposits	8	7	—	—
Total pledged assets	31,584	30,106	—	—
Contingent liabilities				
Security commitments for group companies	—	—	26,938	26,766
Guarantees for employees	24	21	24	21
Total contingent liabilities	24	21	26,962	26,787

Property mortgages are used as security for bank loans. Guarantees for employees refers to guarantees for endowment insurance taken out for five individuals.

Contingent liabilities consist mainly of bank guarantees issued on behalf of the subsidiaries.

G Financing, capital structure and equity

G1 FINANCIAL INCOME AND EXPENSE

§ ACCOUNTING PRINCIPLES

Financial income consists of interest income on cash and cash equivalents. Interest income is recognised using the effective interest method, as the income is earned.

Financial expense consists of interest, charges and other expenses arising when Pandox takes on interest-bearing liabilities. These expenses are included in the interest expense that is recognised according to the effective interest method.

Exchange gains and losses are recognised as net amounts.

Derivatives are used to hedge the interest rate risk that the Group is exposed to. Interest payments for interest rate derivatives (interest rate swaps) are recognised as interest expense in the period to which they relate. Other changes in the fair value of interest rate derivatives are recognised on a separate line in profit or loss for the year.

Dividend revenue is recognised when the right to receive dividends is established at the respective subsidiaries' annual general meetings.

Parent Company

Anticipated dividends from subsidiaries are reported in cases where the Parent Company has the sole right to determine the size of the dividend and the Parent Company has taken a decision on the size of the dividend before publishing its financial statements.

MSEK	Group		Parent Company	
	2020	2019	2020	2019
Financial income				
Interest income	2	1	1	0
Interest income, subsidiaries	—	—	388	369
Dividend	—	—	—	2,337
Currency effects relating to internal loans	—	—	—	267
Other financial income	—	—	43	71
Total financial income	2	1	432	3,044
Financial expense				
Interest expense, loans measured at amortised cost	-564	-527	-88	-89
Interest expense, interest rate derivatives measured at fair value	-231	-238	-179	-176
Interest expense, subsidiaries	—	—	-46	-47
Currency effects relating to internal loans	—	—	-461	—
Other financial expense	-107	-101	-41	-19
Financial expense for right-of-use assets	-86	-81	—	—
Total financial expense	-988	-947	-815	-331

G2 FINANCIAL RISK AND RISK MANAGEMENT

Through its business Pandox is exposed to various types of financial risk. Financial risk relates to fluctuation in the Company's income statement, balance sheet and cash flow. Pandox is mainly exposed to financial risks such as interest rate risk, liquidity risk, refinancing risk, currency risk and credit risk. Pandox's Financial Policy serves as a general framework for managing financial risk within the Group, for the purpose of providing guidelines and rules on how financial activity is to be conducted within the Pandox Group, defining financial risks and how to limit these risks, establishing a division of responsibility and administrative rules, and also serving as guidance in the day-to-day work of the CFO and Treasury. The Financial Policy is evaluated and established by the Board of Directors on an annual basis and revised as needed.

Loan agreements with credit institutions are often conditional upon the Group and the subsidiaries achieving certain predetermined key ratios and meeting certain conditions. In addition, there are certain specific reservations and restrictions in the loan agreements relating to further debt, guarantees and pledges, significant changes to the business, acquisitions and divestments etc.

Pandox's debt financing consists exclusively of credit facilities from 11 Nordic and international banks secured mainly by mortgage collateral. Credit facilities with a maturity of less than one year amount to MSEK 5,544. Of this figure, MSEK 3,802 will mature in December 2021. Constructive discussions on refinancing are ongoing. At the Group level, Pandox's financial covenants are:

- Loan-to-value ratio at a level where Pandox's financial target for loan-to-value provides comfortable headroom.
- Interest coverage ratio at a level where satisfactory headroom is provided by revenue from contractual minimum rents and fixed rents alone.

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.

During 2020 lenders provided waivers in individual credit agreements. Read more in the section on Covid-19 effects in the Administration Report. Considering the extraordinary situation created by Covid-19, it cannot be ruled out that a situation might arise where, for example, commitments and covenants in the Company's credit agreements are not met. In such cases there are various actions that can be taken, if needed, to remedy any non-compliance, such as payment of interest into an escrow account, adjustment of covenants, covenant holidays or certain repayments.

§ ACCOUNTING PRINCIPLES

Hedging of net investment

Hedging of net investment in foreign operations under IFRS 9. The hedging relationship exists during a quarter, with the hedged item and the hedging instrument being identified and linked at the start of the quarter. Hedged risk is the risk that changes in the exchange rate between the foreign entity's local currency and SEK result in changes in the value of the Group's net investment when the investment is translated to SEK in the consolidated financial statements. Only loans external to the Group are used as hedging instruments. The effective portion of the currency remeasurement for the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve in equity. The ineffective portion is recognised in net financial items in the income statement.

The amount recognised in other comprehensive income and accumulated in the translation reserve that is attributable to the hedging relationship is to be reclassified through other comprehensive income to profit or loss when Pandox fully or partly divests subsidiaries.

Hedging of net investment in foreign operations

Pandox conducts business in other countries and is therefore exposed to translation risk in the consolidated financial statements when net assets in a foreign currency are translated, if the foreign reporting entity has a different functional currency to that of the Pandox Group (SEK). Pandox's Financial Policy states that, prior to acquisitions and divestments, decisions are to be made on the hedging of translation risk. Pandox should preferably take out external loans in the same local currency. This reduces translation exposure by decreasing the net asset in foreign currency. Pandox aims to reduce currency exposure. The effectiveness of the hedge will be assessed regularly and as a minimum on each reporting date or when there is a significant change in circumstances that affect the effectiveness of the hedge. Effectiveness is measured based on a qualitative assessment of various critical conditions.

The effective portion of the currency remeasurement for the hedging instrument is recognised in other comprehensive income and accumulated in the translation reserve in equity. The ineffective portion is recognised in net financial items in the income statement.

Derivatives and interest rate risk

In accounting for interest rate risk, interest expense and changes in value are reported on separate lines. Interest rate swaps are used for financial hedging of forecast interest flows from borrowing at variable interest rates; in these,

▶▶ Note G2, cont.

the Company receives variable interest and pays fixed interest. Interest rate swaps are measured at fair value in the statement of financial position. The interest coupon portion is recognised in profit for the year on an ongoing basis, as a component of interest expense. Unrealised changes in the fair value of interest rate swaps are recognised through profit after financial items, on the line for changes in the value of derivatives.

Interest-bearing liabilities and loans

As of 31 December 2020 loans amounted to MSEK 34,228. Unutilised long-term credit facilities amounted to MSEK 2,599.

Pandox has a Swedish commercial paper programme with a framework amount of MSEK 3,000. The purpose of the programme is to reduce financing costs and also to diversify the financing structure. The issued commercial papers are backed up in full by existing long-term, unutilised credit facilities.

DEBT OVERVIEW AND UNUTILISED CREDIT FACILITIES 31 DECEMBER 2020

MSEK	Maturing	Interest basis	Total credit limit	Utilised amount	Unutilised amount
Bank loans	0–6 years	Variable	27,656	27,656	0
	0–4 years	Variable	6,572	3,973	2,599
Revolving credit facilities					
Commercial paper	0–1 year	Fixed	—	—	—
Total credit facilities			34,228	31,629	2,599

FIXED RATE MATURITY PROFILE 31 DECEMBER 2020

Maturity (MSEK)	Total fixed rate		Fixed rate, derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, derivatives %
0–2 years	19,359	61%	5,171	30%	1.2
2–4 years	1,533	5%	1,533	9%	2.8
4–6 years	1,905	6%	1,905	11%	0.4
6–8 years	6,723	21%	6,723	39%	0.9
8–10 years	2,108	7%	2,108	12%	–0.1
> 10 years	—	—	—	—	—
Total	31,629	100%	17,441	100%	1.0

¹⁾ Share of loans with a fixed interest rate maturing during the period.

FIXED RATE MATURITY PROFILE 31 DECEMBER 2019

Maturity (MSEK)	Total fixed rate		Fixed rate, derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, derivatives %
0–2 years	14,361	48%	5,627	26.7%	1.7
2–4 years	4,137	14%	4,137	19.6%	1.2
4–6 years	430	1%	430	2.0%	0.0
6–8 years	4,642	16%	4,329	20.5%	0.5
8–10 years	5,732	19%	6,305	29.9%	0.8
> 10 years	522	2%	261	1.2%	0.0
Total	29,824	100%	21,091	100%	1.0

¹⁾ Share of loans with a fixed interest rate maturing during the period.

SENSITIVITY ANALYSIS OF CHANGES IN INTEREST RATES FOR 2020 AND 2019 RESPECTIVELY

The table below shows the change in various scenarios.

	2020		2019	
	Change	Effect on earnings, MSEK	Change	Effect on earnings, MSEK
Interest expense with current fixed interest, change in interest rates	+/-1%	-/+118	+/-1%	-/+83
Interest expense with a change in the average interest rate level	+/-1%	-/+316	+/-1%	-/+298
Remeasurement of interest rate derivatives following shift in yield curves	+/-1%	-/+868	+/-1%	-/+1,092

Pandox's fixed interest period and repayment period remain at the total levels shown below.

FIXED INTEREST/REPAYMENT PERIOD

	Average fixed interest period, years	Average interest rate, %	Repayment period, years
2020	2.8	2.6	2.8
2019	3.8	2.6	3.3

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows will be affected by changes in market interest rates. Interest rate risk has an impact in two ways: through ongoing interest expense for loans and derivatives, and through changes in the market value of derivatives. The interest risk strategy consists of a combination of short and long fixed interest periods where primarily interest rate swaps are used to achieve the desired fixed interest period. The strategy takes into account the Company's aggregate assets and liabilities including derivatives. The interest rate strategy is expressed as a standard portfolio that defines risk limits and maximum deviation mandates for each maturity group.

The effect on earnings in the table on the left concerns specific changes in interest rates which have a corresponding effect, adjusted for tax (around 21 percent), on equity.

The effect on equity is the same as on earnings. If the variable market interest rate deviates from the fixed interest rate applicable to the derivative, a surplus or deficit arises for the financial instrument. Derivatives are recognised on an ongoing basis at fair value in the statement of financial position, and the change in value – which does not affect cash flow – is recognised in profit for the year.

►► Note G2, cont.

Currency risk

Currency risk is the risk that fair value or future cash flows will be affected by changes in foreign currency exchange rates. Pandox primarily reduces currency exposure in foreign investments by taking out loans in local currency. Equity is currency-hedged ahead of acquisitions, investments and divestments to avoid

changes in the value of equity. In general, foreign operations report both income and costs in their local currencies, which means that currency exposure resulting from current flows is limited. In view of the limited risk, Pandox does not currency-hedge these flows unless there is a particular reason to do so.

Loans and property investments at market value are broken down into different currencies as shown below. Average interest rate including marginal loans.

LOAN-TO-VALUE RATIO AND LOANS BY CURRENCY 31 DECEMBER 2020

MSEK ¹⁾	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share, %	Interest rate, % ²⁾
Total interest-bearing liabilities	7,330	1,908	15,259	450	476	1,154	5,052	31,629	100%	2.6%
Maturing in foreign currency, %	23.2	6.0	48.2	1.4	1.5	3.6	16.0	100.0	—	—
Average interest rate, %	3.1	1.9	2.3	0.8	2.7	2.6	3.0	2.6	—	—
Average fixed interest period, years	2.9	0.5	3.1	0.2	0.1	2.3	3.3	2.8	—	—
Fair value, properties	14,573	3,383	27,377	728	1,146	3,036	9,300	59,542	—	—

LOAN-TO-VALUE RATIO AND LOANS BY CURRENCY 31 DECEMBER 2019

MSEK ¹⁾	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total	Share, %	Interest rate, % ²⁾
Total interest-bearing liabilities	4,788	1,983	15,091	475	527	1,308	5,651	29,824	100	2.6
Maturing in foreign currency, %	16.1	6.6	50.6	1.6	1.8	4.4	18.9	100.0	—	—
Average interest rate, %	3.7	2.1	2.1	0.8	4.2	3.5	3.2	2.6	—	—
Average fixed interest period, years	5.3	1.0	3.9	0.2	0.1	2.2	3.9	3.8	—	—
Fair value, properties	14,940	3,591	28,687	799	1,404	3,455	10,593	63,469	—	—

¹⁾ The values in the tables have been converted to MSEK.

²⁾ Average interest rate including bank margin; the interest is calculated on the total credit utilised.

FINANCIAL ASSETS AND LIABILITIES BY CURRENCY AT 31 DECEMBER 2020, MILLIONS IN LOCAL CURRENCY

	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total SEK
Assets	16,923	3,099	2,675	80	156	3,254	1,083	64,815
<i>of which Financial assets</i>	1,480	586	66	1	2	2	33	3,320
Liabilities	15,573	891	1,463	55	90	2,557	627	40,727
<i>of which Financial liabilities</i>	12,587	584	1,127	49	75	1,122	523	32,472
Effect on earnings +/-10% exchange rate	—	+/-6	+/-46	+/-2	+/-11	+/-10	+/-67	+/-142
Effect on equity +/-10% exchange rate	—	+/-29	+/-1,040	+/-43	+/-46	+/-107	+/-530	+/-1,795

FINANCIAL ASSETS AND LIABILITIES BY CURRENCY AT 31 DECEMBER 2019, MILLIONS IN LOCAL CURRENCY

	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total SEK
Assets	15,942	2,958	2,582	85	152	3,333	1,081	65,643
<i>of which Financial assets</i>	143	373	26	1	3	1	15	1,150
Liabilities	14,535	521	1,191	56	90	2,537	621	39,137
<i>of which Financial liabilities</i>	11,700	580	902	50	79	1,139	528	30,619
Effect on earnings +/-10% exchange rate	—	+/-4	+/-86	+/-4	+/-2	+/-114	+/-67	+/-278
Effect on equity +/-10% exchange rate	—	+/-28	+/-884	+/-47	+/-52	+/-120	+/-606	+/-1,737

►► Note G2, cont.

Liquidity and refinancing risk

Liquidity risk is the risk of not having sufficient funds to fulfil payment obligations when they fall due. The consolidated liquidity forecast forms the basis of the Company's borrowing or investment requirements, as well as its control of the total liquidity reserves. A long-term target for the level of liquidity in the form of liquidity reserves (cash, liquid interest-bearing investments and forecast net cash flows over 12 months) and credit facilities is an amount corresponding to at least 12 months' known outgoing payments including interest payments and current repayments or repayments that have been decided on. Pandox's liquidity reserve at year-end amounts to MSEK 5,221 (4,215) and is distributed as shown in the table below.

Refinancing risk is the risk that financing cannot be obtained, or can only be obtained at considerably higher costs. To reduce refinancing risk the maturity of loans is to be spread out evenly over time, to reduce the risk of a large percentage of loans maturing at the same time. Pandox works actively to reduce refinancing risk by ensuring that the maturity profile of its debt is balanced and by utilising a number of financing sources.

MSEK	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	2,622	632
Unutilised credit facilities	2,599	3,583
Total liquidity reserve	5,221	4,215

The maturity profile of financial liabilities is shown in the table below. Interest calculated as per terms effective at the time in question.

MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER 2020, MSEK

Year due	Other liabilities ³⁾	Loan amount ²⁾	Interest, loans ¹⁾
2021	—	5,544	85
<i>Due 0–1 month</i>	179	—	—
<i>Due 1–3 months</i>	—	—	—
<i>Due 3–12 months</i>	—	5,544	—
2022	—	3,750	39
2023	—	11,277	199
2024	—	11,585	244
2025	—	568	8
2026	—	1,504	17
Total	179	34,228	591

MATURITY PROFILE OF FINANCIAL LIABILITIES AT 31 DECEMBER 2019, MSEK

Year due	Other liabilities ³⁾	Loan amount ²⁾	Interest, loans ¹⁾
2020	—	5,679	75
<i>Due 0–1 month</i>	304	—	—
<i>Due 1–3 months</i>	—	—	—
<i>Due 3–12 months</i>	—	5,679	—
2021	—	1,048	16
2022	—	2,843	33
2023	—	19,748	339
2024	—	1,888	41
2025	—	2,201	28
Total	304	33,407	532

¹⁾ Calculation based on closing balance on 31 December of the respective year, interest rates in effect as of the same date and an implied annual interest expense for the various maturity periods.

²⁾ Excluding contractual repayments. Including unutilised amount. Contractual repayments amount to MSEK 402 for 2020.

³⁾ Trade accounts payable and other financial liabilities normally fall due for payment within 30 days and have therefore been classified accordingly in the tables above.

Credit risk

Credit risk is the risk that Pandox's counterparty will be unable to fulfil its financial obligations to Pandox. Credit risk in Pandox's financial activity arises, for example, when investing surplus liquidity, when signing derivative contracts and when credit agreements are issued. The risk is to be spread by using multiple counterparties. Only approved counterparties are to be used. Permitted counterparties for credit facilities, revolving facilities and derivative instruments are Nordic counterparties with a minimum rating of either A- (S&P) or A3 (Moody's), or another counterparty with a minimum rating of either A (S&P) or A2 (Moody's).

Pandox has a well-diversified property portfolio characterised by well-established, stable and sound tenants, which reduces the credit risk in trade accounts receivable. A further factor that reduces the potential credit risk is Pandox's operational readiness, which means it is able to take over the operation of a property

quickly if necessary and thereby secure the cash flow. The occupancy rate of Pandox's wholly owned property portfolio was close to 100 percent and vacant space consisted of retail and office premises. Provisions are made for doubtful trade accounts receivable on an individual basis, i.e. each individual customer balance is analysed in the ledger.

Capital management

Pandox's financial position is monitored primarily on the basis of loan-to-value ratio, with a target of 45–60 percent. Internal monitoring of financial position does not focus on equity. At year-end 2020 the loan-to-value ratio was 48.7 (46.0) percent.

G3 FINANCIAL ASSETS AND LIABILITIES – CLASSIFICATION, FAIR VALUE AND OFFSETTING

§ ACCOUNTING PRINCIPLES

Financial instruments

Financial instruments recognised in the statement of financial position include: on the asset side, financial investments, cash and cash equivalents, loans receivable, rent receivables, trade accounts receivable and derivatives; and on the liabilities side, trade accounts payable, loan liabilities and derivatives.

Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A receivable is recognised when the Company has performed and there is a contractual obligation for the counterparty to pay, even if an invoice has not yet been sent. Trade receivables are recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade payables are recognised when an invoice is received.

A financial asset is derecognised from the statement of financial position when the contractual rights are realised, expire or the Company loses control of them. The same applies to a portion of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligation is fulfilled or otherwise extinguished. The same applies to a portion of a financial liability. Financial assets and financial liabilities are offset and recognised as a net amount in the statement of financial position only when the Company has a legal right to offset items against each other and intends to settle these items in a net amount or simultaneously realise the asset and settle the liability.

Acquisitions and divestments of financial assets are recognised on the transaction date, which is the date the Company undertakes to acquire or divest the asset.

Classification and measurement

Financial instruments are initially recognised at cost, equivalent to the instrument's fair value plus transaction costs for all financial instruments except instruments in the categories of assets or liabilities at fair value through profit or loss, which are recognised at fair value exclusive of transaction costs. A financial instrument is classified upon initial recognition based, among other things, on the purpose for which the instrument was acquired. The classification determines how the financial instrument is measured after initial recognition, as described below.

Cash and cash equivalents comprise cash and immediately available deposits at banks and equivalent institutions, plus short-term liquid investments with a maturity from the acquisition date of less than three months and which are subject to only an insignificant risk of fluctuations in value.

The relevant categories are as follows:

- Financial assets/liabilities at amortised cost
- Financial assets/liabilities at fair value through profit or loss
- Financial assets/liabilities at fair value through other comprehensive income

Financial assets (and liabilities) at amortised cost

This category refers to non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Examples of assets (and liabilities) in this category include trade accounts receivable, cash and cash equivalents, trade accounts payable and interest-bearing liabilities. These assets (and liabilities) are measured at amortised cost applying the effective interest method. Rent receivables and other receivables are recognised at the amounts that are expected to be received, i.e. after deductions for doubtful receivables.

Financial assets (and liabilities) at fair value through profit or loss

Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised through profit or loss. This category includes derivative instruments. Pandox does not exercise the option to measure other financial instruments at fair value.

Financial assets (and liabilities) at fair value through other-comprehensive income

Hedging of net investment in foreign operations under IFRS 9. Financial instruments in this category are measured on an ongoing basis at fair value with changes in value recognised through other comprehensive income. See also Note 18 regarding accounting principles for hedge accounting.

Other financial liabilities

Loans and other financial liabilities, e.g. trade accounts payable, are included in this category. The liabilities are measured at amortised cost applying the effective interest method.

Parent Company

Due to the connection between reporting and taxation, the rules for financial instruments and hedge accounting in IFRS 9 are not applied to the Parent Company as a legal entity.

The Parent Company's non-current financial assets are measured at cost less any impairment losses, and current financial assets are measured according to the lowest cost principle. The cost of interest-bearing instruments is adjusted for the accrued difference between the amount originally paid after deducting transaction costs and the amount paid on the maturity date (premium or discount).

Interest rate swaps that effectively hedge cash-flow risk in interest payments on liabilities are measured net of the accrued receivable for variable interest and accrued liability for fixed interest. The difference is recognised as interest expense or interest income. Hedging is effective if the financial substance of the hedge and the liability are the same as if the liability had instead been recognised at a fixed market interest rate when the hedging relationship was entered into. Any premium paid for the swap agreement is accrued as interest over the term of the agreement.

▶▶ Note G3, cont.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

31 DECEMBER 2020, MSEK	Category	Financial assets/liabilities at amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through other comprehensive income
Other non-current receivables		36	—	—
Rent receivables and trade accounts receivable		180	—	—
Deferred rent receivables attributable to new temporary payment terms		439	—	—
Derivatives	Level 2		43	
Cash and cash equivalents		2,622	—	—
Total financial assets		3,277	43	—
Non-current interest-bearing liabilities		26,034 ¹⁾	—	—
Derivatives	Level 2	—	841	—
Current interest-bearing liabilities		5,418 ¹⁾	—	—
Trade accounts payable		179	—	—
Total financial liabilities		31,631	841	—

31 DECEMBER 2019, MSEK	Category	Financial assets/liabilities at amortised cost	Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at fair value through other comprehensive income
Other non-current receivables		34	—	—
Rent receivables and trade accounts receivable		367	—	—
Derivatives	Level 2	—	117	—
Cash and cash equivalents		632	—	—
Total financial assets		1,033	117	—
Non-current interest-bearing liabilities		23,587 ¹⁾	—	—
Derivatives	Level 2	—	694	—
Current interest-bearing liabilities		6,034 ¹⁾	—	—
Trade accounts payable		304	—	—
Total financial liabilities		29,925	694	—

¹⁾ Arrangement fees of approximately MSEK 177 (202) have reduced interest-bearing liabilities in the balance sheet.

Fair value of financial assets and liabilities

The financial instruments for which it is important to carefully measure fair value consist of interest-bearing liabilities and derivatives; other financial instruments either have short maturities or consist of insignificant amounts. The loans have short-term interest rates corresponding to the market interest rates on the closing day. The Company's margins on the loans are deemed to represent the margins that would be received as of the closing day. This assessment assumes that the carrying amounts of the loans are a reasonable approximation of the fair value. Derivatives, which consist of interest rate swaps, are at level 2 in the fair value hierarchy, i.e. based on directly or indirectly observable inputs for the asset or liability, with no significant inputs that are not observable market data. The fair value is based on discounted estimated future cash flows according to the terms and maturities of the contracts, based on current market rates of interest. To establish fair value, market interest rates are used for each maturity noted on the closing day.

Offsetting

The Group's interest rate derivatives are subject to the International Swaps and Derivatives Association's (ISDA) Master Agreements on netting. Under these agreements, when a counterparty cannot settle its obligations in all transactions, the agreement is cancelled and all outstanding transactions are settled in a net amount in a process called close-out netting. The ISDA agreements do not fulfil the criteria for netting in the statement of financial position. Other than this, there are no master netting agreements for any of Pandox's financial instruments.

G4 EQUITY

§ ACCOUNTING PRINCIPLES

Non-controlling interests

Non-controlling interests, which consist of the share of Group companies' profit or loss and net assets not accruing to the Parent Company's shareholders, are reported as a separate item within equity. In the consolidated statement of comprehensive income the share attributable to non-controlling interests is included in comprehensive income for the year.

Distribution of capital to shareholders*Dividend*

Dividends are recognised as liabilities after the dividend is approved by the Annual General Meeting.

Earnings per share

The earnings per share calculation is based on the Group's profit for the year attributable to the owners of the Parent Company and on the weighted average number of shares outstanding during the year. At this time there are no potential ordinary shares that could result in dilution.

Equity items*Share capital*

The share capital consists of 75,000,000 class A shares and 108,849,999 class B shares, totalling 183,849,999 (167,499,999) shares with a quota value of SEK 2.50 per share, making a total value of MSEK 460. See also the information on pages 36–39 in the section "Pandox and the capital market".

Other paid-in capital

Other paid-in capital consists of capital contributions from Pandox AB's owners in the form of new share issues and shareholder contributions.

Translation reserve

The translation reserve includes all exchange rate differences arising in the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than the presentation currency of the Group's financial statements. The Group presents its financial statements in millions of Swedish kronor (MSEK).

Revaluation reserve

The revaluation reserve includes changes in fair value arising on the reclassification of hotel properties between Pandox's two business segments, Operator Activities and Property Management.

Retained earnings including net profit for the year

Retained earnings consist of profits earned in previous years, including net profit for the year.

Non-controlling interests

Non-controlling interests that have arisen upon the acquisition of investment properties and the minority's share of net profit for the year and other comprehensive income reduced by the dividend paid to the minority.

Dividend

The Board of Directors is proposing that no dividend is paid for the 2020 financial year.

Per share data

The average number of shares used to calculate earnings per share is 183,849,999. Earnings per share for the year after tax amount to SEK -7.61 (-1,398,856,000/183,849,999).



G5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

§ ACCOUNTING PRINCIPLES

On the entry into force of IFRS 16 Pandox elected to apply the simplified approach, which means that comparative information for earlier periods has not been restated. Pandox applies the exemption for leases where the underlying asset is of low value or the lease term is 12 months or less. The lease payment is divided between a reduction of the lease liability and interest expense, while the lease payments reported previously as external costs are replaced by depreciation expense on the right-of-use assets. To calculate the right-of-use asset and the lease liability, Pandox applies an estimated financing cost in local currency based on the term of the various leases. This reporting is based on the approach that the lessee has a right to use an asset for a specific period of time and at the same time a liability to pay for this right.

Pandox reports these as three balance sheet items: right-of-use assets, and current and non-current lease liabilities. In the income statement the financial component is recognised in net financial items on the line "Financial expense for right-of-use assets".

For site leasehold rents, the implicit interest rate based on agreements has been used and for other right-of-use assets the incremental borrowing rate has been used. The rates applied range from 1.29 to 4.45 percent.

In Sweden site leaseholds were introduced as a complement to title for a property, and remain so. Only central government and municipalities in Sweden may grant a site leasehold. The holder of a site leasehold has the right to use the land for a very long period; certain descriptions by municipalities state "in principle, perpetual". As a result, according to IFRS 16 the discounted value of site leasehold rents in Sweden is to be recognised in the balance sheet as a perpetual right-of-use asset and lease liability. The site leasehold rent paid is recognised in full as a financial expense, whereas previously it was reported as an operating expense. Pandox also has site leaseholds or other lease agreements for land in countries other than Sweden. These agreements are structured in different ways, but are usually extended. There are other clauses to ensure that the land can be used after the lease term or that compensation is paid for the hotel building erected on the site concerned. Pandox's experience is that these agreements are extended, and on this basis Pandox treats these agreements in the same way as Swedish site leaseholds.

Pandox has lease commitments for site leaseholds and for other leased land, premises and vehicles. These commitments amount to MSEK 2,928 in total, based on current leases. Of these commitments, around MSEK 2,810 relates to leases for land (site leaseholds or other leased land).

Commercial premises (mainly Pandox AB's premises and some storeys leased in The Hotel Brussels) and vehicles (company cars) are recognised at discounted value in the balance sheet as a right-of-use asset and a lease liability. In the income statement the right-of-use asset is depreciated over the lease term and payments made to the lessor/landlord are recognised partly as a reduction in lease liabilities and partly as interest expense. For premises the option of extension is applicable, but since these are not deemed to be material they have not been included in the term of the lease. Lease expenses not falling within the framework of IFRS 16, including low-value leases and short-term leases, total an insignificant amount. Likewise, any variable components total an insignificant amount and are not stated separately. Right-of-use assets and non-current lease liabilities have resulted in retrospective adjustment of the comparative figures for two site leaseholds; see the first table in the note.

RIGHT-OF-USE ASSETS

MSEK	Site leaseholds	Premises	Vehicles	Other	Total
Opening balance, 1 Jan 2019	2,352	127	5	6	2,490
New leases/investments	397	26	3	1	427
Divestments and disposals	-62	0	0	-1	-63
Depreciation	—	-17	-3	-2	-22
Exchange rate differences	60	2	0	0	62
Closing book value 31 Dec 2019	2,747	138	5	4	2,894
Opening balance, 1 Jan 2020	2,747	138	5	4	2,894
Effect of retrospective adjustment	170	—	—	—	—
New opening balance, 1 Jan 2020	2,917	138	5	4	3,064
New leases/investments	—	—	3	—	3
Changed lease payment or term	56	—	—	1	57
Divestments and disposals	-25	—	0	—	-25
Depreciation	—	-26	-3	-2	-31
Exchange rate differences	-138	-4	0	0	-142
Closing book value 31 Dec 2020	2,810	108	5	3	2,926

LEASE LIABILITIES

MSEK	31 Dec 2020	31 Dec 2019
Current	27	30
Non-current	2,901	3,034
Total lease liabilities	2,928	3,064

RECOGNISED IN THE INCOME STATEMENT

MSEK	2020	2019
Financial expense for right-of-use assets ¹⁾	-86	-81
Depreciation of right-of-use assets – within costs of Operator Activities and central administration	-31	-22

¹⁾ Of which site leasehold rents paid amount to MSEK 83 (78).

MATURITY ANALYSIS FOR LEASE LIABILITIES 2020

	Expected to be settled within					Total contractual cash flows	Carrying amount of lease liability
	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years		
Lease liabilities	12	15	13	29	2,859	2,928	2,928

MATURITY ANALYSIS FOR LEASE LIABILITIES 2019

	Expected to be settled within					Total contractual cash flows	Carrying amount of lease liability
	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	More than 5 years		
Lease liabilities	13	17	27	32	2,976	3,064	3,064

H Group structure

H1 PARTICIPATIONS IN SUBSIDIARIES

PARENT COMPANY

MSEK	31 Dec 2020	31 Dec 2019
Cost, opening balance	8,880	8,880
Shareholder contributions provided	89	—
Divestment of subsidiaries	—	0
Total accumulated cost	8,969	8,880
Impairment losses, opening balance	-1,487	-1,487
Accumulated impairment losses, closing balance	-1,487	-1,487
Closing balance	7,842	7,393

Directly owned subsidiaries	Company reg. no.	Registered office	Number of shares	Share of capital/ votes
HOTAB Förvaltning AB	556475-5592	Stockholm, Sweden	1,000	100
Pandox Förvaltning AB	556097-0815	Stockholm, Sweden	5,500	100
Hotab 6 AB	556473-6352	Stockholm, Sweden	1,000	100
Fastighets AB Grand Hotell i Helsingborg	556473-6329	Stockholm, Sweden	1,000	100
Pandox Fastighets AB	556473-6261	Stockholm, Sweden	1,000	100
Fastighets AB Stora Hotellet i Jönköping	556469-4064	Stockholm, Sweden	1,000	100
Pandox Belgien AB	556495-0078	Stockholm, Sweden	1,000	100
Hotellus Holding AB	556475-9446	Stockholm, Sweden	1,000	100
Pandox Luxemburg AB	556515-9216	Stockholm, Sweden	10,000	100
Pandox i Halmstad AB	556549-8978	Stockholm, Sweden	1,000	100
Pandox i Borås AB	556528-0160	Stockholm, Sweden	1,000	100
Hotellus Mellansverige AB	556745-4656	Stockholm, Sweden	100,000	100
Grand i Borås Fastighets AB	556030-7083	Stockholm, Sweden	6,506	100
Hotellus International AB	556030-2506	Stockholm, Sweden	7,480,000	100
Hotellus Östersund AB	556367-3697	Stockholm, Sweden	1,000	100
Ypsilon Hotell AB	556481-4134	Stockholm, Sweden	1,000	100
Pandox Kolmården AB	556706-8316	Stockholm, Sweden	100,000	100
Hotellus Sverige Ett AB	556778-8699	Stockholm, Sweden	1,000	100
Sech Holding AB	556819-2214	Stockholm, Sweden	357,000	100
Pandox Portfölj 2 AB	556982-7040	Stockholm, Sweden	500	100
Pandox Sollentuna Centrum 12 AB	556660-3949	Stockholm, Sweden	1,000	100
Pandox Sweden AB	556942-1687	Stockholm, Sweden	500	100
Pandox Operations AB	556980-3207	Stockholm, Sweden	50,000	100
Pandox i Malmö AB	556704-3723	Malmö, Sweden	1,000	100
Hotellus Denmark A/S	28970927	Denmark	5,000	100
Le Nouveau Palace SA	0423.048.375	Belgium	3,000	99.97 ¹⁾
Pandox Royale SA	0476.704.322	Belgium	68,808	99.99 ²⁾
Pandox Belgium NV	0890.427.732	Belgium	100,000	99.99 ³⁾
Pandox RMC BVBA	0552.929.692	Belgium	1,000	99.00 ⁴⁾
Tenzing Holding BV	70144427	Netherlands	1	100
Convention Hotel International AG	CHE-101.458.856	Switzerland	14,000	100

¹⁾ Le Nouveau Palace SA is 0.03 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

²⁾ Pandox Royale SA is 0.01 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

³⁾ Pandox Belgium NV is 0.01 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

⁴⁾ Pandox RMC BVBA is 1 percent owned by Hotellus International AB, which is wholly owned by Pandox AB (publ).

►► Note H1, cont.

Indirectly owned subsidiaries	Company reg. no.	Registered office	Indirectly owned subsidiaries	Company reg. no.	Registered office
Arlanda Flyghotell KB	916500-8021	Stockholm, Sweden	Hotel Mayfair ApS	41256931	Denmark
Fastighetsbolaget Utkiken KB	916611-7755	Stockholm, Sweden	Oy Norgani 1 Ab	2050600-9	Finland
Fastighets AB Hotell Kramer	556473-6402	Stockholm, Sweden	Oy Norgani 2 Ab	2050598-9	Finland
Hotellus Nordic AB	556554-6594	Stockholm, Sweden	Oy Norgani 3 Ab	2050596-2	Finland
Hotellus Järva Krog AB	556351-7365	Stockholm, Sweden	Oy Norgani 4 Ab	2050594-6	Finland
Hotellus Mölndal AB	556554-6636	Stockholm, Sweden	Oy Norgani 5 Ab	2050593-8	Finland
Vestervold KB	916631-9534	Stockholm, Sweden	Oy Norgani 8 Ab	2050586-6	Finland
Skogshöjd Handels & Fastighets AB	556066-0432	Stockholm, Sweden	Oy Norgani 9 Ab	2050625-2	Finland
Norgani Sweden Holding AB	556660-3238	Stockholm, Sweden	Oy Norgani 10 Ab	2050619-9	Finland
Norgani Alvik Hasselbacken AB	556735-4872	Stockholm, Sweden	Oy Norgani 11 Ab	2050616-4	Finland
Fastighets AB Prince Philip	556488-0028	Stockholm, Sweden	Oy Norgani 12 Ab	2050612-1	Finland
Norgani Mora Stranden 37:3 AB	556660-3493	Stockholm, Sweden	Oy Norgani 13 Ab	2050610-5	Finland
Norgani Luleå Tjädern 19 AB	556660-4426	Stockholm, Sweden	Oy Norgani 14 Ab	2050609-2	Finland
Norgani Kalmar Hammaren 4 AB	556660-6538	Stockholm, Sweden	Oy Norgani 16 Ab	2050603-3	Finland
Norgani Linköping Ekoxen 9 och 11 AB	556658-7407	Stockholm, Sweden	Norgani Finland Holding Oy	1530970-5	Finland
Norgani Göteborg Backa 149:1 och 866:397 AB	556658-7480	Stockholm, Sweden	Kiinteistö Oy Hotelli Pilotti	0426438-8	Finland
Norgani Stockholm Gråberget 29 AB	556688-7450	Stockholm, Sweden	Kiinteistö Oy Pakkalan Kartanonkoski 5	0747929-6	Finland
Norgani Hotelleiendom i Göteborg AB	556674-0709	Stockholm, Sweden	Oy Korpilampi Ab	1495021-8	Finland
Norgani Hotelleiendom i Helsingborg AB	556674-0063	Stockholm, Sweden	Hotellus Suomi Oy	1495017-0	Finland
Norgani Hotelleiendom i Jönköping AB	556674-0212	Stockholm, Sweden	Norgani Hotels AS	988 016 683	Norway
Norgani Hotelleiendom i Luleå AB	556674-0485	Stockholm, Sweden	Norgani Hotelleiendom AS	988 201 227	Norway
Norgani Hotelleiendom i Malmö AB	556674-0436	Stockholm, Sweden	Hotellinvest Holding AS	990 122 806	Norway
Norgani Hotelleiendom i Sundsvall AB	556674-0071	Stockholm, Sweden	Norgani Eiendom Bodø AS	991 393 48	Norway
Norgani Hotelleiendom i Södertälje AB	556673-9768	Stockholm, Sweden	Norgani Hotell Bastionen AS	940 157 633	Norway
Norgani Hotellfastighetsaktiebolaget Blyet	556673-9685	Stockholm, Sweden	Norgani Norge Holding AS	989 197 355	Norway
Norgani Hotellfastighetsaktiebolaget Osten	556674-0469	Stockholm, Sweden	Alexandra Hotell AS	910 114 174	Norway
Norgani Hotellfastighetsaktiebolaget Radien	556674-0196	Stockholm, Sweden	Norgani Hotell Kristiansand AS	938 214 964	Norway
Norgani Hotellfastighetsaktiebolaget Vindmotorn	556673-9818	Stockholm, Sweden	Norgani Hotell Oslo AS	951 361 542	Norway
Norgani Suomi Holding AB	556705-2781	Stockholm, Sweden	Norgani Hotell Bergen AS	967 989 371	Norway
Norgani Suomi 2 AB	556705-0694	Stockholm, Sweden	Norgani Hotell Hafjell AS	938 214 875	Norway
Norgani Suomi 3 AB	556704-9688	Stockholm, Sweden	Norgani Hotell KNA AS	890 618 812	Norway
Norgani Suomi 4 AB	556705-0983	Stockholm, Sweden	Norgani Hotell Bergen Airport AS	919 626 852	Norway
Norgani Suomi 5 AB	556704-8151	Stockholm, Sweden	Norgani Fagermaes Turisthotell AS	919 844 604	Norway
Norgani Suomi 6 AB	556704-8144	Stockholm, Sweden	Norgani Olrud Hotell AS	919 286 865	Norway
Norgani Suomi 9 AB	556705-0520	Stockholm, Sweden	Norgani Hammneset Hotell AS	919 286 881	Norway
Norgani Suomi 10 AB	556704-4218	Stockholm, Sweden	Norgani Hotell Lillehammer AS	952 479 806	Norway
Norgani Suomi 11 AB	556704-8227	Stockholm, Sweden	Lillehammer Turisthotell AS	913 915 739	Norway
Norgani Suomi 12 AB	556704-8219	Stockholm, Sweden	Norgani Hotell Bodø AS	987 141 433	Norway
Norgani Suomi 13 AB	556704-8201	Stockholm, Sweden	W.E. I Holidaystraat NV	0806.015.461	Belgium
Norgani Suomi 14 AB	556704-8193	Stockholm, Sweden	Grand Hotel of Brussels NV	0443.822.213	Belgium
Norgani Suomi 15 AB	556704-8185	Stockholm, Sweden	Town Hotel NV	0437.378.839	Belgium
Norgani Suomi 17 AB	556704-8169	Stockholm, Sweden	Elba Belgium Holding BVBA	0889.537.114	Belgium
Norgani Stockholm Herrgården 2 AB	556660-4285	Gothenburg, Sweden	Elba Leasehold BVBA	0889.633.520	Belgium
Norgani Hotelleiendom i Sverige AB	556674-0170	Stockholm, Sweden	Elba Freehold BVBA	0889.630.649	Belgium
Hotellinvest Holding DK 1 ApS	29828644	Denmark	Holcro NV	0421.732.937	Belgium
Hotellinvest Holding DK 2 ApS	29830053	Denmark	HDI Brussels Management SA	0550.918.428	Belgium
Hotellinvest DK 1 ApS	10998476	Denmark	Swiss Hotels Leasing Company SA	0443.435.597	Belgium
Hotellinvest DK 2 ApS	28886217	Denmark	Hotel Charlemagne EU SPRL	0674.930.156	Belgium
Hotellinvest DK 3 ApS	25241266	Denmark	Pandox Leeds Propco Ltd	71857419	United Kingdom
Norgani Hotel Cosmopole ApS	25060407	Denmark	Flight Holdco SPV Ltd	115845	United Kingdom
K/S Norgani Hotel	24250830	Denmark	Pandox Wonderwall Ltd	11555879 ⁸⁾	United Kingdom
Komplementarselskabet Norgani Hotel ApS	14446478	Denmark	Pandox Wonderwall PropCo Ltd	10920854 ⁸⁾	United Kingdom
Norgani Hotel København A/S	20029633	Denmark	Pandox Highlander Holdco Ltd	11471474 ⁸⁾	United Kingdom
Urban House Hotel ApS	35632654	Denmark	Pandox Highlander Opco Ltd	11471650	United Kingdom
Hotel 27 ApS	41256923	Denmark	Pandox Highlander Propco Ltd	1675224 ⁸⁾	United Kingdom
			Pandox Birmingham Propco Ltd	11153346 ⁸⁾	United Kingdom

►► Note H1, cont.

Indirectly owned subsidiaries	Company reg. no.	Registered office	Indirectly owned subsidiaries	Company reg. no.	Registered office
Pandox Glasgow Propco Ltd	11153391 ⁸⁾	United Kingdom	Hypnos Hotel Properties South GmbH	HRB 157308 B ³⁾	Germany
Pandox Manchester Propco Ltd	11153367 ⁸⁾	United Kingdom	Hypnos Hotel Properties North GmbH	HRB 157291 B ³⁾	Germany
Pandox Heathrow Propco Ltd	11153339 ⁸⁾	United Kingdom	Grundstücksgesellschaft ATLANTIS GmbH	HRB 41381 ²⁾	Germany
Pandox UK Opco Ltd	11153341	United Kingdom	Pandox Germany GmbH	HRB 68809 ²⁾	Germany
Pandox Investment Management DAC	615809	Ireland	Pandox Lübeck GmbH	HRB 68868 ²⁾	Germany
Vesway DAC	440248	Ireland	Pandox Dortmund GmbH	HRB 68856 ²⁾	Germany
Pandox Group DAC	418679	Ireland	Pandox Bremen GmbH	HRB 68847 ²⁾	Germany
Lhotse Holding DAC	575727 ⁷⁾	Ireland	Lauralex Germany Hotel Properties III GmbH	HRB 87178 B	Germany
Jurys Cork Holdings DAC	575997 ⁷⁾	Ireland	Lauralex Hotel Property Stuttgart GmbH	HRB 151637	Germany
Jurys Cork CP DAC	575998 ⁷⁾	Ireland	Lauralex Hotel Property Sulzbach GmbH	HRB 190617	Germany
Jesaway DAC	459311 ⁷⁾	Ireland	Lauralex Hotel Property Kelsterbach GmbH	HRB 151406	Germany
Jurys Inns (Europe) DAC	439060 ⁷⁾	Ireland	Lauralex Hotel Property Eschborn Land GmbH	HRB 157419	Germany
Jurys Inns Investments DAC	591063 ⁷⁾	Ireland	Lauralex Germany Hotel Properties IV GmbH	HRB 87194 B	Germany
Dormben Hotel The Hague OpCo B.V.	65626141	Netherlands	Lauralex Hotel Property Neuperlach GmbH	HRB 151411	Germany
Pandox Intermediate Holdco B.V.	70153590	Netherlands	Lauralex Hotel Property Schweinfurt GmbH	HRB 177435	Germany
Pandox Midco B.V.	70156824	Netherlands	HR Hotel Estate Bad Neuenahr GmbH	HRB 190577	Germany
Pandox Holdco B.V.	70159203	Netherlands	Lauralex Hotel Property Eschborn GmbH	HRB 151668	Germany
Pandox Bradford Propco B.V.	70691681	Netherlands	Philotes Germany Hotel Properties GmbH	HRB 86838	Germany
Pandox Brighton Propco B.V.	70691584	Netherlands	Philotes Hotel Property Dortmund GmbH	HRB 176724 B	Germany
Pandox Cardiff Propco B.V.	70691290	Netherlands	Philotes Hotel Property Augsburg GmbH	HRB 177448 B	Germany
Pandox Cheltenham Propco B.V.	70691363	Netherlands	Philotes Hotel Property Erfurt GmbH	HRB 176730 B	Germany
Pandox East Midlands Propco B.V.	70691150	Netherlands	Finollette Hotel Property Nürnberg	HRB 88039	Germany
Pandox Hinckley Propco B.V.	70690227	Netherlands	Dormben Hannover Hotel Property GmbH	HRB 87426	Germany
Pandox Inverness Propco B.V.	70690316	Netherlands	Dormben Hann-Haag Hotels GmbH	HRB 87427	Germany
Pandox Leeds Propco B.V.	71857419	Netherlands	Dormben Hotel Hanover OpCo GmbH	HRB 227807	Germany
Pandox Croydon Propco B.V.	70691800	Netherlands	Pandox Deutschland GmbH & Co. KG ⁴⁾	HRA 21826 ²⁾	Germany
Pandox Middlesbrough Propco B.V.	70690464	Netherlands	Charlius Austria Hotel Holding GmbH	FN 355800	Austria
Pandox Oxford Propco B.V.	70690545	Netherlands	Charlius Vienna Hotel Property GmbH	FN 39164	Austria
Pandox Sheffield Propco B.V.	70691029	Netherlands	Charlius Salzburg Hotel Property GmbH	FN 72575	Austria
Pandox Swindon Propco B.V.	70691088	Netherlands			
Jinns B.V.	34265843 ⁷⁾	Netherlands			
Euro Lifim Holding B.V.	33227692	Netherlands			
Pandox Holland B.V.	34277494	Netherlands			
Pandox Holland 2 B.V.	34304039	Netherlands			
Charlius Dutch Investment B.V.	58524134	Netherlands			
Charlius Amsterdam Hotel Property B.V.	34234529	Netherlands			
Hotellus Luxembourg SARL	B131027	Luxembourg			
Dormben Hotel Hanover PropCo S.à.r.l.	B157335	Luxembourg			
Dormben Hotel The Hague PropCo S.à.r.l.	B143783	Luxembourg			
Hotellus Canada Holdings Inc.	BC0793511	Canada			
Hotellus Montreal Holdings Inc.	BC0823951	Canada			
Hotellus Montreal Inc.	BC0827355	Canada			
Hotellus Montreal Services Inc.	BC1177715	Canada			
11028677 Canada Inc.	1102867-7	Canada			
Pandox Berlin GmbH	HRB 96069 B ¹⁾	Germany			
Hotellus Deutschland GmbH	HRB 41151 ²⁾	Germany			
Charlius European Hotel properties GmbH	HRB 79031 ²⁾	Germany			
Hypnos Hotel Properties GmbH	HRB 76338 ²⁾	Germany			
Charlius Germany Hotels Holding GmbH	B158137	Germany			
Charlius Germany Hotel Properties GmbH	B158154	Germany			
Charlius Cologne Hotel Property GmbH	B131225	Germany			
Charlius Dutch Hotels Holding GmbH	B179720	Germany			
Hypnos Hotel Properties Holding GmbH	HRB 157303 B ³⁾	Germany			
Hypnos Hotel Properties West GmbH	HRB 157278 B ³⁾	Germany			
Hypnos Hotel Properties Ratingen GmbH	HRB 157320 B ³⁾	Germany			
Hypnos Hotel Properties Mannheim GmbH	HRB 157271 B ³⁾	Germany			

Associated companies	Company reg. no.	Registered office
Pandox Verwaltungs GmbH ⁵⁾	HRB 66726 ²⁾	Germany

¹⁾ Commercial register kept by the local court in Charlottenburg, Germany.

²⁾ Commercial register kept by the local court in Düsseldorf, Germany.

³⁾ Commercial register kept by the local court in Berlin-Charlottenburg, Germany.

⁴⁾ Pandox AB (publ) owns 94 percent of the shares and a third party owns the remaining 6 percent of the shares.

⁵⁾ Pandox AB (publ) owns 49 percent of the shares and a third party owns the remaining 51 percent of the shares.

⁶⁾ Commercial register kept by the local court in Frankfurt am Main, Germany.

⁷⁾ In liquidation.

⁸⁾ The UK subsidiaries are exempt from the requirements relating to the audit of accounts under section 479A of the UK Companies Act 2006. All liabilities of the respective subsidiary companies relating to the financial year ending 31 December 2020 are guaranteed by the parent company under section 479C, audit exemption for a subsidiary company, of the Companies Act 2006. The respective subsidiary companies are included in the audit of the consolidated financial statements of the Pandox Group.

I Cash flow statement

I1 SPECIFICATION OF CASH FLOWS FOR THE GROUP

§ ACCOUNTING PRINCIPLES

Cash and cash equivalents consist of bank balances. Padox presents its cash flow statement using the indirect method. The indirect method starts with profit or loss for the year before tax and makes adjustments for non-cash income and expense items and for changes in working capital. On the acquisition or sale of companies only the cash effect is reported. Cash transactions resulting from the company's financing are reported in cash flow from financing activities.

GROUP	2020	2019
MSEK		
Acquisition of hotel properties and other business entities		
Acquired assets and liabilities		
Investment properties	—	3,984
Operating properties	—	917
Deferred tax assets	—	2
Current receivables	—	18
Cash and cash equivalents	—	177
Total assets	—	5,098
Non-controlling interests	—	—
Current liabilities	—	181
Total liabilities	—	181
Purchase consideration:		
Purchase consideration paid	689	5,078
Less: Cash and cash equivalents in the acquired operations	0	-177
Effect on cash and cash equivalents	689	4,901
Divestment of hotel properties and other business entities		
Divested assets and liabilities		
Investment properties	—	480
Current receivables	—	2
Total assets	—	482
Deferred tax	—	5
Current liabilities	—	2
Total liabilities	—	7
Selling price:		
Purchase consideration received	—	390
Effect on cash and cash equivalents	—	390

Reconciliation of liabilities arising from financing activities:

LOANS TO CREDIT INSTITUTIONS

MSEK	31 Dec 2020	31 Dec 2019
Opening balance	29,621	27,917
Cash flow	3,091	981
Exchange rate differences	-1,260	723
Closing balance liabilities to credit institutions	31,452	29,621

Other items not included in cash flow

MSEK	2020	2019
Accrual accounting of loan arrangement fees	72	56
Provisions	34	37
Acquisition-related items	-23	-53
Capitalised interest	-24	-18
Impairment	0	41
Translation differences	-84	48
Gain/loss on sale of subsidiary	—	-15
Other	-13	-5
Total other items not included in cash flow	-38	84

J Parent Company accounting principles and supplementary disclosures

J1 PARENT COMPANY ACCOUNTING PRINCIPLES

Parent Company accounting principles

The Parent Company's annual accounts are prepared in accordance with the Swedish Annual Accounts Act (1995:1554), Swedish Financial Reporting Board recommendation RFR 2 (Accounting for Legal Entities) and the statements issued by the Swedish Financial Reporting Board (UFR). RFR 2 requires the Parent Company to apply all EU-adopted IFRS standards and statements as far as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act, and taking into account the connection between reporting and taxation. The recommendation states the exceptions from and additions to IFRS that must be made. These are described below.

Differences between the Group's and the Parent Company's accounting principles

Classification and presentation

The Parent Company's annual accounts include an income statement and balance sheet in accordance with Chapter 9 of the Swedish Annual Accounts Act. They are presented according to the presentation schedule in this Act. The differences between the Parent Company's income statement and balance sheet and the Group's financial statements mainly relate to reporting of financial income and expense, non-current assets and equity, and provisions appearing as a separate heading in the balance sheet.

Assets and liabilities held for sale

Non-current assets held for sale and discontinued operations are not disclosed in the Parent Company's income statement and balance sheet since the Parent Company complies with the income statement and balance sheet format set out in the Swedish Annual Accounts Act. Information regarding non-current assets held for sale and discontinued operations is disclosed in the notes instead. Depreciation and amortisation are applied in accordance with the Annual Accounts Act.

Participations in subsidiaries

The Parent Company recognises participations in subsidiaries according to the cost method, whereby transaction expenses are included in the carrying amount of holdings in subsidiaries. Contingent consideration is measured based on the likelihood that the consideration will be paid. Any changes in provisions/receivables are added to/subtracted from cost. The value of shares in subsidiaries is reassessed if impairment is indicated.

Group contributions

Group contributions are recognised as year-end appropriations in the income statement for the Parent Company.

Recognition of leases

Lease payments are expensed on a straight line basis over the term of the lease. Right-of-use assets and lease liabilities are therefore not recognised in the balance sheet.

J2 CURRENT AND NON-CURRENT LIABILITIES, PARENT COMPANY

PARENT COMPANY

MSEK	2020	2019
Liabilities to credit institutions due within 12 months	1,510	2,878
Liabilities to credit institutions due in 1-4 years	3,312	2,850
Liabilities to credit institutions due in 5 years or later	—	597
Total current and non-current liabilities¹⁾	4,822	6,325

¹⁾ Arrangement fees of approximately MSEK 18 (20) have reduced interest-bearing liabilities in the balance sheet.

J3 APPROPRIATION OF PROFIT

At the disposal of the Annual General Meeting:

Retained earnings	8,619,319,250
Profit for the year	-486,372,393
SEK	8,132,946,857
Carried forward	8,132,946,857
SEK	8,132,946,857

K Sustainability

This page and the following pages 147–156 constitute part of the Company's Sustainability Report and have not been subject to review by the Company's auditors.

K1 ABOUT THE SUSTAINABILITY REPORT

Pandox's annual Sustainability Report has been prepared in accordance with the GRI Standards and meets the Core level. The report also constitutes Pandox's statutory Sustainability Report and meets the disclosure requirements in the Swedish Annual Accounts Act regarding sustainability reporting. The Sustainability Report also constitutes Pandox's Communication on Progress Report relating to the Ten Principles of the UN Global Compact. During the year Pandox also took the first step towards alignment with TCFD reporting and this process will continue in the years ahead.

The Sustainability Report covers the full year 2020. No material changes have taken place in the organisation and supply chain since the previous year. Nor were there any changes in the property portfolio in 2020 due to sale or acquisition of properties. However, the two properties that Pandox acquired at the end of 2019 are included in the 2020 Sustainability Report, as are two hotels that were reclassified from Property Management to Operator Activities in 2020. The last report was published on 15 March 2019.

Sustainability reporting is based on the Company's material topics and summarised in five focus areas that are included in Pandox's Fair Play 2.0 sustainability strategy. The sustainability strategy was produced based on a stakeholder dialogue and on a materiality analysis to form a complete picture covering the sustainability topics that are material for the Company and its stakeholders. A review of the material topics, based on SASB Standards, was carried out in 2020 to ensure that Pandox reports on the topics that financial players consider important.

The focus of the report is the same as in previous years and it covers the parts of the business that Pandox has operational control over. Pandox's business activities are divided into two business segments: Operator Activities (20 hotel properties) and Property Management (136 hotel properties). Sustainability data includes Pandox's head office, Operator Activities and Property Management. However, in the case of hotel properties in Property Management, social and economic sustainabil-

ity data relating to operating the hotel properties are not included, since this is the responsibility of the tenants. When it comes to environmental data, Pandox tries, as far as possible, to collect and report data on energy and water consumption and on waste and emissions at the hotels within the Property Management segment where the hotels are operated by tenants. Emissions data is reported in Scope 3. All of Pandox's 20 hotels in Operator Activities are included. In the Property Management segment 94 of the hotels are included. This represents 69 percent of the 136 hotels in the segment and includes all Scandic and Nordic Choice hotels. In order for Pandox to collect environmental and energy data from the tenants, these companies must first give their consent. 30 percent of the tenants have competition-related and/or organisational considerations that result in them not yet consenting.

Hotels reclassified from Operator Activities to Property Management are included in the environmental data up to the date of reclassification. The base year for environmental data is 2019.

Employee data is reported in full-time equivalents (FTEs) as of 31 December 2020 based on normal annual working hours for a full-time position in the the respective country.

The information Pandox's Sustainability Report has not been externally audited.

Changes in 2020 reporting

In previous years Pandox has provided sector-specific disclosures on energy intensity and emissions intensity (CRE-1 and CRE-3), which were part of the GRI G4 sector supplements for the construction and property industry. GRI has now retired these and refers actors to GRI 302-3 and 305-4, which Pandox reports on. Pandox also introduced five company-specific disclosures this year to cover the most important aspects of the sustainability strategy.

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K2 MATERIALITY ANALYSIS AND STAKEHOLDER DIALOGUE

Feedback from Pandox’s stakeholders on our sustainability work is important in determining how the Company sets its priorities internally and which improvement measures are implemented. The most important stakeholder groups are Pandox’s shareholders, tenants, investors, interest groups, suppliers and employees. These main stakeholders may in turn have different expectations and requirements with respect to Pandox’s sustainability work.

Materiality analysis

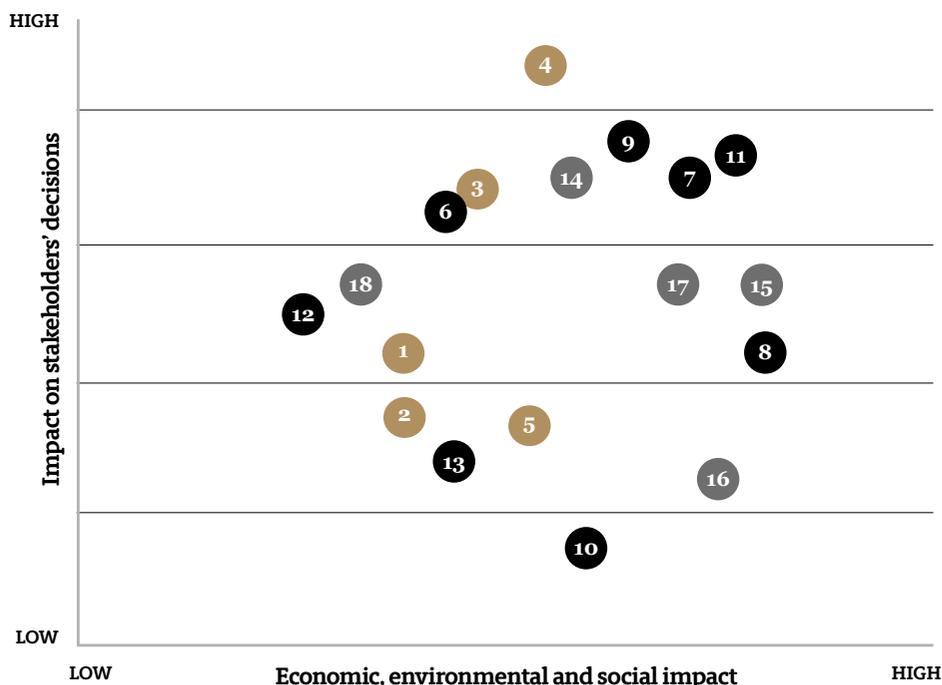
In 2018 Pandox carried out a materiality analysis to ensure that the sustainability topics where in areas the Company has the greatest impact on the external environment and that the most important topics to the stakeholders are prioritised in future sustainability work. The most important stakeholder groups were identified by determining the stakeholders’ influence on and interest in Pandox’s operations. In order to subsequently define and prioritise the most relevant sustainability topics, Pandox carried out interviews and online surveys with the most important

stakeholder groups. Through external benchmarks, status analysis and interviews with employees, Pandox identified the most relevant sustainability topics in the value-chain. These sustainability topics were then prioritised based on the positive and negative impact they have on Pandox’s communities from an environmental, social and economic perspective. The results were validated at a workshop attended by senior executives.

A review of the material topics, based on SASB Standards, was carried out in 2020 to ensure that Pandox is reporting on the topics that financial players consider the most important. Climate change and the pandemic were also in focus in society and among our stakeholders during the year.

The review showed that the materiality analysis conducted previously still is applicable. The same sustainability topics are still relevant for Pandox. However, in order to clarify how Pandox is working with them, they were condensed during the year into five focus areas: Environment and climate; Responsible and fair business; Guest satisfaction and security; Attractive and equal workplace; and Living local communities.

Materiality analysis



SUSTAINABILITY TOPICS

Environment

- 1 Environmentally certified buildings
- 2 Increase the use of sustainable materials
- 3 Reuse and recycle materials, and minimise waste
- 4 Reduced energy consumption and CO₂e emissions
- 5 Reduced water consumption

Social

- 6 Training and professional development for employees
- 7 Diversity, equal opportunities and non-discrimination
- 8 Employee health and safety
- 9 Fair employment terms for employees
- 10 Freedom of association and the right to collective bargaining
- 11 Hotel safety
- 12 Local community engagement
- 13 Proactive efforts to prevent trafficking and prostitution at hotels

Governance

- 14 Board of Directors and executive management team are committed to sustainability
- 15 Ensure customer privacy and protect customer data
- 16 Proactive anti-corruption efforts
- 17 Sustainable supply chain
- 18 Transparent sustainability reporting

►► Note K2 Materiality analysis and stakeholder dialogue, cont.

RESULTS OF STAKEHOLDER DIALOGUE IN 2018

Stakeholder group	Dialogue format	Three most important sustainability topics
Guests	Survey	<ul style="list-style-type: none"> Fair employment terms for employees Reuse and recycle materials, and minimise waste Reduce energy consumption and CO₂e emissions
Business partners	Survey/interview	<ul style="list-style-type: none"> Reduce water consumption Proactive efforts to prevent trafficking and prostitution at the hotels Fair employment terms for employees
The community	Survey	<ul style="list-style-type: none"> Environmentally certified buildings Diversity, equal opportunities and non-discrimination Board of Directors and executive management team are committed to sustainability
Suppliers	Survey	<ul style="list-style-type: none"> Reduce energy consumption and CO₂e emissions Diversity, equal opportunities and non-discrimination Hotel safety
Analysts	Interview	<ul style="list-style-type: none"> Training and career development for employees Fair employment terms for employees Sustainable supply chain
Investors	Survey	<ul style="list-style-type: none"> Reduce energy consumption and CO₂e emissions Ensure customer privacy and protect customer data Transparent sustainability reporting
Shareholders	Survey	<ul style="list-style-type: none"> Reuse and recycle materials, and minimise waste Hotel safety Fair employment terms for employees
Board of Directors	Survey	<ul style="list-style-type: none"> Reduce energy consumption and CO₂e emissions Diversity, equal opportunities and non-discrimination Hotel safety
Hotel employees	Survey	<ul style="list-style-type: none"> Reuse and recycle materials, and minimise waste Fair employment terms for employees Training and career development for employees
General managers	Survey	<ul style="list-style-type: none"> Training and career development for employees Reuse and recycle materials, and minimise waste Local community engagement
Office employees	Survey	<ul style="list-style-type: none"> Reuse and recycle materials, and minimise waste Hotel safety Sustainable supply chain
Executive management team	Survey	<ul style="list-style-type: none"> Reduce energy consumption and CO₂e emissions Board of Directors and executive management team are committed to sustainability Hotel safety

Ongoing dialogue with stakeholders

In addition to the specific stakeholder dialogue on sustainability that took place in 2018, Pandox has ongoing dialogue with its stakeholders throughout the financial year.

Topics covered in dialogue with tenants are set out in the contract. Due to the revenue-based rent system, the parties work together in a constructive way to understand the market and achieve common goals. In 2020 these conversations were dominated by Covid-19.

Regarding employees a quarterly employee surveys is conducted. Dialogue with shareholders and investors takes place on a quarterly basis when the interim reports are produced, through road shows, informal meetings and through surveys on what they want to see in the Annual Report. In 2020 Pandox also invited its ten largest shareholders for a dialogue on the upcoming EU Taxonomy Regulation and on what expectations they will have of Pandox. This will impact internal strategy work. For more information on the Taxonomy, see page 45.

Pandox also arranges an annual Hotel Market Day focusing on trends and knowledge transfer. Pandox's most important stakeholders are invited to this event.

Pandox has a structure for dialogue with suppliers through its supplier audit process. This allows Pandox to support and develop cooperation and to encourage suppliers to work in a more professional and structured way on sustainability. To read more about the supplier audit process, see page 53.

Dialogue with interest organisations takes place in connection with their evaluation of Pandox's sustainability work, and in results from studies such as GRESB, Sustainalytics and CDP. On these occasions there is also a direct dialogue with the organisations about improvements and opportunities.

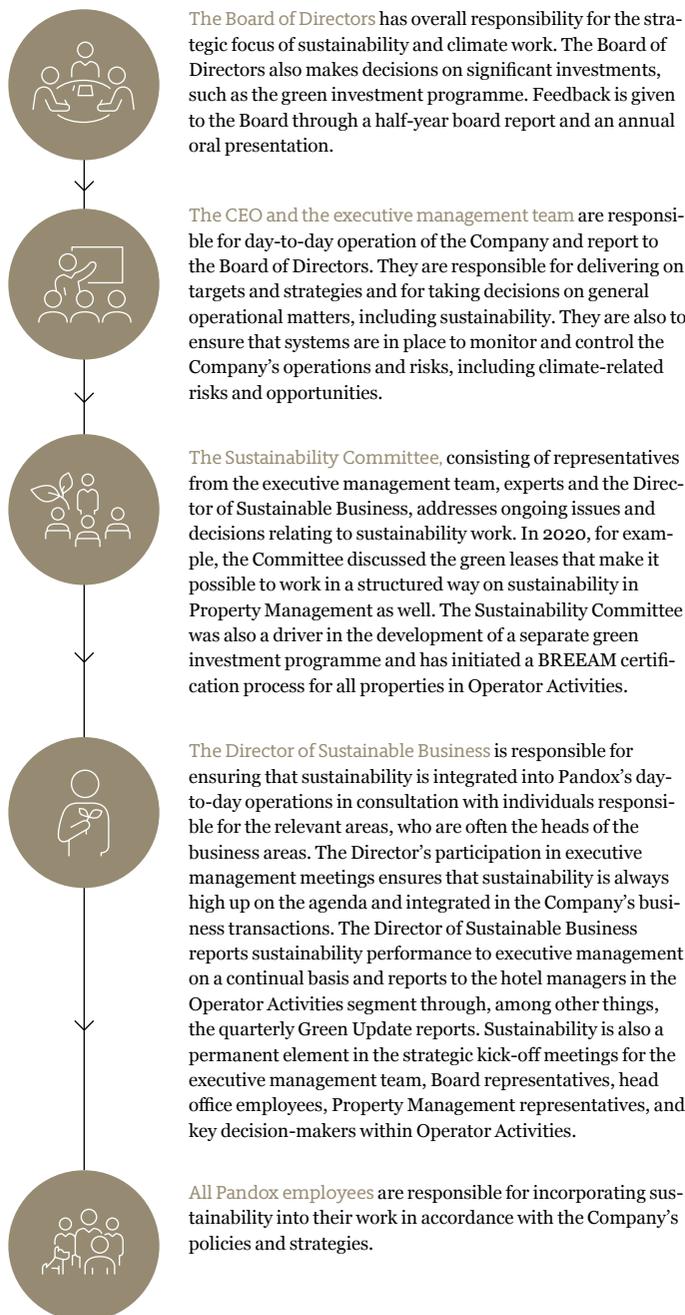
▶▶ Note K2 Materiality analysis and stakeholder dialogue, cont.

PANDOX'S MATERIAL TOPICS FOR SUSTAINABILITY AND HOW THEY LINK TO GRI REPORTING

Focus area	Material sustainability topics	Reported GRI disclosures and company-specific disclosures
Environment and climate	Energy consumption	GRI 302-1 Energy consumption within the organisation GRI 302-2 Energy consumption outside the organisation GRI 302-3 Energy intensity
	GHG emissions and impact on climate change	GRI 305-1 Direct (Scope 1) GHG emissions GRI 305-2 Indirect (Scope 2) GHG emissions GRI 305-3 Other indirect (Scope 3) GHG emissions GHG 305-4 GHG emissions intensity
	Water consumption	GRI 303-5 Water consumption
	Waste and recycling	GI 306-2 Management of significant waste-related impacts
	Sustainability-certified properties and hotel operations	<i>Company-specific disclosures</i> P-1 Percentage of sustainability-certified properties P-2 Percentage of Pandox's Operator Activities that are sustainability-certified
Responsible and fair business	Sound business ethics/Anti-corruption	GRI 205-3 Confirmed incidents of corruption and actions taken
	Sustainable supply chain	GRI 308-1 New suppliers that were screened using environmental criteria GRI 414-1 New suppliers that were screened using social criteria
	Zero tolerance for trafficking and prostitution	<i>Specific disclosures:</i> P-3 Number of incidents of prostitution or trafficking
Guest satisfaction and security	Satisfied guests and partners	<i>Company-specific disclosure:</i> P-4 Guest satisfaction in Operator Activities
	Guest health and safety	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services
	Customer privacy and data protection	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
Attractive and equal workplace	Attractive workplace that encourages development	GRI 401-1 New employee hires and employee turnover GRI 404-3 Percentage of employees receiving regular performance and career development reviews
	Health and safety in the workplace	GRI 403-9 Work-related injuries GRI 403-10 Work-related ill health
	Fair employment terms and equal rights	GRI 405-1 Diversity of governance bodies and employees GRI 406-1 Incidents of discrimination and corrective actions taken
Living local communities	Contribution to local communities	<i>Specific disclosures:</i> P-5 Percentage of hotels in Pandox Operator Activities including head office that have community projects

K3 SUSTAINABILITY MANAGEMENT

Decision-making body on sustainability



IMPORTANT GOVERNING DOCUMENTS

Pandox has two codes of conduct, one for the employees and one for business partners, as well as the following policies: Environmental Policy, Anti-Corruption Policy, Human Rights Policy, Tax Policy, Purchasing Policy, Maintenance Policy, Personal Data Policy, Information Security Policy and Insider Policy. In addition to this Pandox has produced a Modern Slavery Act statement.

Governing documents

The Code of Conduct for employees states the ethical guidelines for Pandox's operations. As part of their workplace orientation every new employee learns about the Code of Conduct in a Group-wide digital course. The Code of Conduct also stipulates that the employees are not permitted to take a political stance in the Company's name. The Code is based on the Ten Principles in the UN Global Compact and the underlying conventions and declarations that cover human rights, labour rights (ILO), environmental protection and anti-corruption.

Pandox's Code of Conduct for Business Partners is also based on these principles and describes the expectations that Pandox has on its suppliers regarding human rights, labour rights, the environment and anti-corruption.

Pandox's Anti-Corruption Policy supplements the Code of Conduct and states that the Company has zero tolerance for all forms of corruption.

The Human Rights Policy states that we must respect and promote human rights in all of our operations, including the value chain and the communities where we operate.

Pandox's Environmental Policy establishes the values and guidelines for Pandox's environmental work. Areas covered include energy and water consumption, emissions and waste. The precautionary principle is part of the Environmental Policy and involves the Company proactively avoiding environmental risk.

Pandox's Tax Policy states that Pandox must always act in compliance with the tax rules in effect. All taxes and levies are paid according to local laws and regulations in the countries where Pandox operates. Tax management is to be ethical and commercially sound. In the event of uncertainty, the precautionary principle and transparency applies. Aggressive or advanced tax planning is not allowed. As a good corporate citizen, Pandox believes paying tax as part of its social responsibility.

All of the above policies are signed by the Board of Directors and communicated on Pandox's website.

In 2020 a formal Purchasing Policy and a Maintenance Policy were produced in order for Pandox's properties to be operated in a uniform manner and to make proactive plans for each property for the short and medium term. The purpose is to facilitate budget planning, but these policies will also be helpful in the BREEAM certification process for the properties.

Monitoring and control

In order to perform an accurate status analysis and prioritise the right activities and investments, Pandox continued to collect sustainability data on a monthly basis in 2020 in areas such as water and energy consumption as well as waste. This data is validated every quarter. At the end of the year all of the Company's hotels in Operator Activities, as well as 70 percent of the hotels in Property Management, were included in the system. For 2021 the goal is for all hotels to report into the system. In 2020 additional progress was made in efforts to integrate sustainability throughout the value chain. The data collection system has enabled analysis to be performed to assess and prioritise between different environmental investments. Analysis of the data resulted, among other things, in the green investment programme, which is being rolled out in Operator Activities in the period 2020–2023. The system has also facilitated knowledge transfer and identification of good examples.

To ensure compliance with the Codes, Pandox has internal control procedures such as the "four eyes" principle which requires two signatures on contracts to minimise the risk of errors or corruption. When recruiting, the "grandfather" principle is applied, whereby the CEO is always involved in the recruitment of key management roles.

Whistleblower system

Pandox values an open culture and works to ensure that employees are not afraid to report irregularities and problems in the workplace so that they can be addressed. Pandox therefore has an independent, external whistleblower system available to employees and other stakeholders. Any suspected irregularities or deviations from Pandox's policies can be reported anonymously into the system. Matters reported are handled by Pandox's General Counsel in consultation with the Director of Sustainable Business.



K4 ENERGY

Altogether, energy consumption is reported for the 114 out of a total of 156 properties for which Pandox received data – 20 Hotels in Operator Activities and 94 in Property Management. Energy intensity per square metre decreased during the year due to lower occupancy as a result of Covid-19. The same applies in terms of our hotel guests. 38 (29) percent of the total energy consumed in 2020 came from renewable energy sources such as wind power, hydropower and solar. Fuel includes gas, pellets and fuel oil. Four hotels produce their own electricity and heat. In 2020

this amounted to 310 MWh. This production is included in the energy consumption data for non-renewable electricity and heat, as no source information is available. The table “Energy consumption within the organisation” below shows data for Pandox’s 20 properties in Operator Activities and Pandox’s head office. The table “Energy consumption outside the organisation” shows energy consumption downstream in the value chain by tenants in the Property Management segment. Data from 94 of 136 properties is included. Read more on page 48.

ENERGY CONSUMPTION WITHIN PANDOX'S ORGANISATION ¹⁾

(MWh)	Renewable energy			Non-renewable energy			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Fuel	2,020	2,359	2,260	22,810	29,296	29,451	24,830	31,655	31,711
Electricity	22,130	22,776	23,079	6,507	15,484	17,999	28,637	38,260	41,078
Heating	0	0	0	6,119	9,010	8,434	6,119	9,010	8,434
Cooling	0	0	0	4,579	8,089	6,671	4,579	8,089	6,671
Total energy consumption	24,150	25,135	25,339	40,015	61,879	62,555	64,183	87,014	87,894
Total weather-normalised energy							62,980	87,839	88,360
Energy intensity, kWh/sqm							169	265	284

¹⁾ The data covers Pandox’s own operations, i.e. 20 hotels in Operator Activities and Pandox’s head office. The weather-normalised energy consumption is calculated using heating degree days (HDD). HDD is defined as the number of degrees and is calculated based on the difference between the average outdoor temperature and a base temperature; the latter is 18 degrees Celsius for all locations studied. The energy consumption is then normalised according to the average HDD over the past 10 years. Energy intensity per square metre is based on weather-normalised energy. No energy produced internally is sold.

ENERGY CONSUMPTION OUTSIDE OF PANDOX'S ORGANISATION ¹⁾

(MWh)	Renewable energy		Non-renewable energy		Total	
	2020	2019	2020	2019	2020	2019
Fuel	100	232	18,139	2,589	18,239	2,821
Electricity	83,847	80,758	22,205	475	106,052	81,233
Heating			94,595	79,591	94,595	79,591
Cooling			3,629	3,088	3,629	3,088
Total energy consumption	83,947	80,990	138,568	85,743	222,515	166,733
Weather-normalised					200,317	165,865
Energy intensity, kWh/sqm					174	228

¹⁾ This includes energy consumption downstream in the value chain, i.e. among tenants who are responsible for operating hotel properties in the Property Management segment. 94 of the total of 136 properties are included in the data reported for 2020, including all Scandic and Nordic Choice hotels. Data for 2019 includes 62 hotels, which explains the year-on-year increase. In order for Pandox to collect environmental and energy data from the tenants, these companies have to give their permission. 25 percent of the tenants have competition-related and/or organisational considerations that result in them not yet permitting this. The total percentage of renewable electricity was 68 (96) percent thanks to the operators signing renewable energy agreements.

K5 CARBON EMISSIONS

Altogether, carbon emissions are reported for the 114 of the total 156 properties for which Pandox received data. This is an increase from 2019 as data from only 77 of the total of 155 properties was available then.

The total GHG emissions in Pandox’s own operations (Scope 1 and 2) decreased in 2020. This includes 20 (15) hotels in Pandox’s Operator Activities segment and the head office. Emissions intensity amounted to 21.5 (28) kg CO₂e/sqm. Pandox’s fuel combustion in its own operations and emissions from refrigerants give rise to Scope 1 emissions. The Company purchases electricity, district heating and cooling, which give rise to Scope 2 emissions. Pandox’s total GHG emissions in Scope 1 and 2 amounted to 7,979 metric tons of CO₂e, which is equivalent to 4,162 return flights between Sweden and Montreal for one person in economy class, according to klimatsmartsemester.se.

In 2020 Pandox conducted an analysis of Scope 3 emissions with the help of a so-called spend analysis of supplier ledgers for 2020 ⁴⁾. The analysis shows lifecycle emissions for each supplier. As total 2020 emissions include several Scope 3 categories it is not possible to compare 2020 with previous years.

The Company’s most significant Scope 3 emissions upstream in the value chain come from purchased goods, materials and services (mainly in connection with remodelling properties). In second place is capital goods, which are goods with an extended life recognised as non-current assets in the financial statements.

Downstream in the value chain are emissions from tenants operating hotels, which is the largest emissions category. Pandox is aiming to refine its analysis of emissions in Scope 3 in the years ahead.

PANDOX GROUP'S GHG EMISSIONS

(metric tons CO ₂ e)	2020	2019	2018
Scope 1 ¹⁾	4,276	5,761	5,628
Scope 2 (market-based) ^{1) 2)}	3,703	2,946	3,115
Total emissions Scope 1 and 2	7,979	8,707	8,743
Change, %	-8.4	-0.4	-
Change, metric tons CO ₂ e	-728	-36	-
Scope 3 emissions ³⁾	137,795	19,613	20,913
1. Purchased goods, materials, services ⁴⁾	93,000	-	-
2. Capital goods ⁴⁾	6,000	-	-
3. Production of fuel and energy ¹⁾	1,209	1,741	1,832
4. Upstream transport ⁴⁾	1,000	-	-
5. Waste generated within the organisation ⁴⁾	4,000	-	-
6. Business travel ⁴⁾	2,000	206	470
13. Downstream leased assets ¹⁾	30,586	17,666	18,611
Total emissions Scope 1, 2 and 3	145,774	28,320	29,656

¹⁾ Emission factors come from Defra, IEA, GaBi and RE-DISS. In certain cases emission factors have been obtained directly from suppliers. Pandox’s operations in different countries report into the Sphere system, which compiles data and provides underlying calculation factors. The greenhouse gases included in the calculations are carbon dioxide, methane, nitrous oxide and ozone.

²⁾ Scope 7 571 emissions calculated according to the location-based method amounted to 9,229 (9,229) metric tons CO₂e.

³⁾ Pandox reports Scope 3 for the categories of emissions considered the most material according to the GHG Protocol.

⁴⁾ These emission calculations are based on purchasing data, with suppliers being classified into their respective sectors. An emissions factor for carbon emissions per SEK spent in the sector concerned is then applied. The emissions factors are based on an environmentally extended input output analysis, which includes the entire value chain for the purchase in question.



K6 WATER

Altogether, water consumption is reported for the 113 of the total 156 properties for which Pandox received data. One hotel within Property Management was excluded since no water consumption data was available. The total water consumption decreased in 2020 due to the fact that restrictions during the pandemic reduced the number of guests at the hotels. The projects to reduce water consumption through the green investment programme have started yielding results. Read more about this on page 50. The increased water consumption per guest night in 2020 was due to the need for some maintenance flushing of pipes and sanitation equipment, even in the absence of guests, to avoid the problems that can arise if they become too dry. The increase was also due to the fact that consumption was distributed over fewer guest nights.

In 2020 Pandox conducted a more in-depth analysis of which of the hotels operated by Pandox are situated in areas experiencing extremely high levels of water stress. The analysis shows that it is mainly densely populated areas in Northwestern Europe, especially around London and Brussels, that are water-stressed, i.e. water demand is much greater than the supply²⁾.

WATER CONSUMPTION WITHIN PANDOX'S OWN OPERATIONS¹⁾

(m ³)	2020	2019	2018
Total water consumption	227,226	446,908	480,796
– of which water consumption in water-stressed areas ²⁾	74,667	–	–
Water intensity (litres/sq m)	611	1,438	1,550
Water intensity (litres/guest night)	389	264	288

- ¹⁾ The water consumption data is for Pandox's 20 hotels in Operator Activities. Pandox's head office is located in rented space in an office building owned by another property company and water consumption is not measured separately.
- ²⁾ WRI's water risk indicators are expressed as percentages and are calculated by dividing the total withdrawal by the available surface water and groundwater. The higher the figure the greater the competition for water. The table shows extremely high water stress = > 80 percent. Pandox has used the *WRI Aqueduct 2019 Water Risk Atlas* as the source to determine which hotels are in water-stressed areas.

WATER CONSUMPTION OUTSIDE OF PANDOX'S OWN OPERATIONS¹⁾

(m ³)	2020	2019
Total water consumption	803,799	983,296
– of which water consumption in water-stressed areas ²⁾	11,426	–
Water intensity (litres/sqm)	705	1,195
Water intensity (litres/guest night)	246	173

- ¹⁾ The water consumption data is for 93 of the 136 properties in Property Management. One hotel had to be excluded as no consumption data was available.
- ²⁾ WRI's water risk indicators are expressed as percentages and are calculated by dividing the total withdrawal by the available surface water and groundwater. The higher the figure the greater the competition for water. The table shows extremely high water stress = > 80 percent. Pandox has used the *WRI Aqueduct 2019 Water Risk Atlas* as the source to determine which hotels are in water-stressed areas.

K8 SUSTAINABILITY CERTIFICATION

The goal is for all properties in Pandox's Operator Activities to be certified according to BREEAM In-Use with a rating of Very Good. In 2020 Pandox's first three properties were certified according to plan, with a rating of Very Good. The certification process for a fourth property was severely impacted by restrictions during Covid-19 and is expected to be completed next year. An additional nine properties will be certified no later than 2023 and the final eight properties no later than 2025.

All hotels in Pandox's Operator Activities segment have sustainability-certified hotel operations, and among Pandox's tenants, 82 percent have certified hotel operations. Read more on page 47.

SUSTAINABILITY-CERTIFIED HOTEL OPERATIONS¹⁾

Pandox properties	Total		Breakdown 2020				
	Number of certified hotels		Type of certification				
	2020	2019	Nordic Swan	Green Key	ISO 14001	Green Tourism	Other
Number of certified hotels	129	115	47	22	17	23	38
Certified area, sqm	1,700,82	1,519,197	549,091	377,108	254,633	292,343	321,481
Percentage of certified hotels in Operator Activities, %	100	89	0	55	10	10	65
Certified hotels as a percentage of all properties, %	83	74	30	14	12	15	24

- ¹⁾ A hotel may have several types of certification. The total therefore indicates the number of hotels with one or more types of certifications and the floor space of these hotels. The breakdown cannot therefore be added up and compared with the total. The most common ecolabel is Nordic Swan, for which Scandic accounts for the largest share, followed by Green Key, which is the most common ecolabel in Pandox's Operator Activities segment. For an overview of the hotels' sustainability certifications see page 76.

This page has not been subject to review.

K7 WASTE

The volume of waste was significantly lower in 2020 than in 2019 due to reduced occupancy at the hotels as a result of Covid-19 restrictions. The data for waste generated in 2020 is for 18 of the 20 hotels in Operator Activities and for Pandox's head office. Novotel Den Haag World Forum and Novotel Hannover cannot produce any data since they share waste management with two convention centres. In 2020 Pandox focused on improving the reliability of the data in order to include it in the Annual and Sustainability Report. The 2019 data includes 15 hotels. Pandox does not use the methods of reuse, deep well injection or storage on site.

WASTE GENERATED AND WASTE DISPOSAL METHODS IN PANDOX'S OPERATIONS¹⁾

Disposal method	2020		2019	
	Non-hazardous waste	Hazardous waste	Non-hazardous waste	Hazardous waste
Recycling	540	1.4	1,699	4
Composting	31		44	0
Energy recovery	372		895	0
Incineration	0	0.016	0	1
Landfill	333		890	0
Total volume of waste	1,276	1.5	3,528	5

- ¹⁾ The data for waste generated in 2020 is for 18 of the 20 hotels in Operator Activities and for Pandox's head office. Novotel Den Haag World Forum and Novotel Hannover cannot produce any data as they share waste management with two convention centres. In 2020 Pandox focused on improving the reliability of the data in order to include it in the Annual and Sustainability Report. The 2019 data includes 15 hotels. Pandox does not use the methods of reuse, deep well injection or storage on site.

SUSTAINABILITY-CERTIFIED PROPERTIES¹⁾

Pandox properties	Total number of BREEAM-certified properties	
	2020	2019
Number of certified properties	3	0
Certified area, sqm	44,833	0
Percentage of certified properties in Operator Activities, %	15	0
Certified properties as a percentage of all properties, %	2	0

- ¹⁾ The data shows the number of hotels certified to BREEAM In-Use within Pandox's Operator Activities segment.

K9 EMPLOYEES

All employee data is reported in FTEs (full-time equivalents). FTEs are calculated by dividing an employee's scheduled hours by each country's statutory working hours for a full-time position. Please note that the results differ from the employee data reported in Note C7 which is based only on statutory working hours in Sweden.

The number of employees is as of 31 December 2020.

Social sustainability data includes all employees employed by Pandox. This includes employees within Operator Activities, Property Management and at the head office.

Number of employees

The majority of Pandox employees have permanent positions, but additional employees with temporary contracts are needed during the hotels' high season. Part-time work is common in the hotel industry.

In 2020, 760 employees were furloughed and 129 had to be laid off, calculated as the number of full-time equivalents, due to Covid-19. However, the majority of the hotels were not fully closed as they needed to be prepared to resume operations immediately once restrictions were lifted, as happened during the summer for example.

The Nordic region is the only region where the number of employees increased in 2020 compared to the previous year.

NUMBER OF EMPLOYEES (FTES) BY GENDER, TYPE OF EMPLOYMENT CONTRACT AND WHETHER FULL-TIME OR PART-TIME ¹⁾

	2020			2019		
	Women	Men	Total	Women	Men	Total
Permanent employment	507	552	1,059	600	671	1,271
Temporary employment	46	43	89	91	71	162
Total	553	595	1,148	691	742	1,433
Full-time	449	533	982	517	625	1,142
Part-time	59	18	77	83	46	129

¹⁾ Reporting broken down in this way began in 2019 and there is therefore no data for 2018.

THE NUMBER OF EMPLOYEES (FTES) BY REGION AND EMPLOYMENT CONTRACT (PERMANENT OR TEMPORARY) ¹⁾

	2020			2019		
	Permanent employment	Temporary employment	Total	Permanent employment	Temporary employment	Total
Nordics	88	1	89	66	1	67
Europe	856	87	943	881	159	1,040
Canada	116	0	116	324	2	326
Total	1,060	88	1,148	1,271	162	1,433

¹⁾ Reporting broken down in this way began in 2019 and there is therefore no data for 2018.

Diversity and gender equality

Pandox has significant diversity among its employees in terms of ethnicity, gender, religion and age. The gender balance is not as equal in senior management positions, with the majority of general managers being men. In 2020 the figures

improved, much thanks to Pandox's requirement for equal gender representation in the recruitment process for senior positions within Operator Activities. This is a prioritised area for the Company. There are plans to carry out a diversity and inclusion survey in 2021. Read more on page 59.

GENDER DISTRIBUTION BY EMPLOYMENT CATEGORY ¹⁾

	2020			2019		
	Total number	Gender distribution, %		Total number	Gender distribution, %	
		Women	Men		Women	Men
Board of Directors	6	33%	67%	6	33%	67%
Executive management team	9	22%	78%	9	22%	78%
Operator Activities						
Senior management	63	41%	59%	14	14%	86%
Middle management	138	46%	54%	175	46%	54%
Other hotel employees	899	50%	50%	1,203	49%	51%
Property Management						
Senior management	0	0	0	0	0	0
Middle management	2	0	100%	1	0	100%
Other administrative employees	9	11%	89%	8	13%	86%
Head office						
Senior management	5	40%	60%	4	50%	50%
Middle management	1	100%	0	1	100%	0
Other head office employees	22	64%	36%	18	72%	28%

¹⁾ For 2019 the number of general managers within Pandox's Operator Activities segment is provided. For 2020 the breakdown is for the hotel's entire management team. The gender balance is somewhat more equal, although the majority at the senior management level are men.

►► Note K9 Employees, cont.

AGE DISTRIBUTION BY EMPLOYMENT CATEGORY

	2020				2019			
	Total number	Distribution by age group, %			Total number	Distribution by age group, %		
		<30 years	30–50 years	>50 years		<30 years	30–50 years	>50 years
Board of Directors	6	0	50%	50%	6	0	33%	67%
Executive management team	9	0	22%	78%	9	0	33%	67%
Operator Activities								
Senior management	63	1%	64%	35%	14	7%	64%	29%
Middle management	138	18%	66%	16%	175	13%	73%	14%
Other hotel employees	899	21%	50%	29%	1,203	26%	42%	33%
Property Management								
Senior management	0	0	0	0	0	0	0	0
Middle management	2	0	100%	0	1	0	100%	0
Other administrative employees	9	0	56%	44%	8	0	63%	37%
Head office								
Senior management	5	0	80%	20%	4	0	75%	25%
Middle management	1	0	100%	0	1	0	100%	0
Other head office employees	22	23%	68%	9%	18	17%	72%	11%

New employee hires and employee turnover

The number of new employees and employee turnover are high in the age category <30. Many young people work in the hotel industry and employees in this age category are more mobile in the job market. This age category was overrepresented when the hotels staffing needs decreased during the year because of the last in, first out rule. The high employee turnover is also explained by the fact that it is calculated based on the number of employees as of 31 December 2020 and is therefore affected by the events during the year relating to reduced staffing needs due to the pandemic and lower demand in the hotel and restaurant industry. The percentage of new employees and employee turnover in this age category was also higher than in other age categories in 2019, which is an indication of the mobility of this group.

NEW EMPLOYEES AND EMPLOYEE TURNOVER BY GENDER, AGE AND REGION ¹⁾

	2020		2019	
	New employees, %	Employee turnover, %	New employees, %	Employee turnover, %
Total number (%)	102 (9%)	416 (36%)	299 (21%)	313 (22%)
Women	9%	38%	21%	21%
Men	8%	34%	19%	23%
Age <30	58%	100%	55%	40%
Age 30–50	36%	22%	16%	24%
Age >50	6%	13%	3%	5%
Nordics	13%	12%	8%	5%
Europe	9%	35%	25%	24%
Canada	9%	62%	12%	17%

¹⁾ Employee turnover is calculated as the number of employees who left the organisation voluntarily or were laid off, retired or died in service (including both permanent and temporary employees).

Professional development

Fewer performance and career development reviews took place during the year due to the lower level of physical presence among employees at the workplace within Operator Activities. Within Property Management and at the head office the number of reviews carried out was at the same level as the year before. Read more about Pandox as an attractive employer on page 59.

EMPLOYEES WHO HAD A PERFORMANCE AND CAREER DEVELOPMENT REVIEW, %

Employment category	2020			2019		
	Percentage			Percentage		
	Total	Women	Men	Total	Women	Men
Executive management team	9	100%	100%	9	100%	100%
Operator Activities						
Senior management	27	40%	60%	12	50%	92%
Middle management	80	51%	49%	159	93%	89%
Other hotel employees	366	53%	47%	739	64%	59%
Property Management						
Senior management	0	0	0	0	0	0
Middle management	2	100%	100%	1	0	100%
Other administrative employees	9	100%	100%	8	100%	100%
Head office						
Senior management	5	100%	100%	4	100%	100%
Middle management	1	100%	100%	1	100%	0
Other head office employees	22	100%	100%	18	100%	100%

This page has not been subject to review.



►► Note K9 Employees, cont.

Occupational health and safety

Specific management of health and safety in the workplace

A priority for Pandox is that all employees have a safe, healthy and secure work environment, as they are a vital resource for the Company. Risk assessment, training and employee surveys are therefore conducted on a regular basis.

The majority of Pandox's employees work within Operator Activities. Each hotel is responsible for its employees' physical and mental health and safety in the workplace and designs its own processes and procedures. Each hotel also carry out risk assessment, manage risk and report on incidents and accidents. Pandox does not have a Group-wide management system for health and safety, but the Code of Conduct for employees covers health and safety and specifies what is expected of Pandox as an employer.

Work-related accidents and incidents are reported annually via Pandox's system for collecting social data from Operator Activities. The cause of the accidents is to be investigated and preventive measures introduced.

Health and safety procedures and processes must be in place according to the laws in each country, and also based on requirements from the hotel companies that Pandox has franchise or management agreements with.

The hotels have one or more workplace health and safety representatives who the employees can contact on these matters. There is also an elected employee representative and a health and safety officer to turn to if employees prefer not to talk to their line manager or the general manager. The elected employee representative pursues the matter and the employee who reported the problem can thereby remain anonymous. There is also the option of reporting an incident anonymously through the employee surveys or the whistleblower system. The health and safety officer, workplace health and safety representative and the elected employee representative have meetings on a regular basis with the health and safety team to address any problems arising, proposed actions, and the process for reporting incidents and accidents to the equivalent of the Swedish Work Environment Authority in the country concerned.

The hotels are also responsible for training to minimise risks in potentially hazardous tasks, such as when using kitchen equipment. The employees are trained regularly in how potentially threatening situations at the hotel are to be managed – both according to hotel-specific protocols and Pandox's Code of Conduct for employees. At the head office, and many of the hotels, the employees have health insurance that includes counselling if an employee is experiencing difficulties that are affecting their personal or working life, or if they have experienced an uncomfortable or threatening situation in or in the vicinity of the workplace. Read more about Pandox's preventive measures in the area of health and safety on page 59.

Contractors and subcontractors engaged by Pandox are, in their capacity as employers, formally responsible for investigating and taking action in the event of work injuries involving their employees. Pandox does not have any formal responsibility for the health and safety of those employed by our tenants or business partners. However, Pandox does encourage them to focus on sustainability through the Business Partner Code of Conduct, which describes what we expect of them, including the area of health and safety at the workplace. Pandox also has an obligation as a building proprietor and client to determine if there is anything to be learnt from incidents or accidents that occur to prevent it to happen again.

The consultants and other suppliers who work on a daily basis at our workplaces are included in the reporting of the following data.

Reporting of work-related accidents

In 2020 there were fewer work-related accidents due to the fact that fewer hours were worked within Operator Activities. The injuries that occurred were isolated falling accidents, cuts and burns. One more serious accident occurred, which was a fall resulting in a knee injury.

The most common risks in the hotel and restaurant industry are stress injuries due to heavy lifting, falls (due, for example, to slippery floors), loss of control over kitchen equipment and burns and cuts. Through training and information, Pandox tries to limit the number of accidents that occur where the situations cannot be entirely avoided.

WORK-RELATED INJURIES ¹⁾

	2020		2019	
	Number	Rate of fatalities/accidents	Number	Rate of fatalities/accidents
Employees				
Fatalities resulting from work-related injuries	0	0	0	0
Serious work-related injuries (excl. fatalities)	1	0.18	5	0.13
Reported work-related injuries	12	2.19	131	3.48
Subcontractors				
Fatalities resulting from work-related injuries	0	0	0	0
Serious work-related injuries (excl. fatalities)	0	0	0	0
Reported work-related injuries	0	0	2	0.05

¹⁾ A work-related injury is an injury that occurs due to or during work tasks. A serious injury is defined as one that the employee has not fully recovered from within six months. The rate of accidents and fatalities is defined as the number of work-related accidents or fatalities respectively divided by the total number of hours worked, multiplied by 200,000 hours worked. The number of hours worked by Pandox employees amounted to 1,095,650 at 20 hotels in 2020 and 7,533,554 at 14 hotels in 2019.

Reporting of work-related ill health

No cases of work-related ill health were reported during the year. This is explained by a combination of fewer hours worked and the proactive steps taken by the hotels. Read more about this work on page 59 and in the introductory paragraph in the column opposite.

WORK-RELATED ILL HEALTH ¹⁾

	2020	2019
	Number	Number
Employees		
Fatalities as a result of work-related ill health	0	0
Reported work-related ill health	0	166
Subcontractors		
Fatalities as a result of work-related ill health	0	0
Reported work-related ill health	0	0

¹⁾ Work-related ill health is when poor health or illnesses were caused by exposure to hazards or a poor work environment.

Pandox also started collecting data on sickness absence in 2020 to analyse the current situation and see if the Company needs to establish common goals for this going forward.

SICKNESS ABSENCE BY SEGMENT ¹⁾

	Sickness absence, %
	2020
All types of sickness, ill health or injuries	
Operator Activities	4.7
Property Management	0.1
Head office	0.7
Total	4.5

¹⁾ Sickness absence is presented as a percentage of total scheduled hours worked. 2020 is the first year for which Pandox is reporting sickness absence. The lower sickness absence in the Property Management segment and at the head office is explained by the employees having the option to work from home during part of the pandemic.

K10 ANTI-CORRUPTION

In 2020 there were two cases of corruption and they were handled according to Pandox's guidelines. Read more in the chapter "Responsible and fair business" on page 52.

NUMBER OF CASES OF CORRUPTION

	2020	2019
Total number of cases of corruption	2	0
– of which cases where an employee was dismissed due to corruption	1	0
– of which cases where contracts with business partners were terminated or not extended due to corruption	1	0
– of which the number of legal cases regarding corruption filed against the Company or our employees	0	0

K11 SUPPLIERS

Pandox also implemented a digital survey system for supplier evaluations in 2020. During the year, 90 of Pandox's existing suppliers were evaluated based on environmental and social criteria relating to human rights. From the beginning of 2021 new and recurrent suppliers within Property Management are required to be audited according to this process before a contract is signed. Pandox will also start to conduct random inspections starting in 2021. In the Annual Report next year the Company will be able to report the percentage of suppliers that have been screened based on environmental and social criteria respectively. Read more about work on this during the year on page 53.

NUMBER OF NEW SUPPLIERS THAT HAVE BEEN SCREENED ¹⁾

	2020	
	Number	Percentage of total number of new suppliers
New suppliers screened based on environmental criteria	0	–
New suppliers screened based on social criteria	0	–
Total number of new suppliers during the year	–	–

¹⁾ There is no data available for 2020 on the total number of new suppliers. The screening requirement for new suppliers was introduced at the beginning of 2021 and data on the number of new suppliers will also be collected going forward.

K12 GUESTS

During the year there were no incidents within the organisation where the health or safety of the guests were negatively affected. Nor were there any data breaches, such as stolen customer data, or incidents that violated customer privacy. Read more about our work in this area on page 55.

THE IMPACT OF PRODUCTS AND SERVICES ON PANDOX'S HOTEL GUESTS' HEALTH AND SAFETY ¹⁾

	2020	2019
Total number of incidents where the guests', or visitors, health or safety were negatively affected on a visit to a Pandox hotel	0	0
– of which the number of incidents of non-compliance with laws	0	0
– of which the number of incidents of non-compliance with voluntary codes	0	0
– of which the number of incidents of non-compliance with laws that resulted in fines or other penalties	0	0
– of which the number of incidents of non-compliance with laws that resulted in a warning	0	0

DATA SECURITY AND CUSTOMER PRIVACY ¹⁾

	2020	2019
Total number of data security breaches, such as stolen customer data	0	1
Total number of complains received on violation of customer privacy.	0	0
– percentage of total complaints that were received from external parties	0	0
– percentage of total complaints received from authorities	0	0

¹⁾ In 2020 there were no incidents of breaches of GDPR and no customer data was lost.

From the Chairman

The mother of all crises

Calling 2020 an exceptional year is no exaggeration. For Pandox and the entire hotel industry the year unfolded in a way that we could not have predicted at the start of the year. The worries and concerns we had back then seem entirely insignificant today in light of the historic social crisis we are now living through and that has hit so many people so hard.

CONSIDERABLE EXPERIENCE FROM PREVIOUS CRISES...

As I describe Pandox's response to the challenges in the hotel industry, I'm reminded of the Company's history. Pandox was founded in 1995 with a small portfolio of hotel properties acquired from Securum, which was one of the Swedish Government's debt recovery companies during the banking crisis in Sweden in the early 1990s. Pandox's management, including Anders Nissen who is still the Company's CEO, had previously worked at Securum for a number of years on debt recovery and restructuring a large portfolio of distressed assets in the travel and hospitality industry.

It was a tough and often thankless job, but one that provided unique insights and experience of the course of a difficult crisis. Pandox's experiences from the early years have since been frequently added to and the lessons learnt from multiple significant external crises have enabled the Company to successfully advance its position in the hotel property market. The continuity that Pandox has had – both in executive management and on the Board – have enabled the Company to constantly build on past experience and quickly mobilise the organisation in the right direction, no matter what issue the Company was facing. Continuity is also one explanation for Pandox's clear identity and strong corporate culture.

... HAS CREATED THE CONDITIONS FOR FAST TRANSITION

As I mentioned earlier, Pandox's handling of the Covid-19 crisis is based on significant experience from previous crises. This was evident back in March of last year when the Company quickly switched from attack to defence. Important focus areas then and now are the tenants' ability to pay, our internal cost levels, the value of hotel properties, relationships with lenders and, not least, internal and external communication.

One area in which the Board has actively supported executive management during the year is in banking and financial matters through a designated Financial Committee



consisting of myself, Jon Rasmus Aurdal, Bengt Kjell and executive management in the form of CEO Anders Nissen and CFO Liia Nõu, as well as Pandox's financial department.

MULTIPLE INTERESTS TO TAKE INTO ACCOUNT IN THE ONGOING CRISIS

Pandox is a pan-European hotel property company interfacing with many different stakeholders in multiple countries. In a crisis of this magnitude there are many difficult decisions that must be made, not least in balancing tough discussions on rent in the short term with constructive dialogue on continuing profitable partnerships in the longer term. We have great respect and understanding for the difficult position that Pandox's business partners are in because we share the same market. Through its business model, with a majority of revenue-based leases and the hotels we operate ourselves, Pandox has direct exposure to the hotel market. Through its hotel properties Pandox plays an important role in the infrastructure of the tourism and travel industry where our fixed and minimum rents cover the capital cost of the hotel properties, which in turn is essential in order to be able to operate hotels.

REALISM AND OPTIMISM FOR THE FUTURE

We have worked through the crisis with a great deal of realism and determination. At the same time, we have tried to create hope and faith in the future, which is particularly important when we are in our darkest hour. One thing to be happy about is all of the new shareholders that came to Pandox in 2020, reinforcing an already strong ownership structure. Pandox holds a strong position in the hotel property market, which means there are good opportunities to be part of the future growth that we know is coming to this market. I both hope and believe that once the hotel market recovers Pandox will be able to generate substantial value for shareholders and other stakeholders.

I would like to express my gratitude to Pandox's employees, shareholders, the Nominating Committee, the Board and our business partners for all of the combined efforts made in 2020. I look forward to a brighter 2021.

Oslo, March 2021
Christian Ringnes

Corporate Governance Report

This page and the subsequent pages 159–163 and 170–173 constitute the Company’s Corporate Governance Report and have not been audited by the Company’s external auditor.

Good corporate governance is about ensuring that a company is managed as responsibly and efficiently as possible on behalf of the shareholders. Corporate governance determines how rights and responsibilities are distributed among a company’s various bodies in accordance with internal processes and the laws and regulations in effect. Pandox AB (publ) is a Swedish public limited company with its registered office in Stockholm. Corporate governance within Pandox is based on Swedish laws, the Articles of Association, the Nasdaq Rule Book for Issuers and the Swedish Corporate Governance Code (“the Code”). The Code is available at www.corporategovernance-board.se and describes good practices in the stock market. Pandox complies with the Code with no deviations.

A revised Corporate Governance Code entered into force on 1 January 2020. It includes new rules on reporting remuneration and related party transactions. In view of this, in 2020 Pandox’s executive management adopted a Policy on Related Party Transactions at the instigation of the Board. In addition, new guidelines on remuneration to board members and the CEO were adopted at the 2020 AGM. A remuneration report will also be presented to the 2021 AGM for approval.

SHAREHOLDERS AND THE SHARE

The Pandox class B share was listed on Nasdaq Stockholm on 18 June 2015 in the Large Cap segment. The Company’s share capital amounted to SEK 459,624,998 as of 31 December 2020, distributed across 75,000,000 class A shares and 108,849,999 class B shares. Each class A share entitles the holder to three votes at shareholders’ meetings, while each class B share entitles the holder to one vote at shareholders’ meetings.

Pandox’ Articles of Association contain a conversion clause and a pre-emption clause for Pandox’s class A shares. All class B shares are transferable without restriction.

At the end of 2020 the following shareholders had direct or indirect ownership representing 10 percent or more of the voting rights for all shares in the Company:

Holding on 31 December 2020	% of votes
Eiendomsspar AS	36.6
Helene Sundt AB	18.2
Christian Sundt AB	18.1

At year-end the Company’s market capitalisation, calculated for both class A and class B shares, amounted to MSEK 26,658 (38,976).

► *More information about the Pandox share and the ownership structure is available on pages 30–33 and on Pandox’s website www.pandox.se.*

► *See page 96 in the Administration Report for a description of the change of control clause.*

SHAREHOLDERS’ MEETING

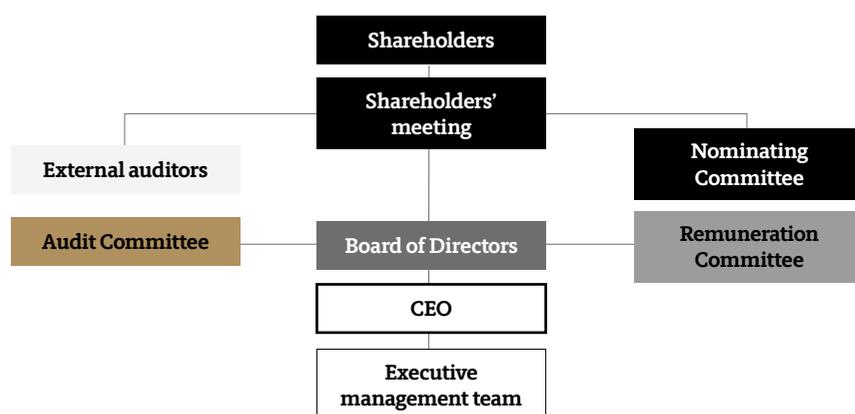
The shareholders’ meeting is Pandox’s highest decision-making body. At the Pandox AGM the shareholders exercise their right to vote on key issues, such as adoption of the income statements and balance sheets, appropriation of the Company’s profit, discharging the board members and the Chief Executive Officer from liability, election of board members and auditors, and on fees for board members and auditors. The active participation of the shareholders at Pandox’s shareholders’ meetings provides the basis for a good balance of power between the owners, the Board and executive management.

Pandox’s Board of Directors is to convene extraordinary shareholders’ meetings if a group of minority shareholders holding at least one tenth of all shares in the Company, or the Company’s auditor, requests such a meeting. The Board of Directors may also convene an extraordinary shareholders’ meeting on its own initiative. Resolutions at shareholders’ meetings are normally passed by a simple majority. According to the Articles of Association, notice of shareholders’ meetings is to be issued through an announcement in Post- och Inrikes Tidningar (Sweden’s official gazette) and published on Pandox’s website pandox.se. An announcement is also to be placed in the Swedish national daily newspaper Svenska Dagbladet, to inform the public that a notice has been issued.

Once the date and location of the shareholders’ meeting has been established, the details are to be published on Pandox’s website without delay in advance of the AGM and no later than in connection with the third quarter interim report. The 2021 AGM will be held in Stockholm on 12 April 2021.

Shareholders wishing to participate in a meeting must be listed in the register of shareholders maintained by Euroclear Sweden five days before the meeting, and must register with Pandox to participate in the shareholders’ meeting by the deadline indicated in the notice of the meeting. Shareholders may attend the meetings in person or by proxy and may also be assisted by no more than two people (the number of assistants is to be indicated when registering to attend). Shareholders may normally register in a number of ways to attend shareholders’ meetings. This is described in more detail in

Overall corporate governance structure



This page has not been audited.

the notice of the meeting. Shareholders are entitled to vote for all of the shares they hold.

Shareholders wishing to have a matter placed on the agenda of the shareholders' meeting are required to submit a written request to Pandox's Board of Directors. Requests are to be received by the Board of Directors no later than seven weeks before the shareholders' meeting. For the 2021 AGM requests are to be received by the Board no later than 22 February 2021.

Annual General Meeting 2020

Pandox's last Annual General Meeting took place on 3 April 2020 in Stockholm. In light of the uncertainty surrounding the Covid-19 pandemic, the Board withdrew its previous dividend proposal of SEK 4.70 per share and instead proposed that no dividend be paid out for 2019. The Nominating Committee also withdrew its previous proposal to increase the fees for the Board, which therefore remained the same.

At the 2020 AGM, resolutions passed by the Board included the following:

- Adoption of the income statement and balance sheet, and of the consolidated income statement and consolidated balance sheet.
- Appropriation of the Company's profit according to the adopted balance sheet and no dividend to be paid out to shareholders.
- Discharging the members of the Board and the CEO from liability.
- Fees for the Board and the Company's auditors: SEK 800,000 to the Chairman of the Board, SEK 600,000 to the Vice Chairman of the Board if one has been appointed, and SEK 400,000 to each of the other elected members of the Board.
- Fees for the Audit Committee: SEK 130,000 for the chairman of the Audit Committee and SEK 70,000 to each of the other members.
- Fees for the Remuneration Committee: SEK 50,000 is to be paid to each of the two members of the Remuneration Committee.
- Fees for auditors are payable according to approved invoices.
- Re-election of auditor: accounting firm PwC with Patrik Adolfsen as auditor-in-charge.
- Re-election to the Board of Christian Ringnes, Jon Rasmus Aurdal, Ann-Sofi Danielsson, Bengt Kjell and Jeanette Dyhre Kvisvik.
- Election of Jakob Iqbal as a new board member.

- Re-election of Christian Ringnes as Chairman of the Board.
- Authorisation for the Board of Directors to issue new shares amounting to a maximum of 10 percent of the total number of shares outstanding.
- Adoption of guidelines for remuneration of senior executives.
- Adoption of principles for appointing the Nominating Committee in advance of the 2021 Annual General Meeting.

The full minutes of shareholders' meetings are available on Pandox's website.

BOARD OF DIRECTORS

Pandox's Board of Directors is responsible for the Company's administration and organisational structure. This includes the following:

- Establishing Pandox's objectives and strategies.
- Appointing, evaluating and, if necessary, dismissing the CEO.

- Ensuring that routines and systems are in place to evaluate performance in relation to established targets.
- Ongoing evaluation of performance and financial position.
- Ensuring that the annual reports and interim reports are correct, reliable and relevant.

Board members are elected at the AGM for the period until the conclusion of the following AGM. According to Pandox's Articles of Association, the Board of Directors, to the extent it is elected by the shareholders' meeting, is to consist of at least four and not more than eight members with no deputies.

The Chairman of the Board of Pandox is elected by the AGM. The Chairman is responsible for ensuring that the Board's work is well-organised and efficient.

The Board works according to written work procedures which are revised annually and adopted at the statutory board meeting every year. The work procedures regulate,

IMPORTANT POLICIES AND CODES ADOPTED BY PANDOX'S BOARD OF DIRECTORS

	Contents
Financial Policy	Principles and rules for financial activity
Insider Policy	Rules and guidelines for managing insider information
Internal and External Privacy Policy	Rules and information on Pandox's processing of personal data
IT and Data Security policy	Principles and rules for how IT activities are to be conducted and data security ensured
Communication Policy	Principles and rules for internal and external communication
Environmental Policy	Rules and guidelines for Pandox's environmental responsibilities
Business Partner Code of Conduct	Principles and requirements relating to Pandox's business partners
Code of Conduct for employees	Principles and requirements relating to Pandox's employees
Anti-corruption Policy	Principles and requirements relating to Pandox's employees and anti-corruption measures
Human Rights Policy	Pandox's principles and requirements relating to human rights
Personal Data Policy	Rules for processing personal data
Guidelines for Whistleblower Service	Describes how employees and external stakeholders can report suspected irregularities
Guidelines for Crisis Communication	Describes how Pandox communicates internally and externally in crisis situations

PANDOX'S BOARD OF DIRECTORS AND COMMITTEES IN 2020

Name	Fees, SEK 000s ³⁾	Attendance at meetings			Independent of the Company ¹⁾	Independent of owners ²⁾
		Board of Directors	Audit Committee	Remuneration Committee		
Christian Ringnes, Chairman	850	12 of 12		2 of 2	Yes	No
Leiv Askvig ³⁾	150	4 of 12		1 of 2	Yes	No
Jon Rasmus Aurdal	470	12 of 12	4 of 4		Yes	No
Ann-Sofi Danielsson	530	11 of 12	4 of 4		Yes	Yes
Bengt Kjell, Vice Chairman	670	12 of 12	4 of 4		Yes	Yes
Jeanette Dyhre Kvisvik	400	12 of 12			Yes	Yes
Jakob Iqbal ⁴⁾	300	8 of 12		1 of 2	Yes	No

¹⁾ Independent in relation to the Company and the executive management team.

²⁾ Independent in relation to the Company's major shareholders.

³⁾ Stepped down from the Board at the 2020 AGM.

⁴⁾ Joined the Board at the 2020 AGM.

among other things, types of meetings, functions and the distribution of duties between the board members and the CEO. In conjunction with the statutory meeting the Board also adopts instructions for the CEO regarding financial reporting.

The Board holds meetings based on a schedule established annually, normally aligned with Pandox's strategy and budget process as well as the Company's financial calendar. Additional board meetings may be convened to manage time-critical issues that require board decisions, such as on acquisitions, divestment and raising capital.

In addition to the board meetings, the Chairman and the CEO meet continually to discuss Pandox's governance and management. The Board evaluates the work of the CEO on an ongoing basis.

The Board of Directors has an Audit Committee and a Remuneration Committee to assist it in its work.

► *Other tasks of Pandox's Board of Directors and CEO are described on pages 170–173.*

Work of the Board of Directors

2020 was a challenging year for Pandox due to the effects of Covid-19. This required

extensive and ongoing engagement from the Board of Directors, particularly in matters relating to profitability, financing and risk. During the year the Board also worked on Pandox's strategy and business plan, budget, trends in the hotel market and general risk analysis.

The Board held 12 meetings during the year, one of which was the statutory meeting. At the statutory board meeting Bengt Kjell was elected as Vice Chairman of the Board.

The Board conducts an annual evaluation of its work methods and procedures to ensure that the Board has the requisite expertise and efficient processes for good decisions. The result of the evaluation is reported to the Nominating Committee and provides substantive information on which the Committee can base its work. The Board has determined that the members have appropriate and complementary expertise taking into account Pandox's operations, and this is the opinion of the Nominating Committee.

In 2020 Pandox's Nominating Committee conducted interviews with all of the Board members and with the CEO. The conclusion was that the Board is working efficiently and that the members complement

each other's strengths. With Bengt Kjell as Vice Chairman of the Board, the assessment is that internal communication and the quality of time-critical decision-making processes, such as in relation to financial risk, have been improved.

The Nominating Committee applied rule 4.1 of the Code as a diversity policy when preparing its proposal for the Board of Directors, the objective being for the Board to be composed of members of varying ages, genders and geographical origins, and to represent a range of educational and professional backgrounds.

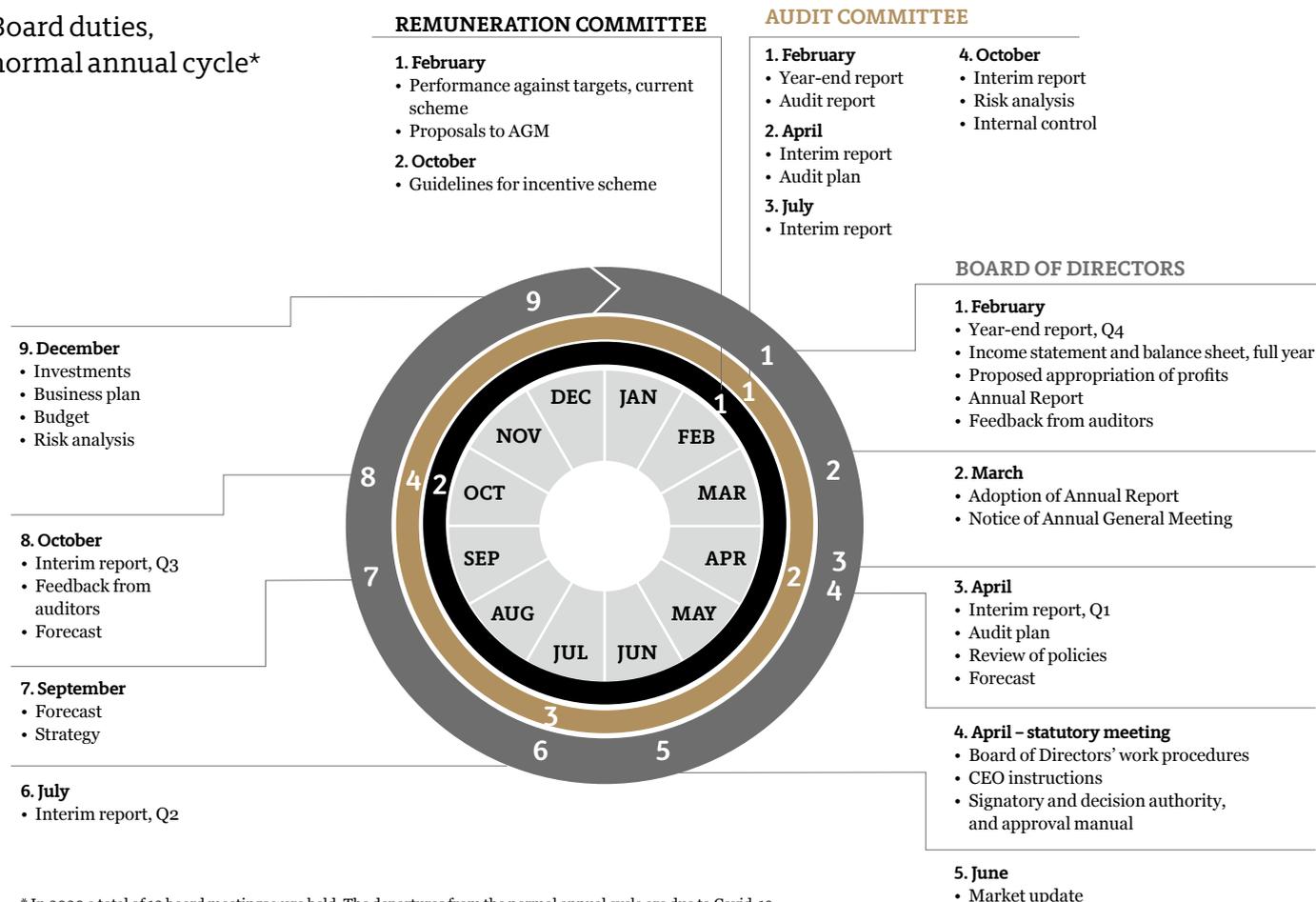
Two of the six members of Pandox's Board are women.

The Nominating Committee has determined that the Board of Directors meets the requirements of the Code concerning independence.

Audit Committee

Pandox's Board appointed an Audit Committee on 3 April 2020 consisting of Ann-Sofi Danielsson (chairman), Bengt Kjell and Jon Rasmus Aurdal. The Audit Committee's duties, without affecting the Board's general responsibilities and duties, include overseeing Pandox's financial reporting and the

Board duties, normal annual cycle*



* In 2020 a total of 12 board meetings were held. The departures from the normal annual cycle are due to Covid-19.

efficiency of Pandox's internal control and risk management, staying informed about the audit of the annual accounts and consolidated accounts, reviewing and monitoring the auditor's impartiality and independence, and paying particular attention when the auditor provides Pandox with services other than audit services, as well as assisting in drafting proposals for the election of auditors at the AGM. The Audit Committee also examines the Annual Report and interim reports and oversees the audit. The Audit Committee does not perform any auditing tasks.

In 2020, in addition to examining Pandox's external financial reporting, the Audit Committee analysed and assessed Pandox's economic, financial and reporting risks on an ongoing basis with a particular focus on revenue, profit, property valuation and the financial position taking into account Covid-19.

The Audit Committee continued to deal with matters relating to internal control, in terms of structure, tools, organisation and self-assessment. The assessment is that Pandox's work on risk and control was strengthened further through improved procedures, controls and systems, and support provided by the Finance Committee (see below).

In 2020 the Audit Committee held four meetings for which minutes were kept and reported to the Board of Directors.

Remuneration Committee

Pandox has a Remuneration Committee consisting of two members: Christian Ringnes and Jakob Iqbal.

Remuneration Committee duties:

- Preparing for board decisions on remuneration principles and on remuneration and other employment terms for the executive management team.
- Monitoring and evaluating ongoing programmes and programmes concluded during the year for variable remuneration to the executive management team.
- Monitoring and evaluating the application of remuneration guidelines for senior executives, on which the AGM is legally obliged to vote, and the applicable remuneration structures and compensation levels within the Company.
- Reviewing and preparing proposals on all share-related incentive schemes to put before the executive management team.

During the year the Remuneration Committee paid special attention to matters relating to salaries and other remuneration for the CEO and executive management team. In addition, any matters concerning incentive

schemes for key individuals at Pandox are addressed.

In 2020 the Remuneration Committee held two meetings for which minutes were kept and reported to the Board of Directors.

Newly established Finance Committee

Due to Covid-19 the Board established a Finance Committee in 2020 consisting of board members Christian Ringnes, Bengt Kjell and Jon Rasmus Aurdal. Pandox's executive management is represented at Finance Committee meetings by Anders Nissen (CEO) and Liia Nõu (CFO), who have the right to participate in discussions but not in decisions. The Finance Committee discusses matters of particular significance for Pandox's financial position, such as rent payments and the fulfilment of conditions in credit agreements. Experience has been good and the Board has therefore proposed to the Nominating Committee that the need for a Finance Committee is reviewed annually, and that if established the Board members concerned are paid fees at the same level as for the Audit Committee.

Chief Executive Officer and other senior executives

The Chief Executive Officer (CEO) reports to the Board of Directors and is responsible for Pandox's day-to-day administration and operations. The allocation of duties between the board members and the CEO is described in Pandox's work procedures for the Board and instructions for the CEO. Actions that are of an extraordinary nature or that are particularly significant are not considered part of the day-to-day administration and the CEO must prepare information on them and present this to the Board of Directors. The CEO is also responsible for preparing reports and compiling information in advance of board meetings, and reports on these materials at the board meetings.

According to the financial reporting instructions, the CEO is responsible for Pandox's financial reporting procedures and must ensure that the Board receives sufficient information on which to evaluate Pandox's financial position at all times.

The CEO is to keep the Board continuously informed about Pandox's performance in terms of revenue and earnings, financial position, liquidity and credit status, important business events and about every other event, circumstance or situation that may be assumed to be of material importance for Pandox's shareholders.

Audit

Pandox's auditors are appointed by the shareholders' meeting and are to examine the Company's Annual Report and accounting records as well as the administration of the Company by the Board and the CEO. After each financial year, the auditor must submit an audit report for Pandox's Parent Company and the Pandox Group to the Annual General Meeting. The auditors are commissioned by and report to the shareholders' meeting and are not to allow themselves to be influenced in their work by Pandox's Board or executive management team.

The auditors are also responsible for reporting on any instance where a board member or the CEO has been guilty of negligence or has acted in a way that may result in compensation liability.

According to Pandox's Articles of Association, Pandox is to have two auditors and two deputy auditors or one authorised accounting firm as auditor. At the request of the Audit Committee, in 2017 Pandox carried out an auditor procurement process which resulted in the Nominating Committee's proposal to elect the accounting firm of PwC as the Company's new auditor, and this was approved at the 2017 AGM. The 2020 AGM re-elected PwC, with authorised public accountant Patrik Adolfsen as auditor-in-charge.

► *Pandox's auditor is presented on page 171.*

The Board of Directors meets with Pandox's external auditors, without executive management being present, at least once a year to receive and address the auditors' opinions.

The Audit Committee also meets the auditors on a regular basis to be informed about and address their opinions on the interim reports and the Annual Report, the results of the auditor's scrutiny of internal control over financial reporting and to address other issues.

Pandox has no specific internal audit department. The Board evaluates the need for such a department on an annual basis.

Nominating Committee

The Nominating Committee is a body of the shareholders' meeting and is responsible for submitting proposals for the election of the Chairman and other members of the Board, as well as on fees and other remuneration for board assignments for each of the board members. The Nominating Committee is also to provide proposals for the election and compensation of auditors in consultation with the Audit Committee, as well as for

the Committee’s composition and how it is convened.

In accordance with a decision at Pandox’s 2020 AGM, the Nominating Committee, in preparation for the 2021 AGM, is to consist of the Chairman of the Board and members appointed by the four largest shareholders in terms of voting rights as of 31 July 2020, according to the register of shareholders kept by Euroclear Sweden. The Chairman of the Board of Pandox AB is also responsible for convening the first meeting of the Nominating Committee. If a shareholder with the right to appoint a member of the Nominating Committee relinquishes that right, the right to appoint a member is transferred to the largest shareholder who has not previously had the right to appoint a member of the Nominating Committee. Helene Sundt AB and Christian Sundt AB are represented by the same member of the Nominating Committee. The member appointed by the largest shareholder in terms of voting rights is to be appointed as chairman of the Nominating Committee. The composition of the Nominating Committee is to be announced no later than six months before the AGM. No fees are payable.

On 8 September 2020 Pandox announced that the Nominating Committee had been appointed in accordance with principles adopted by the AGM and consisted of the following:

- Anders Ryssdal, Eiendomsspar Sverige AB (Nominating Committee chairman)
- Christian Ringnes, Chairman of the Board of Pandox AB
- Jakob Iqbal, Helene Sundt AB and Christian Sundt AB jointly
- Dick Bergqvist, AMF
- Marianne Flink, Swedbank Robur Fonder

When preparing its proposal for the election of the Board of Directors the Nominating Committee applies what is stated in section 4.1 of the Swedish Corporate Governance Code as a diversity policy and as its objectives.

Shareholders wishing to submit proposals to the Nominating Committee may do so by e-mail to valberedningen@pandox.se or by letter to Pandox AB, Valberedning, PO Box 15, SE-101 20 Stockholm no later than 12 January 2021.

The Nominating Committee’s proposals to the 2021 AGM are:

- Proposal for election of members of the Board of Directors
- Proposal for election of auditor
- Principles for appointing the Nominating Committee in advance of the 2022 Annual General Meeting

The Nominating Committee’s proposals have been published in the notice of the 2021 AGM and on Pandox’s website. The AGM will be held on 12 April 2021 in Stockholm.

INTERNAL CONTROL AND FINANCIAL REPORTING

According to the Swedish Companies Act and the Swedish Corporate Governance Code (the Code), Pandox’s Board of Directors is responsible for the Company’s internal control. This report has been prepared in accordance with the Annual Accounts Act and the Code and is mainly intended to describe internal control and risk management with respect to financial reporting.

The framework used as a basis for Pandox’s work on and description of internal governance and control is COSO, the Committee of Sponsoring Organisations of the Treadway Commission. COSO provides a structure for internal control based on five components:

control environment, risk assessment, control activities, monitoring activities, and information and communication.

Control environment

The Board of Directors has overall responsibility for ensuring good internal control and effective risk management. Every year the Board of Directors adopts work procedures that define the Board’s responsibilities and the distribution of duties among the board members. The Board exercises its control primarily by annually adopting policy documents, CEO instructions, delegation rules, instructions for financial reporting, business targets and strategies, as well as business plans and a budget.

Good internal control over financial reporting is based on the control environment. Pandox works continually to define, document and adapt an organisational structure, decision paths, responsibilities and powers that strengthen Pandox’s corporate culture and control environment.

Risk assessment

► See the section on Risk on pages 84–88 and the Sustainability Report, page 55.

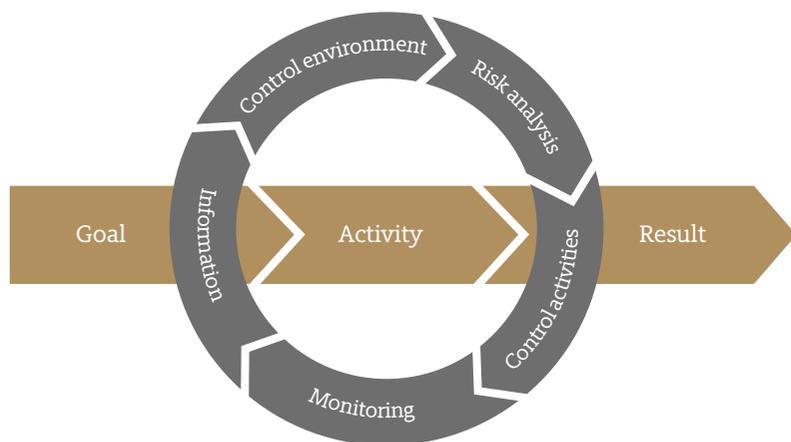
Risk assessment with respect to financial reporting involves identifying the procedures and income statement and balance sheet items in which there is a risk that errors, incomplete information or irregularities may arise if there is insufficient control built into the routines. Risk assessment includes analysing whether any errors could occur and if so, how they may occur and in which part of the process. Pandox’s risk assessment has identified items where the risk of significant errors is the highest. These are items involving substantial transactions or where the processes are highly complex and require strong internal control.

An assessment of the risk of errors in financial reporting is performed annually for each line in the income statement, statement of financial position and cash flow statement. For items that are significant and/or associated with an elevated risk of errors, special procedures are employed to minimise the risks. The three main areas of risk are:

- Property valuation
- Financing activities
- Investment and renovation programmes

Pandox has a well-established operational risk model (the Pandox Method). It is used to evaluate and document identified risks associated with the hotel properties and is an important part of Pandox’s overall work on risk. Based on an individual business plan for each hotel property, it creates the conditions for increased cash flow and lower risk. The risk model also provides knowl-

Pandox’s model for internal control



edge that can be beneficial when pursuing business opportunities.

The four parts of the Pandox Method are:

- Market analysis
- Marketing strategy
- Profitability optimisation
- Agreement optimisation

There is an individual business plan for each hotel property. Twice a year a review of all the hotels and properties is performed and the business plan is updated based on the Pandox Method. Recurring operational risk areas are revenue/occupancy, property operation/maintenance, lease issues and investments. The most significant risks are documented in a “Hot Pile” and are followed up at monthly executive management meetings. Topics discussed at the meetings include any impact from macroeconomic forces, the hotel market cycle, geographic exposure and operator/brand exposure, hotel demand, supply of new capacity, competitors etc.

Pandox performs internal valuations of its property portfolio every quarter. External valuations of all properties are normally carried out annually by independent property appraisers. These external valuations provide an important reference point for Pandox’s internal valuations.

The valuation model consists of an accepted and proven cash flow model, where the future cash flows that the hotel properties are expected to generate are discounted by the market’s yield requirements. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year. It takes into consideration factors such as developments in the underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property’s cash flow and return over the long term.

► *More information about property valuation can be found on pages 97, 127–131 and on Pandox’s website pandox.se.*

In its role as an active hotel property owner, Pandox, in cooperation with its lease partners, makes every effort to identify joint investment and renovation programmes to ensure that the hotels are competitive and play a part in increasing cash flow. Pandox takes a long-term perspective and has a structured process for managing, implementing and following up on investments. Pandox normally works according to three- to five-year maintenance plans and implements specific projects for cash flow-driving investments. For investments exceeding MSEK 10, a memorandum is submitted to the Board for approval. An investment

budget is established every year in connection with the preparation of the budget and business plan, which is adopted by the Board of Directors and adjusted on a quarterly basis. The outcome of the investments is monitored in relation to the budget and reported to the Board.

Interest expense is Pandox’s largest expense item. Interest expense is affected by market interest rates and by credit institution margins, as well as by Pandox’s strategy with respect to fixed interest rates. With a greater proportion of loans in foreign currency, interest expense is also affected by fluctuation in exchange rates.

The majority of Pandox’s credit facilities have a variable rate of interest. Interest rate derivatives are used – mainly interest rate swaps – in order to manage interest rate risk and increase the predictability of Pandox’s earnings. Variable interest rates are partially swapped through interest rate swaps, giving Pandox fixed interest rates. Pandox’s Board establishes the risk mandate. The risk mandate is reflected in Pandox’s Financial Policy and ensures that the Company has access to long-term financing. The Financial Policy is updated annually by the Board of Directors. Pandox works closely with its lenders and external experts to ensure that the Company plans well in advance with respect to its financing requirements.

In connection with Pandox’s annual strategy and budgetary work the executive management team presents a chart of the Group’s top risks to the Board of Directors.

Control activities

To avoid errors, a number of control activities have been implemented to ensure that control objectives are achieved. Pandox’s most important financial processes, such as closing the accounts, consolidation, monitoring results and reporting, have been documented in a Financial Handbook. The control measures involve guaranteeing the quality of financial reporting.

All of the key controls implemented by the Group companies in respect of financial reporting are documented in a self-assessment template used to report to the corporate level. The self-assessment template is monitored, adapted and evaluated at the corporate level, thereby strengthening the control environment in the Group.

The CFO and the Business Intelligence and Group Accounting & Control departments are all responsible for creating the environment required to achieve transparent and accurate financial reporting. Pandox’s executive management and the Board also fill an important control function with respect to the external financial reporting process.

Monitoring activities

Pandox monitors performance in relation to both operational and financial goals on a monthly basis. The performance follow-up meeting is attended by the CEO, CFO, Business Intelligence, Group Accounting & Control and the Business Area Managers. Material differences are investigated immediately by the CFO and significant cases are reported to the Board. At least every quarter the Board follows up on any high risks identified. The Audit Committee always examines the external reports before they are published for the stock market.

These follow-up processes are the basis for guaranteeing the quality of Pandox’s financial reporting.

The CFO reports annually to the Board on an evaluation of internal control over financial reporting.

In addition to this, Pandox’s external auditors examine the Company’s internal control over financial reporting and annual reporting, and perform a review of the third quarter interim report. Any shortcomings and/or errors identified by the auditors are reported to Pandox’s executive management or, in the case of more serious issues, directly to the Board.

Information and communication

One prerequisite for good internal control is that its various components and intentions are known throughout the organisation. In other words, clear and well-structured communication on internal control is very important.

To ensure that there is an efficient exchange of knowledge and experience among the financial departments, financial meetings are convened on a regular basis. Governing guidelines, policies and instructions are available on the Group’s intranet. Access to the internal information documents on the intranet is regulated by rules of authorisation. The documents are updated on a regular basis as needed. Access to financial data for the Group is also controlled at the central level based on authorisation rules.

The corporate department works closely with the reporting subsidiaries, and arranges conferences and training each year for controllers and financial managers.

The Head of Investor Relations works with colleagues to manage all external information and communication, including the external website.

Stockholm, 7 March 2021

The Board of Directors of Pandox AB

Signing of the Annual Report

The Board and CEO hereby provide an assurance that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the group's position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a fair representation of the parent company's position and results. The

administration report for the group and the parent company provides a fair representation of operations in the group and the parent company, their position and results, and describes the material risks and uncertainties facing the parent company and the companies included in the group. The undersigned hereby also present Pandox's Sustainability Report for 2020.

Stockholm, 7 March 2021

Christian Ringnes
Chairman

Jon Rasmus Aurdal
Board member

Jeanette Dyhre Kvisvik
Board member

Ann-Sofi Danielsson
Board member

Jakob Iqbal
Board member

Bengt Kjell
Board member

Anders Nissen
Chief Executive Officer

Our auditor's report in respect of this annual report
and the consolidated accounts was submitted on 7 March 2021.

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor-in-charge

Linda Andersson
Authorised Public Accountant

Auditors' report

To the general meeting of the shareholders of Pandox Aktiebolag (publ), corporate registration number 556030-7885

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinion

We have audited the annual accounts and consolidated accounts of Pandox AB (publ) for the year 2020 with the exception of the corporate governance statement on pages 158–163 and 170–173, the sustainability information on pages 146–156 and 41–61, and the chairman's statement on page 157. The annual accounts and consolidated accounts of the company are included on pages 94–164 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the corporate governance statement on pages 158–163 and 170–173, the sustainability information on pages 146–156 and 41–61, or the chairman's statement on page 157. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our auditing approach

Focus and scope of the audit

We designed our audit by establishing materiality levels and assessing the risk of material errors in the financial reports. We paid particular attention to the areas where the chief executive officer and

board of directors have made subjective judgements, such as significant accounting estimates that were made based on assumptions concerning and predictions of future events, which by nature are uncertain. As in all audits, we also took into consideration the risk of the board and chief executive officer neglecting internal control procedures. Among other things, we considered whether there is evidence of systematic deviations resulting in a risk of material errors due to irregularities.

We adapted the focus and scope of our audit, considering Pandox's group structure and internal control environment, in order to be able to produce an auditors' report on the annual accounts and consolidated accounts in their entirety.

Pandox is a property company specialising in hotels with operations throughout the world and with a hotel portfolio that has a market value of MSEK 59,542. Pandox's core business is to own and lease hotel properties to well-known hotel operators under long revenue-based leases with shared investments. If the conditions are not in place for a profitable lease, Pandox can choose to operate a hotel itself. As a consequence of the Covid-19 pandemic, demand in the hotel market was severely impacted and differed from market to market. Most of Pandox's revenue during the year therefore consisted of contractual minimum rents and fixed rents. Revenue from purely revenue-based leases and Operator Activities made up a smaller percentage than in the previous year (around 32 percent compared to 65 percent). The group's operations and results in 2020 were significantly impacted by the ongoing pandemic. Our audit has therefore focused in particular on the financial impact of the Covid-19 pandemic with respect to liquidity, financing requirements and financial covenants, valuation assumptions for hotel properties recognised at fair value, recognition of government relief programmes and measurement of trade accounts receivable.

Our audit involves conducting a review of all significant companies in the group. Our audit covers operations in 15 countries and our activities included:

- Review of the valuation of the hotel properties combined with a process to establish their carrying amounts.
- Review of internal control over financial reporting, routines and processes based on assessed risks.
- Assessment of and discussion on the accounts as of 30 June 2020 with the executive management team and audit committee.
- Review of the closing accounts as of 30 September 2020 for the purpose of presenting a review report.
- Review of year-end accounts and final audit work to present this auditors' report on the annual accounts of the parent company and group and, where applicable, other legal entities. In conjunction with these activities we also performed review procedures to produce our statement on compliance with senior executive guidelines.

The review is performed either by the group audit team or by local teams that are normally part of the PwC network. Where another audit team takes part in the review, specific instructions are issued for the group audit and the work is performed in accordance with local audit requirements in the respective countries relating to the statutory audit. In addition, during the year the auditor-in-charge



▶▶ Auditor's report, cont.

and fellow auditors had digital visits and meetings involving operations in Canada, the Netherlands and Germany. This was to become familiar with the operations of the entities visited and to understand the routines and control procedures in place, to evaluate compliance with Pandox's internal control framework and to review the financial reporting based on the group's accounting principles.

Materiality

The scope and focus of the audit was determined by our materiality assessment. An audit is designed to achieve a reasonable degree of assurance on whether the financial statements contain any material errors. Errors can occur due to irregularities or mistakes. They are considered material if they individually or in combination may reasonably be expected to impact the financial decisions of the users based on the financial statements.

Key audit matter

Valuation of hotel properties

We refer to the administration report and the description of the Pandox group's overall accounting principles in Note B1 and to Note E1 Investment properties.

The value of the hotel properties as of 31 December 2020 was MSEK 59,542 (of which investment properties MSEK 50,181). The hotel properties constitute a significant portion of the balance sheet and valuation of the hotel properties is by nature subjective and based on management's judgements of, for example, the specific property's location, condition, future rental income and valuation yield.

As of 31 December 2020 Pandox has valued the hotel properties according to the same method and model used since the IPO in 2015. The valuation model is a 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. Pandox's assessment is that the effects on valuation yields cannot yet be established as, under the current circumstances, there is still insufficient evidence in the hotel properties' transaction market. Due to the uncertainties, cash flow forecasts were prepared in a different way than in the past, involving using 2019 levels as a baseline to estimate a gradual recovery, also taking into account the trends that have been noted so far in various markets.

Due to the Covid-19 pandemic only certain properties were valued by external appraisers during the year, unlike in previous years when all properties were externally appraised. External valuation is used as an important reference point and Pandox has an internal process to quality assure the external valuations when they are performed. This internal quality assurance process includes analysis and control of input data from the company for the valuation models pertaining to such aspects as rent levels, space and general analysis of value growth per property. The valuations are examined both at the central level and in cooperation with the heads of business areas. This is done to check if any parameter used in Pandox's own valuation as a basis for financial reporting needs to be updated.

The significance of the estimates and judgements used in establishing the fair value, combined with the fact that when combined, small percentage differences in the individual properties' parameters can lead to material errors, means that the valuation of investment properties is a key audit matter.

Based on our professional judgement, we established certain quantitative materiality indicators for the financial reports as a whole. Using these as well as qualitative considerations, we established the focus and scope of our audit and the nature, timing and scope of our audit measures. The quantitative materiality indicators are also used to assess the effects of any errors, individual or aggregate, in the financial statements as a whole.

Key audit matters

Key audit matters are the matters which, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts for 2020. These matters were addressed in the context of our audit of the annual accounts and consolidated accounts as a whole, and in forming our opinion on these. We are not, however, providing a separate opinion on these matters.

How our audit addressed the key audit matter

Our audit focused, among other things, on the company's internal control and quality assurance that exists for both the internal and the externally performed valuations as of the date of the 2020 year-end accounts. Our review procedures included the following:

- The group audit team, including our valuation specialists, obtained and reviewed a sample of the valuation reports and examined whether the valuation procedures follow the guidelines established by the board of directors for valuation and correct valuation methods.
- We evaluated the internal and external appraisers' competence and experience to determine whether there were any circumstances that would have impacted their objectivity or imposed any restrictions on their work.
- We also carried out random sampling to examine management's input data for the valuation models. We did this to determine whether the information used for property valuations is correct and accurate.
- We held meetings with those responsible for valuation processes where important assumptions and judgements were discussed. Our work focused on assessing and evaluating assumptions used, including valuation yields and estimated cash flows. We included in samples used for our audit the largest investment properties in the portfolio in monetary terms, the most significant assumptions and the properties where there were the greatest variations in value compared with previous quarters. We assessed the assumptions used with respect to yield requirements. We also assessed the reasonableness of other assumptions where there is no directly comparable published data available. In cases where the assumptions and parameters were beyond our initial expectations, these deviations were discussed with representatives of the company and additional audit evidence was obtained to support the assumptions made.
- We compared disclosures included in the annual report against the requirements in IFRS 13 and found the requirements to have been met in all material respects.

The valuations are based on judgments and are by nature associated with inherent uncertainty. In light of the ongoing Covid-19 pandemic, the inherent uncertainty is expected to be greater than in previous years. Based on our review we have determined that the assumptions used by Pandox are within a reasonable range. Based on our review we have no significant observations to report to the audit committee.

**Key audit matter****Financing and financial covenants**

We refer the reader to the administration report and the description in Note G2 Financial risk and risk management.

As of 31 December 2020 the group has external loans of MSEK 31,629, equivalent to a loan-to-value ratio of 49 percent. Cash and cash equivalents plus unutilised credit facilities amounted to MSEK 5,221 as of this date.

The group as a going concern is dependent on its future liquidity and financing, and compliance with the group's loan agreements and the related financial covenants that these agreements contain. The financial covenants are different from agreement to agreement and cover criteria such as i) loan-to-value ratio; and ii) interest coverage ratio. Pandox's dialogue and cooperation with its lenders are described on page 133 and on page 9. As of the date this annual report was issued, lenders had provided waivers in individual loan agreements where there would otherwise have been a risk of non-compliance with the agreement as of the closing date or where there was deemed to be a risk that this would be the case in the year ahead. Due to this, executive management has made the assessment that the liquidity and financing requirements are met for this year and the following year.

Due to the impact the Covid-19 pandemic is having on the company's and the group's profits, and thereby also the ability to comply with financial covenants, financing and compliance with financial covenants is a particularly material topic in the audit.

How our audit addressed the key audit matter

To assess the company's and the group's continuation as a going concern and whether the information in the annual report provides a fair representation of the future financing and liquidity requirements we performed the following review procedures:

- We studied the reports provided by executive management to the board on anticipated effects of the Covid-19 pandemic on the business, and updated business plans and forecasts with respect to liquidity and financing requirements. We explored and assessed the reasonableness of material assumptions made by management, and verified a random sample of information and calculations. We also performed a sensitivity analysis to evaluate the underlying assumptions in the cash flow forecasts.
- On a random sample basis, we checked compliance with financial covenants against loan agreements and the current situation, and obtained waivers from lenders in those cases where financial covenants have not been met to confirm compliance with loan agreements.
- We verified information provided on financing and financial covenants in Note G2 and elsewhere in the annual report against supporting documents.

The Covid-19 pandemic is having a significant impact on communities, organisations and the business run by Pandox. As described in Note G2 the company has various covenants where waivers have been obtained, but new waivers may be required in the future. In these cases Pandox has made the assessment that waivers will be obtained if the situation should arise. This assessment is associated with uncertainty and the final outcome may be a different one. We have examined this area and included it in our report to the audit committee.

Information other than the annual accounts and consolidated accounts

The sustainability information on pages 146–156 of the annual report and on pages 41–61 of this document are other information. In addition, this document also contains information other than the annual accounts and consolidated accounts which can be found on pages 1–40, 62–93, 157 and 174–182. The board of directors and the CEO are responsible for this other information. The information in “Pandox Remuneration Report 2020”, which is published on the company's website at the same time as this report, also constitutes other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the CEO

The board of directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the CEO are also responsible for

such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The board of directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to the going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The audit committee shall, without prejudice to the board of director's responsibilities and tasks in general, among other things, oversee the company's financial reporting process.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the board of directors and the CEO of Pandox AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the CEO be discharged from liability for the financial year.

Basis for opinion

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the board of directors and the CEO

The board of directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibilities

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to

assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that the proposed appropriations of the Company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Auditors' opinion on the corporate governance statement (pages 158–163 and 170–173)

The board of directors is responsible for the corporate governance statement on pages 158–163 and pages 170–173 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our examination was performed in compliance with statement RevR 16 *The auditor's examination of the corporate governance statement* issued by FAR (the professional institute for Swedish authorised public accountants). This means that our examination of the corporate governance statement has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our examination provides a reasonable basis for our opinion below.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph items 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same act are consistent with the annual accounts, the consolidated accounts and the other parts of the annual report and are in accordance with the Annual Accounts Act.

Auditor's opinion regarding the statutory sustainability report (pages 146–156 and 41–61)

The board of directors is responsible for the sustainability information on pages 146–156 and pages 41–61 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our examination was conducted in accordance with FAR's recommendation RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the sustainability report has a different focus and is substantially smaller in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our examination provides a reasonable basis for our opinion below.

A sustainability report has been prepared.

PricewaterhouseCoopers AB, with Patrik Adolfsen as the auditor in charge, was appointed auditor of Pandox AB (publ) by the general meeting of shareholders on the 3 April 2020 and has been Pandox AB's auditor since 29 March 2017.

Stockholm, 7 March 2021
PricewaterhouseCoopers AB

Patrik Adolfsen
Authorised Public Accountant
Auditor-in-charge

Linda Andersson
Authorised Public Accountant




**Hilton
Garden
Inn**

Pandox's Board of Directors



Christian Ringnes

Born 1954.
Chairman of the Board since 2004 and chairman of the Remuneration Committee.
Master of Business Administration from Harvard Business School, Bachelor's degree in Business and Economics from École des Hautes Études Commerciales, degree in philosophy from the University of Oslo. Chief Executive Officer Eiendomsspar AS and Victoria Eiendom AS (and board appointments for companies in the group). Chairman of the Board Sundt AS (and board appointments for several companies in the group) and Dermanor AS. Board member Schibsted ASA and member of the Real Estate Investment Board at Norges Bank.
Christian Ringnes owns 42.1 percent of the shares in Victoria Eiendom AS, which owns 54.1 percent of the shares in Eiendomsspar AS, which in turn owns 37,314,375 class A shares and 10,144,375 class B shares in Pandox.
Independent in relation to the Company and the executive management team: Yes
Independent in relation to principal shareholders: No



Jon Rasmus Aurdal

Born 1982.
Board member since 2018 and member of the Audit Committee.
Master of Science, Professional Accountancy from BI Norwegian Business School and Master of Business and Administration from the NHH Norwegian School of Economics.
Chief Financial Officer Eiendomsspar AS and Victoria Eiendom AS. Board and management positions in several subsidiaries of Eiendomsspar AS and Victoria Eiendom AS. Board member Lillunn AS.
Shareholding: 2,000 class B shares.
Independent in relation to the Company and the executive management team: Yes
Independent in relation to principal shareholders: No



Jeanette Dyhre Kvisvik

Born 1972.
Board member since 2017.
Law degree (honours) from the University of Bergen (Norway).
Chief Executive Officer VILLOID AS.
Board member VILLOID AS.
Shareholding: 470 class B shares.
Independent in relation to the Company and the executive management team: Yes
Independent in relation to principal shareholders: Yes



Ann-Sofi Danielsson

Born 1959.
Board member since 2015 and chairman of the Audit Committee.
MSc Business Administration and Economics, Uppsala University.
Board member Nordomatic AB and Vasakronan AB.
Shareholding: 1,000 class B shares.
Independent in relation to the Company and the executive management team: Yes
Independent in relation to principal shareholders: Yes



Jakob Iqbal

Born 1972.
Board member since 2020 and member of the Remuneration Committee.
Master of Business Economics from BI Norwegian Business School. Certified European Financial Analyst (AFA), NHH Norwegian School of Economics. Completed the Advanced Management Program at Harvard Business School.
Chief Executive Officer Sundt AS (plus board and management roles at several companies in the group).
Chairman of the Board Helene Sundt AB and Christian Sundt AB.
Board member Equitile Investments Ltd.
Member of nominating committees for Otello ASA, Panoro ASA and Ultimovacs ASA.
Shareholding: 7,000 class B shares.
Independent in relation to the Company and the executive management team: Yes
Independent in relation to principal shareholders: No



Bengt Kjell

Born 1954.
Board member since 1996. Vice Chairman of the Board and member of the Audit Committee. Graduate of Stockholm School of Economics, DHS.
Chairman of the Board Amasten Fastigheter AB, SSAB and others.
Vice Chairman Indutrade AB.
Board member AB Industrivärden and others.
Shareholding: 2,000 class B shares.
Independent in relation to the Company and the executive management team: Yes
Independent in relation to principal shareholders: Yes

Auditor

Patrik Adolfson

Born 1973.
Auditor-in-charge, authorised public accountant, PricewaterhouseCoopers AB.
Patrik Adolfson has been auditor-in-charge for Pandox since 2017.
Other audit assignments: AcadeMedia AB (publ), Attendo AB (publ), Bonava AB (publ), Securitas AB (publ) and SHH Bostad (publ).
Member of FAR (the professional institute for Swedish authorised public accountants).

Pandox's executive management



<p>Anders Nissen 1.</p>	<p>Liia Nõu 2.</p>	<p>Anders Berg 3.</p>
<p>Born 1957. CEO since 1995. Business Administration programme, Lund University. Board member Svenska Handbollslandslaget AB. Shareholding: 100 percent of the shares in Blå-klockevägen AS, which owns 371,250 class A shares and 371,250 class B shares in Pandox. Options held: 1,190,877 synthetic options acquired from Eiendomsspar AS, CGS Holding AS and Helene Sundt AS. If the exercise price is reached, the issuers may decide that the options are to be settled in cash or provide entitlement to class B shares in Pandox. The options do not result in dilution.</p>	<p>Born 1965. Senior Executive Vice President and CFO since 2007. MSc Business and Economics from Stockholm School of Economics. Shareholding: 13,700 class B shares.</p>	<p>Born 1967. Senior Vice President, Head of Communications and IR since 2016. MSc Business and Economics from Linköping University, Certified European Financial Analyst (CEFA), Certified Investor Relations Officer (CIRO). Shareholding: 0.</p>
<p>Karmen Bergholcs 4.</p>	<p>Martin Creydt 5.</p>	<p>Erik Hvesser 6.</p>
<p>Born 1970. Senior Vice President, General Counsel since 2016. Law degree from Stockholm University. Shareholding: 0.</p>	<p>Born 1965. Senior Vice President, Director of Property Management International since 2017. Advanced Management Program, Cornell University, Executive Program, INSEAD, Business Degree Service Management, University of Gothenburg. Shareholding: 1,000 class B shares.</p>	<p>Born 1969. Senior Vice President, Director of Property Management Nordics since 2006. Degree in Business Administration from the Norwegian School of Economics. Shareholding: 0.</p>



Lars Häggström

7.

Born 1954.
Senior Executive Vice President, Asset and Technical Development since 2000.
Naval engineer, graduate of the Sjöbefälsskolan (naval officer college) in Stockholm, and one year of studies at the Royal Institute of Technology (KTH).
Shareholding: 10,000 class B shares.

Aldert Schaaphok

8.

Born 1959.
Senior Vice President, Director International Operations since 2004.
Bachelor's degree in Business Administration (hospitality focus), Hotelschool The Hague.
Shareholding: 0.

Caroline Tivéus

9.

Born 1979.
Senior Vice President, Director of Sustainable Business since 2018.
Masters in Accounting from Lund University.
Shareholding: 0.

Jonas Törner

10.

Born 1971.
Senior Vice President, Business Intelligence since 2005.
Studies towards MSc in Business Administration and Economics, Stockholm University. Studies towards BSc in Engineering, Royal Institute of Technology (KTH) in Stockholm.
Shareholding: 0.

Multiyear summary

Pandox is applying IFRS 16 Leases from 2019 onwards. Comparative figures have not been restated.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in MSEK	2020	2019	2018	2017	2016	2015	2014	2013
Revenue, Property Management								
Rental income	2,228	3,017	2,809	2,121	1,717	1,431	1,418	1,523
Other property revenue	171	112	162	81	70	112	60	67
Revenue, Operator Activities	779	2,424	2,153	2,067	2,158	2,046	1,598	1,308
Net sales	3,178	5,553	5,124	4,269	3,945	3,589	3,076	2,898
Costs, Property Management	-381	-365	-454	-321	-292	-263	-292	-313
Costs, Operator Activities	-1,182	-1,993	-1,776	-1,743	-1,866	-1,767	-1,387	-1,200
Gross profit	1,615	3,195	2,894	2,206	1,787	1,559	1,397	1,385
Central administration	-171	-175	-148	-124	-117	-94	-82	-64
Net financial items	-900	-865	-803	-519	-456	-438	-536	-608
Financial expense for right-of-use assets	-86	-81	—	—	—	—	—	—
Profit before changes in value	458	2,074	1,943	1,563	1,214	1,027	779	713
<i>Changes in value</i>								
Properties	-1,779	1,459	1,495	1,914	1,460	1,399	1,197	375
Derivatives, unrealised	-221	-39	25	173	-39	203	-622	321
Profit before tax	-1,542	3,494	3,463	3,650	2,635	2,629	1,354	1,409
Current tax	-57	-122	-216	-73	-72	-35	-16	-197
Deferred tax	191	-672	-424	-429	-349	-463	-85	-264
Profit for the year	-1,408	2,700	2,823	3,148	2,214	2,131	1,253	948
Other comprehensive income for the year	-1,010	46	465	-185	359	-291	-3	-32
Comprehensive income for the year	-2,418	2,746	3,288	2,963	2,573	1,840	1,250	916

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in MSEK	2020	2019	2018	2017	2016	2015	2014	2013
Assets								
Properties including equipment and interiors	57,555	60,558	52,949	48,217	36,578	29,463	25,701	26,161
Right-of-use assets	2,926	3,064	—	—	—	—	—	—
Other non-current assets	518	151	43	37	23	25	26	45
Deferred tax assets	631	383	465	613	748	800	924	733
Current assets	563	1,025	885	1,871	563	1,162	315	303
Cash and cash equivalents	2,622	632	674	999	517	170	321	589
Total assets	64,815	65,813	55,016	51,737	38,429	31,620	27,287	27,871
Equity and liabilities								
Equity	24,088	26,506	21,538	19,027	15,258	12,215	10,402	10,429
Deferred tax liabilities	4,307	4,552	3,430	3,026	2,582	2,281	1,993	1,708
Interest-bearing liabilities	31,452	29,621	27,917	26,298	18,841	15,546	12,907	14,575
Lease liabilities	2,928	3,064	—	—	—	—	—	—
Non-interest-bearing liabilities	2,040	2,070	2,131	3,386	1,748	1,578	1,985	1,159
Total equity and liabilities	64,815	65,813	55,016	51,737	38,429	31,620	27,287	27,871

KEY RATIOS

Figures in MSEK	2020	2019	2018	2017	2016	2015	2014	2013
Net operating income, Property Management	2,018	2,764	2,517	1,882	1,495	1,280	1,186	1,277
Net operating income, Operator Activities	-168	625	540	494	439	416	320	210
EBITDA	1,699	3,215	2,909	2,252	1,817	1,603	1,425	1,424
Earnings per share, SEK	-7.61	15.91	16.83	19.89	14.65	14.21	8.35	6.31
Cash earnings	660	2,161	1,893	1,660	1,289	1,130	873	620
Earnings per share before and after dilution, SEK	3.64	12.74	11.28	10.46	8.49	7.53	5.82	4.10
RevPAR (operating properties) for comparable units and comparable exchange rates	222	904	873	806	657	684	644	—
	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
Net interest-bearing debt, MSEK	29,007	29,191	27,421	25,474	18,324	15,376	12,587	13,986
Loan-to-value ratio, properties, %	48.7	46.0	49.7	50.8	47.9	49.5	48.7	55.5
Interest coverage ratio, times ¹⁾	2.0	4.1	3.8	4.4	4.0	3.6	2.6	2.3
Market value properties, MSEK	59,542	63,469	55,197	50,121	38,233	31,437	26,504	26,282
EPRA NRV per share, SEK	167.60	186.40	164.04	144.54	126.24	107.71	92.11	82.60
WAULT (investment properties), years	14.6	15.6	15.7	15.6	13.9	11.2	9.0	—

¹⁾ Adapted to how Pandox reports interest coverage ratio in respect of financial covenants. See also definitions of financial key ratios on page 176.

Quarterly data

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Figures in MSEK	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue, Property Management								
Rental income	523	563	502	640	784	820	772	641
Other property revenue	47	67	25	32	26	31	11	44
Revenue, Operator Activities								
	117	169	74	419	645	600	673	506
Net sales	687	799	601	1,091	1,455	1,451	1,456	1,191
Costs, Property Management								
	-92	-99	-79	-111	-94	-90	-79	-102
Costs, Operator Activities								
	-244	-266	-216	-456	-536	-491	-508	-458
Gross profit	351	434	306	524	825	870	869	631
Central administration	-41	-41	-42	-47	-44	-40	-48	-43
Net financial items	-227	-227	-220	-226	-234	-224	-202	-205
Financial expense for right-of-use assets	-21	-21	-22	-22	-21	-20	-21	-19
Profit before changes in value	62	145	22	229	526	586	598	364
<i>Changes in value</i>								
Properties, unrealised	-533	-315	-320	-611	396	353	509	131
Properties, realised	0	0	—	—	-41	110	1	—
Derivatives, unrealised	109	51	-22	-359	444	-211	-133	-139
Profit before tax	-362	-119	-320	-741	1,325	838	975	356
Current tax	-2	-17	-11	-27	59	-60	-75	-46
Deferred tax	59	33	-1	100	-93	-536	-140	97
Profit for the period	-305	-103	-332	-668	1,291	242	760	407
Other comprehensive income	-796	46	-920	660	-199	-250	135	360
Comprehensive income for the period	-1,101	-57	-1,252	-8	1,092	-8	895	767

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in MSEK	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
Assets								
Properties including equipment and interiors	57,555	59,859	59,877	62,570	60,558	56,759	54,543	54,371
Right-of-use assets	2,926	3,071	3,051	3,176	3,064	2,940	2,957	2,908
Other non-current assets	268	84	85	108	151	78	75	50
Deferred tax assets	631	559	570	546	383	765	540	539
Current assets	813	1,261	1,008	893	1,025	832	1,192	657
Cash and cash equivalents	2,622	2,309	2,298	1,220	632	530	450	923
Total assets	64,815	67,143	66,889	68,513	65,813	61,904	59,757	59,448
Equity and liabilities								
Equity	24,088	25,189	25,246	26,498	26,506	22,405	22,413	22,305
Deferred tax liabilities	4,307	4,407	4,458	4,623	4,552	4,879	3,633	3,544
Interest-bearing liabilities	31,452	32,173	31,981	31,882	29,621	29,158	28,541	28,266
Lease liabilities	2,928	3,073	3,052	3,177	3,064	2,941	2,957	2,908
Non-interest-bearing liabilities	2,040	2,301	2,152	2,333	2,070	2,521	2,213	2,425
Total equity and liabilities	64,815	67,143	66,889	68,513	65,813	61,904	59,757	59,448

KEY RATIOS

Figures in MSEK	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net operating income, Property Management	478	531	448	561	716	761	704	583
Net operating income, Operator Activities	-64	-39	-85	20	159	160	212	95
EBITDA	378	456	327	538	834	886	872	639
Earnings per share, SEK	-1.63	-0.56	-1.79	-3.63	7.30	1.45	4.53	2.43
Cash earnings	129	194	75	262	654	586	570	367
Earnings per share before and after dilution, SEK	0.73	1.06	0.42	1.43	3.72	3.51	3.39	2.18
RevPAR growth (Operator Activities) for comparable units and comparable exchange rates, %	-89	-81	-92	-30	-4	4	12	9
	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
Net interest-bearing debt, MSEK	29,007	30,056	29,878	30,862	29,191	28,806	28,248	27,513
Loan-to-value ratio, properties, %	48.7	48.5	48.0	47.2	46.0	48.3	49.0	48.5
Interest coverage ratio, times ¹⁾	2.0	2.3	2.0	2.6	4.1	4.1	4.0	3.5
Market value properties, MSEK	59,542	62,022	62,259	65,345	63,469	59,661	57,618	56,713
EPRA NRV per share, SEK	167.60	175.33	177.32	186.97	186.40	184.03	173.83	170.52
WAULT (investment properties), years	14.6	14.9	15.2	15.3	15.6	15.5	15.5	15.8

¹⁾ Adapted to how Pandox reports interest coverage ratio in respect of financial covenants. See also definitions of financial key ratios on page 176.

Financial definitions

FINANCIAL INFORMATION

Average interest on debt, %

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

Cash earnings, MSEK

EBITDA plus financial income less financial expense, less financial expense for right-of-use assets according to IFRS 16, less current tax, adjusted for any unrealised translation effect on bank balances.

EBITDA, MSEK

Total gross profit less central administration (excluding depreciation).

EPRA NAV, MSEK

Recognised equity attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax assets related to derivatives, deferred tax liabilities related to properties and revaluation of operating properties.

EPRA NDV, MSEK

Recognised equity attributable to the Parent Company's shareholders, including revaluation of operating properties.

EPRA NRV, MSEK

Recognised equity attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax assets related to derivatives, deferred tax liabilities related to properties and revaluation of operating properties.

EPRA NTA, MSEK

Recognised equity attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax assets related to derivatives, deferred tax liabilities related to properties and revaluation of operating properties.

Gross profit, Operator Activities, MSEK

Revenue less directly related costs for Operator Activities including depreciation in Operator Activities.

Gross profit, Property Management, MSEK

Revenue less directly related costs for Property Management.

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 NRV (net asset value growth), annual rate, %

Accumulated percentage change in EPRA NRV, with dividends added back and issue proceeds deducted, for the immediately preceding 12-month period.

Interest coverage ratio, times

EBITDA less financial expense for right-of-use assets divided by net interest expense, which consists of interest expense less interest income.

Interest coverage ratio, times, as presented previously

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

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

Net interest-bearing debt, MSEK

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

Net loan-to-value ratio, %

Interest-bearing liabilities, including arrangement fees 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 minority interests, less financial expense for right-of-use assets according to IFRS 16, adjusted for any unrealised translation effect on bank balances, divided by the weighted average number of shares outstanding.

Comprehensive income per share, SEK

Comprehensive income for the period 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 shares outstanding 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.

EPRA NAV, NRV, NTA, NDV (net asset value) per share, SEK

EPRA NAV, NRV, NTA, NDV divided by the total number of shares outstanding after dilution at the end of the period.

Weighted average number of shares before dilution, thousands

The weighted average number of shares outstanding taking into account changes in the number of shares outstanding, before dilution, during the period.

Weighted average number of shares after dilution, thousands

The weighted average number of shares outstanding taking into account changes in the number of shares outstanding, after dilution, during the period.



Other definitions and terms

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 comparative period. Constant exchange rates is defined as the exchange rate for the current period, with the comparison period being restated based on that rate.

WAULT (investment properties)

Weighted average unexpired lease term across the property portfolio, weighted by contracted rental income.

OTHER TERMS

Compression night

The term compression night is used to describe particularly profitable guest nights in the hotel market, which occur when the occupancy rate in a certain hotel market is 90 percent or higher.

IATA (International Air Transport Association)

IATA manages international rules for commercial passenger aviation, mainly through standardisation of e.g. tickets, airport codes and airline codes.

OTA – Online Travel Agency

Online companies whose websites permit consumers to book various travel-related services.

UNWTO – United Nations World Tourism Organization

Multilateral institution promoting tourism with headquarters in Madrid. The organisation was formed at the initiative of the United Nations.

WTTC – World Travel & Tourism Council

A global association that brings together significant actors in travel and tourism. The WTTC works to increase awareness about travel, tourism and hospitality which together account for more than 10 percent of global GDP and employ close to 300 million people.

SUSTAINABILITY

Accident rate

A comparative indicator for the ratio between the number of accidents and the number of hours worked at the company, multiplied by 200,000 working hours. It is used to make comparisons between different companies. Fatality rates and the rate of serious accidents are also reported.

BREEAM

Building Research Establishment Environmental Assessment Method (BREEAM) is the most widely used environmental certification system for buildings in Europe. The system evaluates and grades the total environmental impact of buildings.

Full-time equivalents (FTEs)

Number of employees converted into full-time equivalents.

GRI Standards

The world's most widespread standards for reporting sustainability information. The standards are issued by the Global Reporting Initiative (GRI) and consist of principles and disclosures that organisations are to measure and report to monitor their sustainability work.

ILO

The International Labour Organization is a UN agency that brings together governments, employers and workers of 187 member states to set labour standards, develop policies and devise programmes promoting decent work for all women and men.

International Bill of Human Rights

The International Bill of Human Rights consists of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights.

Materiality analysis

Analysis to establish areas that are important for an organisation to prioritise in its sustainability work. The analysis is based on stakeholder dialogue as well as economic, environmental and social impact.

TCFD

Taskforce on Climate-related Financial Disclosures.

UK Modern Slavery Act

A UK law designed to combat all forms of human trafficking, forced or slave labour in an entity's own operations or in its supply chain. All operating entities or subsidiaries in the UK are subject to the law.

UN Global Compact

The UN Global Compact was created in 1999 at the World Economic Forum in Davos. The purpose was to create international principles around human rights, labour, environment and anti-corruption to be enacted by businesses. The principles are based on the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration and UN Convention against Corruption.

UN Sustainable Development Goals

Part of Agenda 2030; consists of 17 Sustainable Development Goals (SDGs) adopted by the UN General Assembly. The purpose is to end extreme poverty, reduce inequality and injustice in the world, promote peace and justice and solve the climate crisis by 2030.

GRI Index

GRI Standard	Disclosure	Page	Principles of the UN Global Compact
GRI 102: General disclosures			
ORGANISATIONAL PROFILE			
	102-1 Name of the organisation	94	
	102-2 Activities, brands, products and services	2–3, 16, 20–21	
	102-3 Location of headquarters	94	
	102-4 Location of operations	2	
	102-5 Ownership and legal form	92	
	102-6 Markets served	2–3, 16	
	102-7 Scale of the organisation	2–3, 58–59, 153, 102, 104	
	102-8 Information on employees and other workers	153	1, 3
	102-9 Supply chain	53, 156	
	102-10 Significant changes to the organisation and its supply chain	146	
	102-11 Precautionary Principle or approach	150	7
	102-12 External initiatives	45	1, 2, 3, 4, 5, 6, 7, 8, 9, 10
	102-13 Membership of associations	45	
STRATEGY			
	102-14 Statement from senior decision-maker	6–11	
ETHICS AND INTEGRITY			
	102-16 Values, principles, standards, and norms of behaviour	59, 150	10
GOVERNANCE			
	102-18 Governance Structure	150, 158–161	
STAKEHOLDER ENGAGEMENT			
	102-40 List of stakeholder groups	148	
	102-41 Collective bargaining agreements	58	
	102-42 Identifying and selecting stakeholders	147	
	102-43 Approach to stakeholder engagement	147–148	
	102-44 Key topics and concerns raised	147–148	
REPORTING METHODOLOGY			
	102-45 Entities included in the consolidated financial statements	146	
	102-46 Defining report content and topic boundaries	43, 146	
	102-47 List of material topics	147, 149	
	102-48 Restatements of information	146	
	102-49 Changes in reporting	146	
	102-50 Reporting period	146	
	102-51 Date of most recent report	146	
	102-52 Reporting cycle	146	
	102-53 Contact point for questions regarding the report	146	
	102-54 Claims of reporting in accordance with the GRI Standards	146	
	102-55 GRI content index	178–179	
	102-56 External assurance	146, 168	
SPECIFIC DISCLOSURES – GRI 200: Economic performance			
GRI 205: Anti-corruption, 2016			10
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 52–53, 146–150	
	205-3 Confirmed incidents of corruption and actions taken	52	
SPECIFIC DISCLOSURES – GRI 300: Environmental			
GRI 302: Energy, 2016			7, 8, 9
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 46–51, 146–150	
	302-1 Energy consumption within the organisation	151	
	302-2 Energy consumption outside of the organisation	151	
	302-3 Energy intensity	151	
GRI 303: Water, 2018			7, 8, 9
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 46–51, 146–150	
	303-5 Water consumption ¹⁾	48, 152	
GRI 305: Emissions, 2016			7, 8, 9
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 46–51, 146–150	
	305-1 Direct (Scope 1) GHG emissions	151	
	305-2 Indirect (Scope 2) GHG emissions	151	

GRI Standard	Disclosure	Page	Principles of the UN Global Compact
	305-3 Other indirect (Scope 3) GHG emissions	151	
	305-4 GHG emissions intensity	151	
GRI 306: Waste, 2016			7, 8, 9
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 46–51, 146–150	
	306-2 Management of significant waste-related impacts	152	
GRI 308: Supplier environmental Assessment, 2016			8
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 46–51, 146–150	
	308-1 New suppliers that were screened using environmental criteria ¹⁾	53, 156	
Specific disclosures: Sustainability certification			7, 8, 9
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 46–51, 146–150	
	P-1 Sustainability-certified properties	152	
	P-2 Percentage of Pandox's Operator Activities that are sustainability-certified	152	
SPECIFIC DISCLOSURES – GRI 400: Social			
GRI 401: Employment, 2016			4, 5, 6
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 58–59, 146–150	
	401-1 New employee hires and employee turnover	154	
GRI 403: Occupational health and safety, 2018			3
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 58–59, 146–150, 155	
Topic-specific management:	403-1 Occupational health and safety management system	155	
	403-2 Hazard identification, risk assessment, and incident investigation	59, 155	
	403-3 Occupational health services	59, 155	
	403-4 Worker participation, consultation, and communication on occupational health and safety	59, 155	
	403-5 Worker training on occupational health and safety	59, 155	
	403-6 Promotion of worker health	59, 155	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	53	
Result disclosures:	403-9 Work-related injuries	155	
	403-10 Work-related ill health	155	
GRI 404: Training and Education, 2016			6
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 58–59, 146–150	
	404-3 Percentage of employees receiving regular performance and career development reviews	154	
GRI 405: Diversity and equal opportunity, 2016			1, 2, 6
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 58–59, 146–150	
	405-1 Diversity of governance bodies and employees	153–154	
GRI 406: Non-discrimination, 2016			1, 2, 6
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 58–59, 146–150	
	406-1 Incidents of discrimination and corrective actions taken	58	
GRI 414: Supplier Social Assessment, 2016			1, 2, 6
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 52–53, 146–150	
	414-1 New suppliers that were screened using social criteria ²⁾	53, 156	
GRI 416: Customer Health and Safety, 2016			
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 54–55, 146–150	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	156	
GRI 418: Customer Privacy, 2016			
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 54–55, 146–150	
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	55, 156	
Specific disclosures: Guest satisfaction			
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 54–55, 146–150	
	P-3 Guest satisfaction in Operator Activities	54	
Specific disclosures: Prostitution and trafficking			4
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 52–53, 146–150	
	P-4 Number of incidents of prostitution or trafficking	53	
Specific disclosures: Vibrant local communities			
GRI 103: Management approach	103-1/2/3 Sustainability management	43–45, 52–53, 146–150	
	P-5 Percentage of hotels in Pandox Operator Activities including head office and community projects	60–61	

Deviation from GRI Standards:

¹⁾ GRI 303: Pandox has started reporting according to the 2018 standard, but data on topic-specific governance is not fully available. Read more in Note K11.

²⁾ GRI 308 + GRI 414: No data on new suppliers is available this year, but is expected to be available in next year's Annual Report. Read more on the reason in Note K11.

TCFD Index

Padox has taken the first step towards reporting according to TCFD (Taskforce on Climate-related Financial Disclosures) and this process will be developed in the years ahead. The purpose of this index is to make it easier for the reader to find the information included in the TCFD reporting. In the years ahead Padox will work further on scenario analysis linked to climate change.

Management approach	Strategy	Risk management	Targets and indicators
Recommended disclosures	Recommended disclosures	Recommended disclosures	Recommended disclosures
A. Describe the organisation's governance around climate-related risks and opportunities. See page 150	A. Describe the climate-related risks and opportunities the organisation has identified. See page 89	A. Describe the organisation's processes for identifying and assessing climate-related risks. See pages 84–85	A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. See pages 89, 151
B. Describe management's role in assessing and managing climate-related risks and opportunities. See page 150	B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. See page 89	B. Describe the organisation's processes for managing climate-related risks. See pages 44–51, 89	B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. See page 151
	C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios. See page 180	C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. See pages 84–85	C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. See page 46



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