

YEAR-END REPORT JANUARY-DECEMBER 2018

Good growth and increased net asset value



Interim presentation

14 February, 2019

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Profitable growth both for the quarter and the year

17%

R12M

Return on equity²

1

Profitable acquisitions in new large markets

2

Strong development in Brussels

3

Stable demand in the hotel market

25%

Q4

29%

FY

Growth in total
net operating income¹

1%

Q4

1%

FY

LFL growth in NOI
Property Management³

11%

Q4

10%

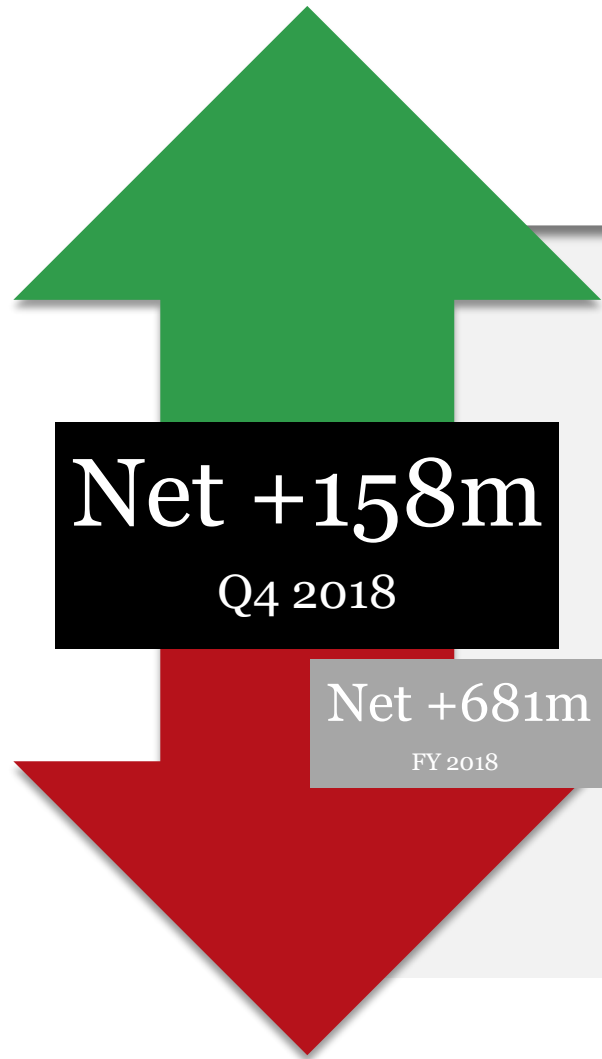
FY

LFL growth in NOI
Operator Activities³

- 1) Measured as net operating income Property Management and gross profit plus depreciation Operating Activities
- 2) Measured as growth in EPRA NAV, including dividend and excluding proceeds from directed share issue, at annual rate
- 3) For comparable units adjusted for currency effects

Substantial increase in total net operating income

Based on a combination of factors

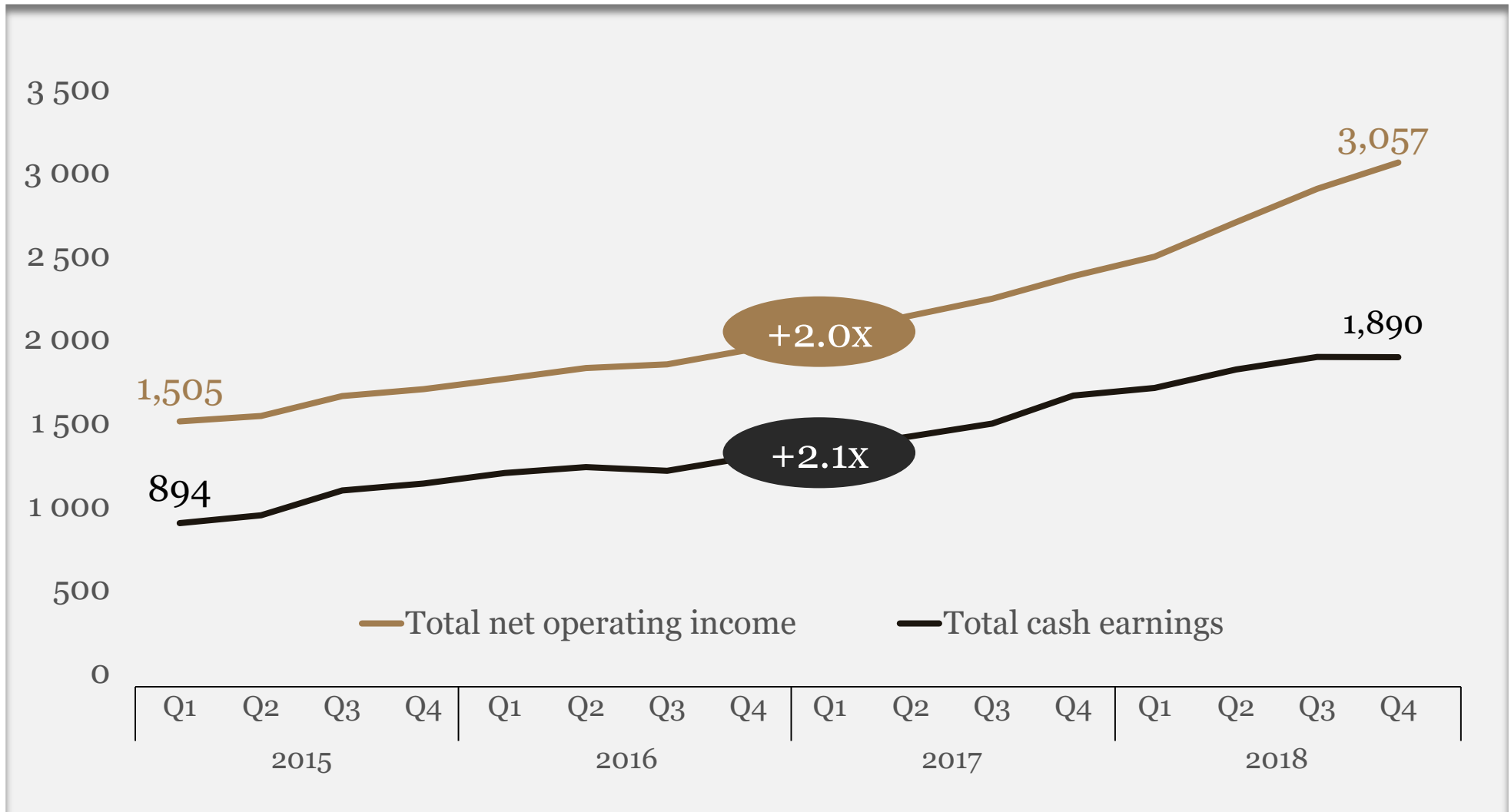


- + Strong performance in the UK and Ireland
- + Strong growth in Brussels and Berlin
- + Stable underlying demand in the hotel market

- Weak trade fair calendar in Germany
- Negative renovation effects
- Increased capacity

Focus on profitable growth (R12M)

Continuously high business tempo reflected in earnings



Portfolio overview

Well-diversified portfolio dominated by revenue-based leases

Pandox Group	Property Management	Operator Activities
144 Hotel properties	128 Leased properties	16 Operated properties
32,268 Rooms	27,309 Rooms	4,959 Rooms
SEK 55.2bn Property market value	85% Property market value	15% Property market value
	5.51% Valuation yield	6.74% Valuation yield

Based on portfolio market value as of 31 December 2018 (rounded percentages)

The world of Pandox



Leonardo Wolfsburg City Centre

Hotel extension creates leading regional hotel



- ✓ 150 rooms added
- ✓ 345 rooms in total
- ✓ MEUR 11 investment
- ✓ High expected ROI
- ✓ Property Management

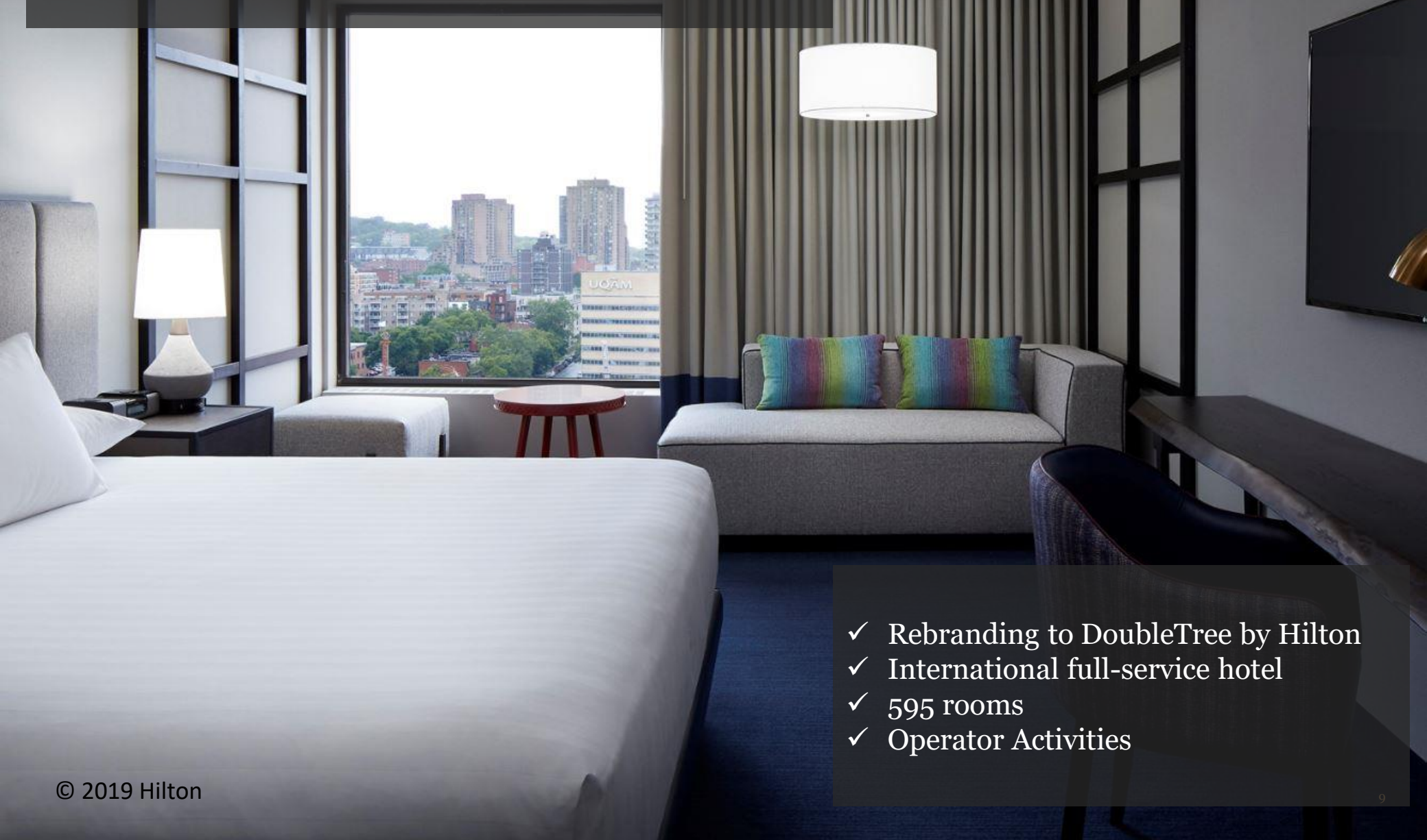
Jurys Inn Belfast

Hotel extension creates leading city hotel

- ✓ 83 new rooms added
- ✓ 270 rooms in total
- ✓ MGBP 6 investment
- ✓ High expected ROI
- ✓ Property Management

DoubleTree by Hilton Montreal

Hotel rebranding in a very dynamic hotel market



- ✓ Rebranding to DoubleTree by Hilton
- ✓ International full-service hotel
- ✓ 595 rooms
- ✓ Operator Activities

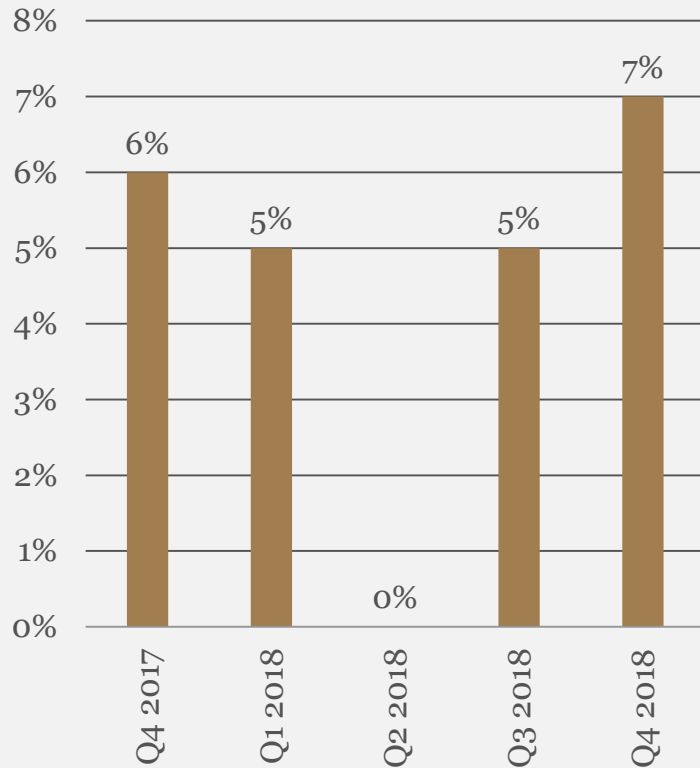
A broad selection of operators and brands



All brands and logos are the property of their respective owner

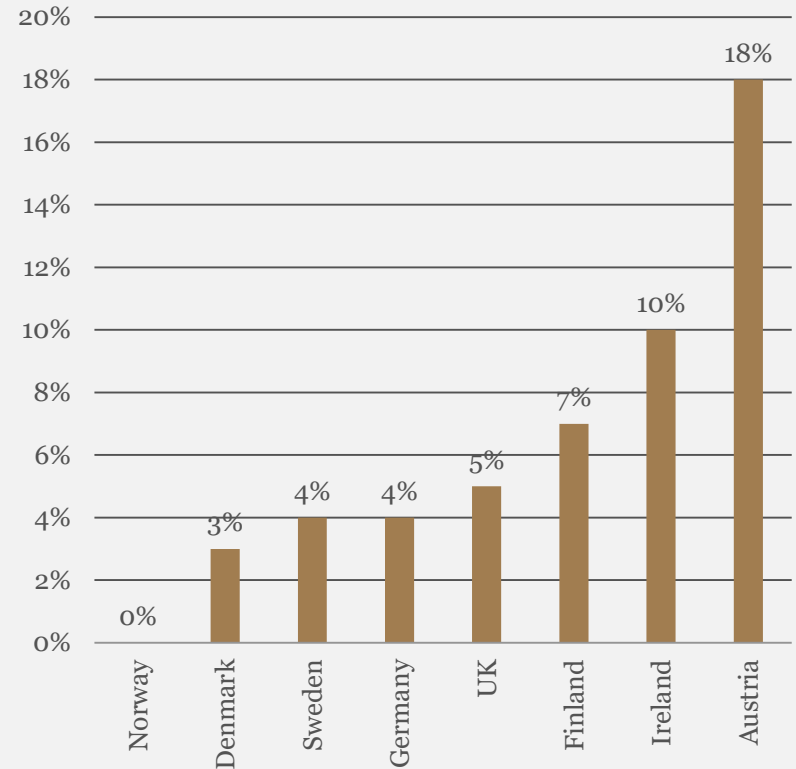
Positive growth (RevPAR Q4 y/y)

Europe (RevPAR)



Source: STR Global

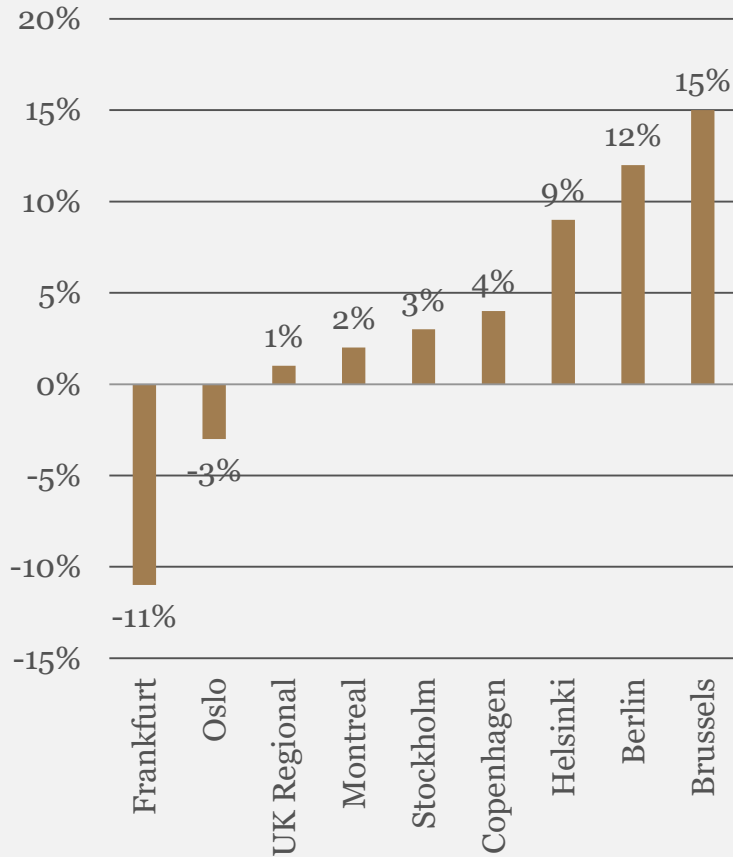
Selected countries (RevPAR)



Source: STR Global, Benchmarking Alliance

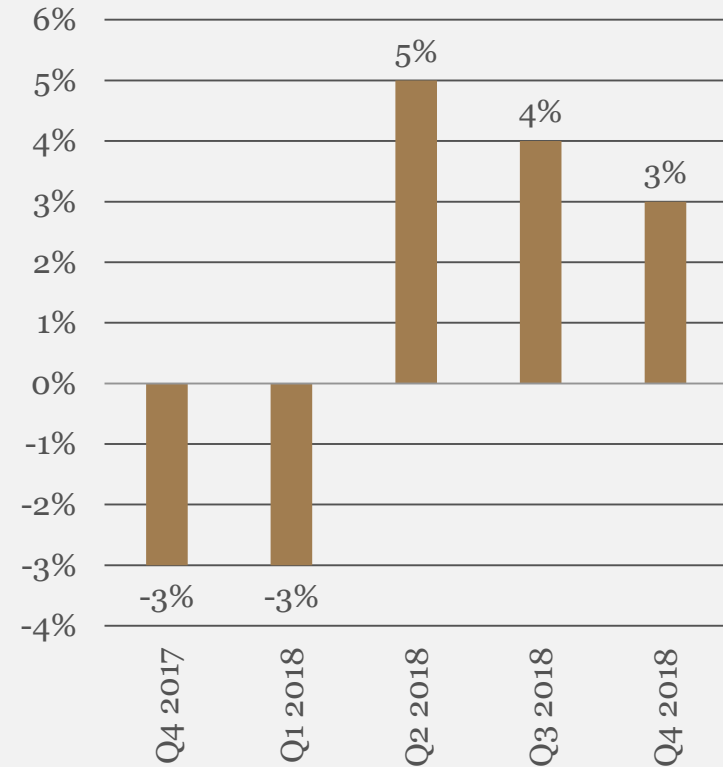
Good growth in several key markets (RevPAR Q4 y/y)

Key markets (RevPAR)



Source: STR Global, Benchmarking Alliance

Stockholm (RevPAR)



Source: Benchmarking Alliance

Financial highlights

Profitable earnings growth

Key figures

(MSEK)	Q4 2018	Q4 2017	chg %	FY 2018	FY 2017	chg %
Revenue						
<i>Property Management (Note 1)</i>	749	571	31	2,971	2,202	35
Net operating income						
<i>Property Management (Note 1)</i>	627	490	28	2,517	1,882	34
Net operating income						
<i>Operator Activities (Note 1)</i>	165	144	15	540	494	9
EBITDA (Note 1)	749	597	26	2,909	2,252	29
Profit for the period (Note 1)	775	1,183	-34	2,823	3,148	-10
Cash earnings (Note 1)	480	482	0	1,890	1,660	14
Q4 2017 includes MSEK 31 of tax reversal and income from the sale of shares FY 2017 includes MSEK 60 of tax reversal and income from the sale of shares						
Per share data (SEK)						
Earnings per share (Note 1,2,3)	4.63	7.47	-38	16.83	19.89	-15
Cash earnings (Note 1,2,3)	2.88	3.06	-6	11.26	10.46	8
EPRA NAV (Note 3)	-	-	-	164.04	144.54	13

Comments on the quarter

- Property Management: LFL¹ increase in revenue and net operating income of 1 percent respectively
- Operator Activities: LFL¹ increase in net operating income of 11 percent
- End of year, EPRA NAV per share amounted to SEK 164.04, an increase of SEK 19.50 from year-end 2017. Adjusted for dividend the annualised return was 17 percent
- For the year, Investment Properties experienced an unrealised and realised portfolio value increase of 3.4 percent. For Operating Properties (information purposes only) the unrealised value increase was 3.0 percent

(Note 1) See page 22 in interim report January-September 2018 for summary of reclassifications, acquisitions and divestments.

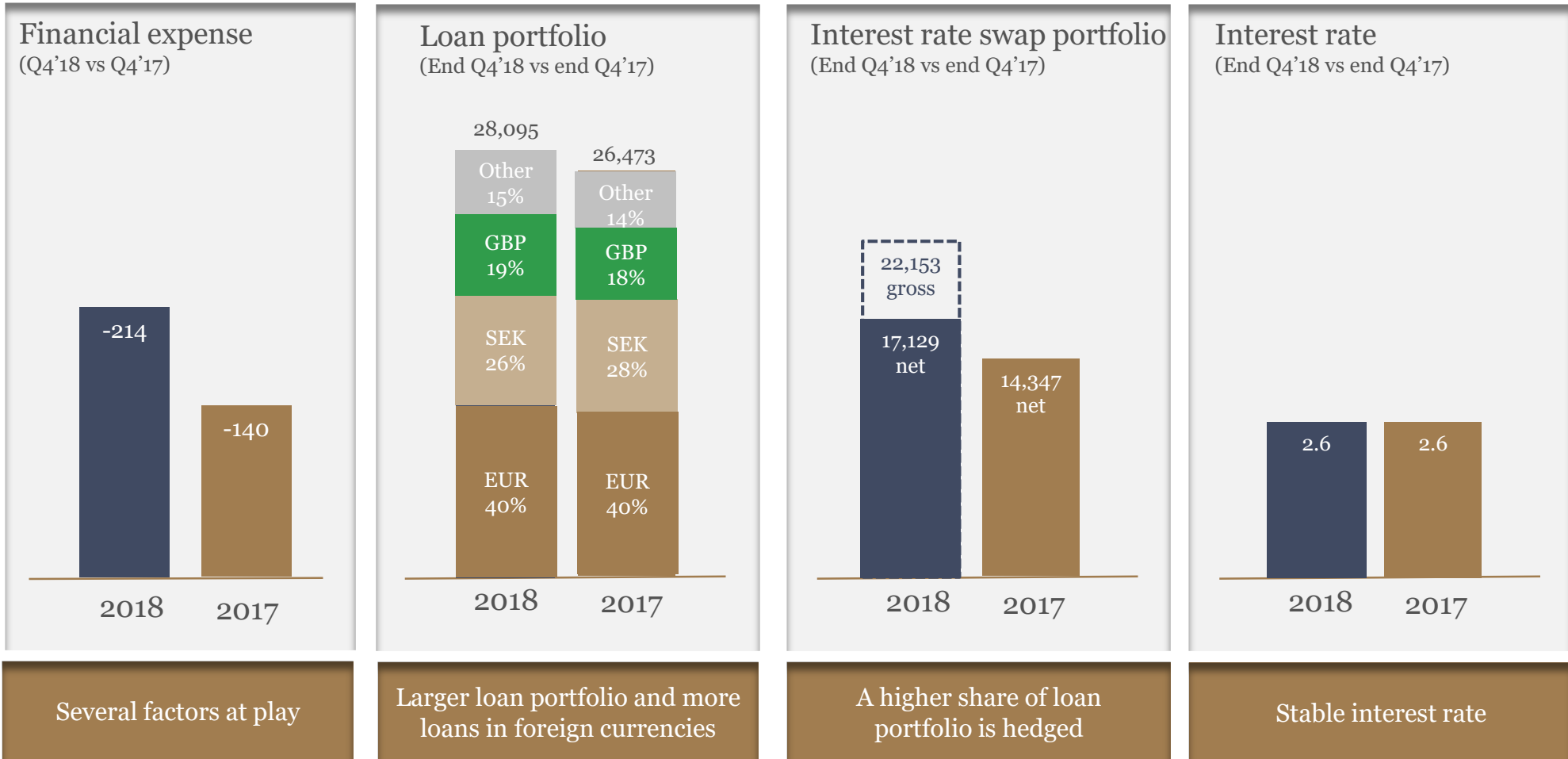
(Note 2) Based on total and weighted number of shares 167,499,999 for Q4 2018 and FY 2018, 158,913,042 for Q4 2017 and 157,856,163 for FY 2017.

(Note 3) After non-controlling interest and based on 167,499,999 shares for both periods.



Financial expense

Increase reflects several factors



Good growth and strong profitability

Property Management

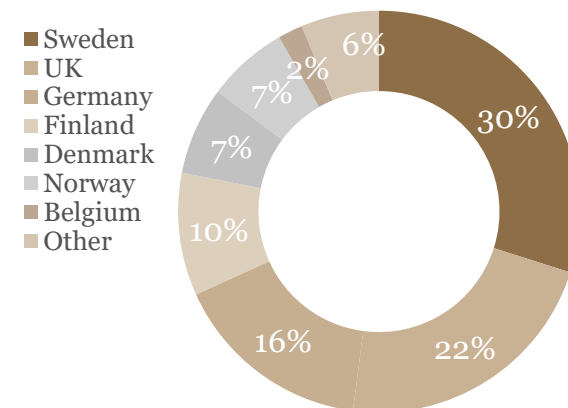
Net operating income

(MSEK)	Q4 2018	Q4 2017	FY 2018	FY 2017
Rental income	704	549	2,809	2,121
Other property income	45	22	162	81
Costs*	-122	-82	-454	-321
Net operating income	627	490	2,517	1,882

*Including property administration costs

The Midland Manchester included per 1 November 2018
Divestment of Scandic Ferrum completed 3 December 2018

Rental income Oct – Dec 2018 in %



- Q4 2018 LFL¹ rental income and net operating income increased by 1 percent respectively
- Stable positive development in the UK and Ireland (not in the comparable portfolio)
- Weak trade fair calendar in Germany
- New supply and negative renovation effects mainly in the Nordics

Brussels maintained good momentum

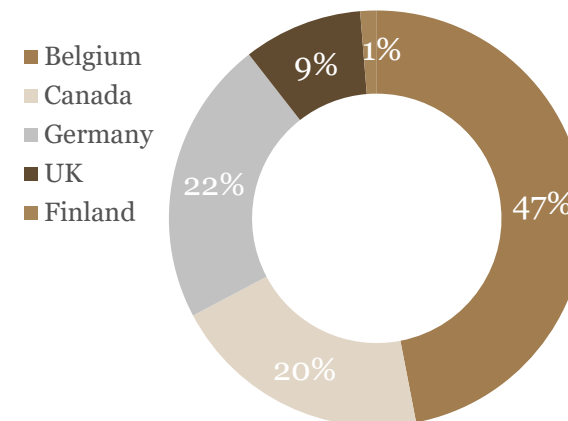
Operator Activities

Net operating income

(MSEK)	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenue	626	528	2,153	2,067
Costs	-507	-429	-1,776	-1,743
Gross Profit	119	99	377	324
Add: Depreciation included in costs	46	45	163	170
Net operating income	165	144	540	494
NOI margin	26%	27%	25%	24%

Radisson Blu Glasgow included per 31 October 2018

Revenues Oct – Dec 2018 in %



- › Q4 2018 LFL¹ revenue and net operating profit increased by 12 and 11 percent respectively
- › NOI improvement mainly driven by Brussels
- › Hotel Hubert in full swing (reopened in September 2018)
- › Some cost related to the rebranding of DoubleTree by Hilton Montreal

Property portfolio

A relatively active quarter

Change in value (MSEK)

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2018)	42 548
+ Acquisitions ²⁾	1 215
+ Investments in current portfolio	434
- Divestments ³⁾	-286
+/- Reclassifications ¹⁾	621
+/- Revaluation of fixed assets to total comprehensive income for the period ¹⁾	117
+/- Unrealised changes in value	1 429
+/- Realised changes in value ³⁾	14
+/- Change in currency exchange rates	1 048
Investment Properties, closing balance (December 31, 2018)	47 139

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2018)	7 573
+ Acquisitions ⁴⁾	510
+ Investments in current portfolio	286
- Divestments	—
+/- Reclassifications ¹⁾	-773
+/- Unrealised changes in value	224
+/- Realised changes in value	—
+/- Change in currency exchange rates	238
Operating Properties, market value (December 31, 2018)	8 058

**+3.4%
YTD**

**+3.0%
YTD**

**+3.3%
YTD**

¹⁾ Refers mainly to reclassification of two hotel properties to Property Management in Q1 2018.

²⁾ Refers to acquisition of The Midland Manchester in Q4 2018 and adjustment of acquisition.

³⁾ Refers to divestment of Scandic Ferrum in Q4 2018.

⁴⁾ Refers to acquisition of Radisson Blu Glasgow in Q4 2018.

Comments per 31 December, 2018

- Total property portfolio market value amounted to MSEK 55,197 (50,121)
- Average valuation yield for Investment Properties was 5.51 (5.57) percent and for Operating Properties 6.74 (7.27) percent
- External valuations in line with and confirms Pandox's internal valuations
- Change of external independent property appraisers for certain properties during H2 2018

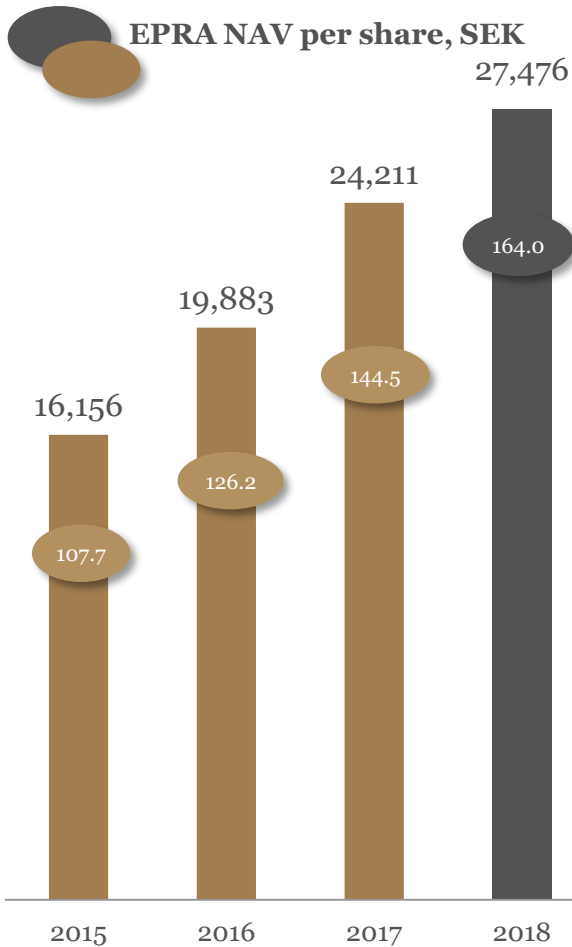
Portfolio changes 2018 YTD:

- Reclassification of two hotels to Property Management (1 February)
- Midland Manchester acquired (1 November) and Scandic Ferrum divested (3 December) in Property Management
- Radisson Blu Glasgow acquired (31 October) in Operator Activities

Financing and capital structure

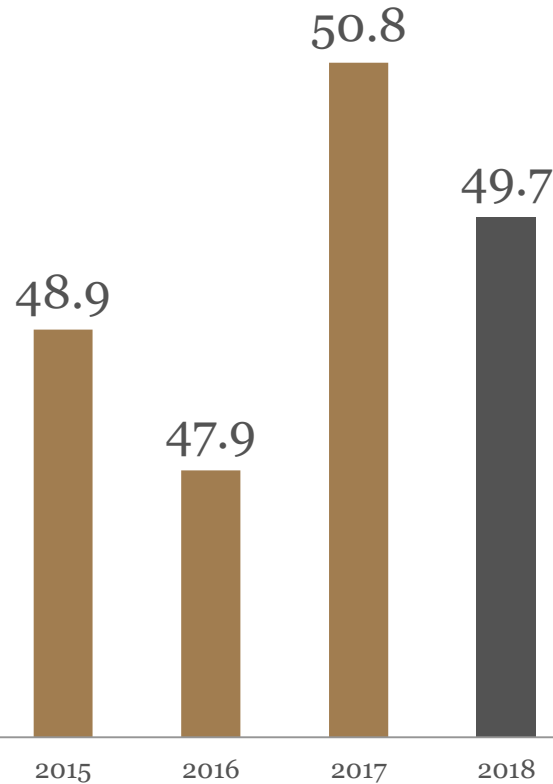
Sustained growth in EPRA NAV and maintained financial flexibility

EPRA Net Asset Value (MSEK)

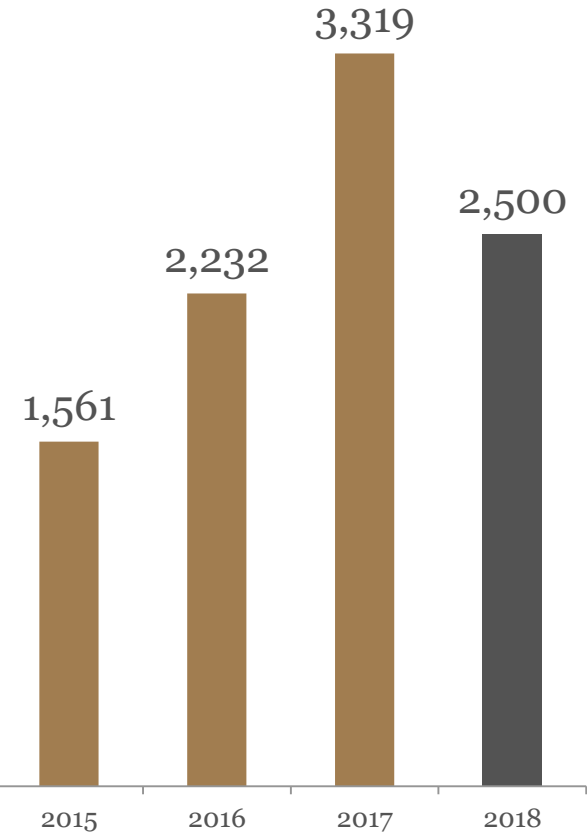


Loan to value (%)

Renewed mandate from the AGM 2018 to issue new shares up to a maximum of 10 percent of total outstanding shares

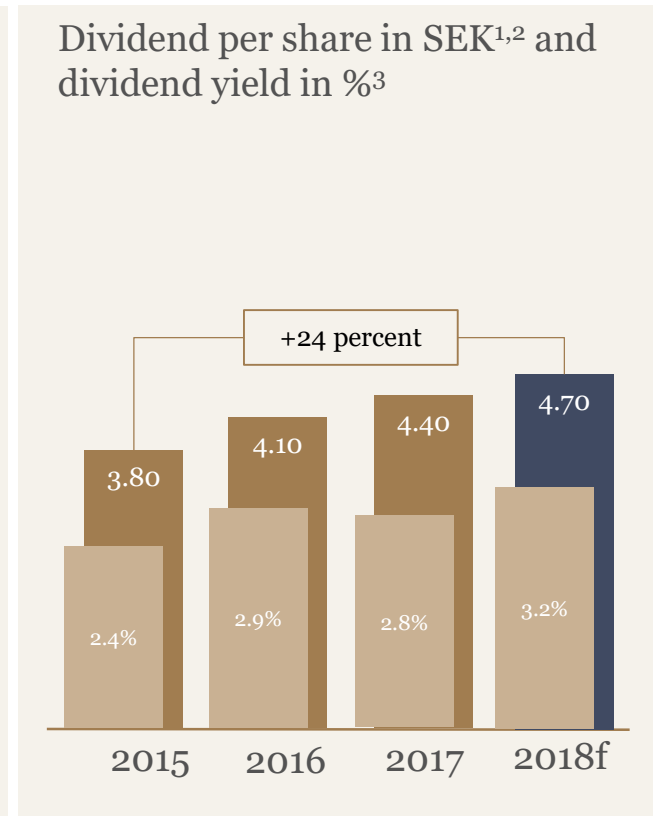
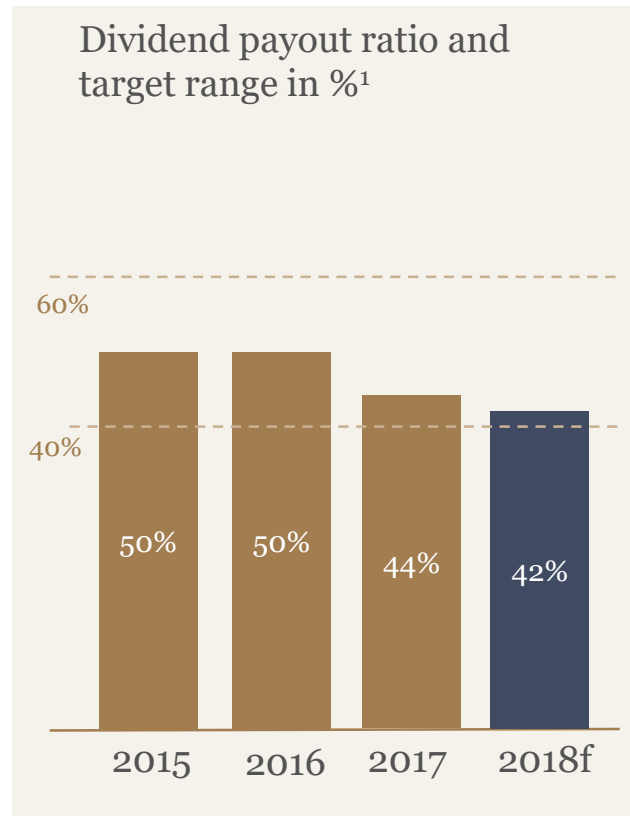
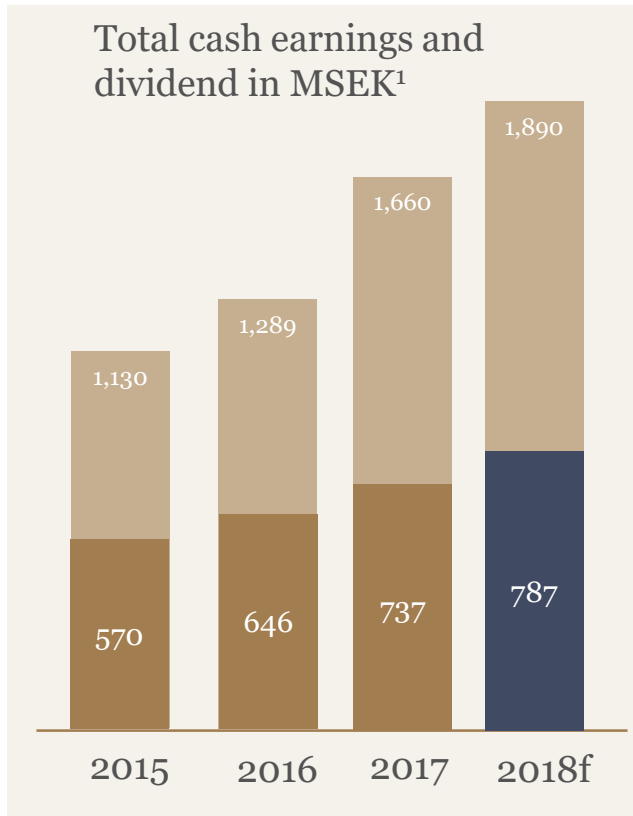


Liquid funds and long-term unutilised credit facilities (MSEK)



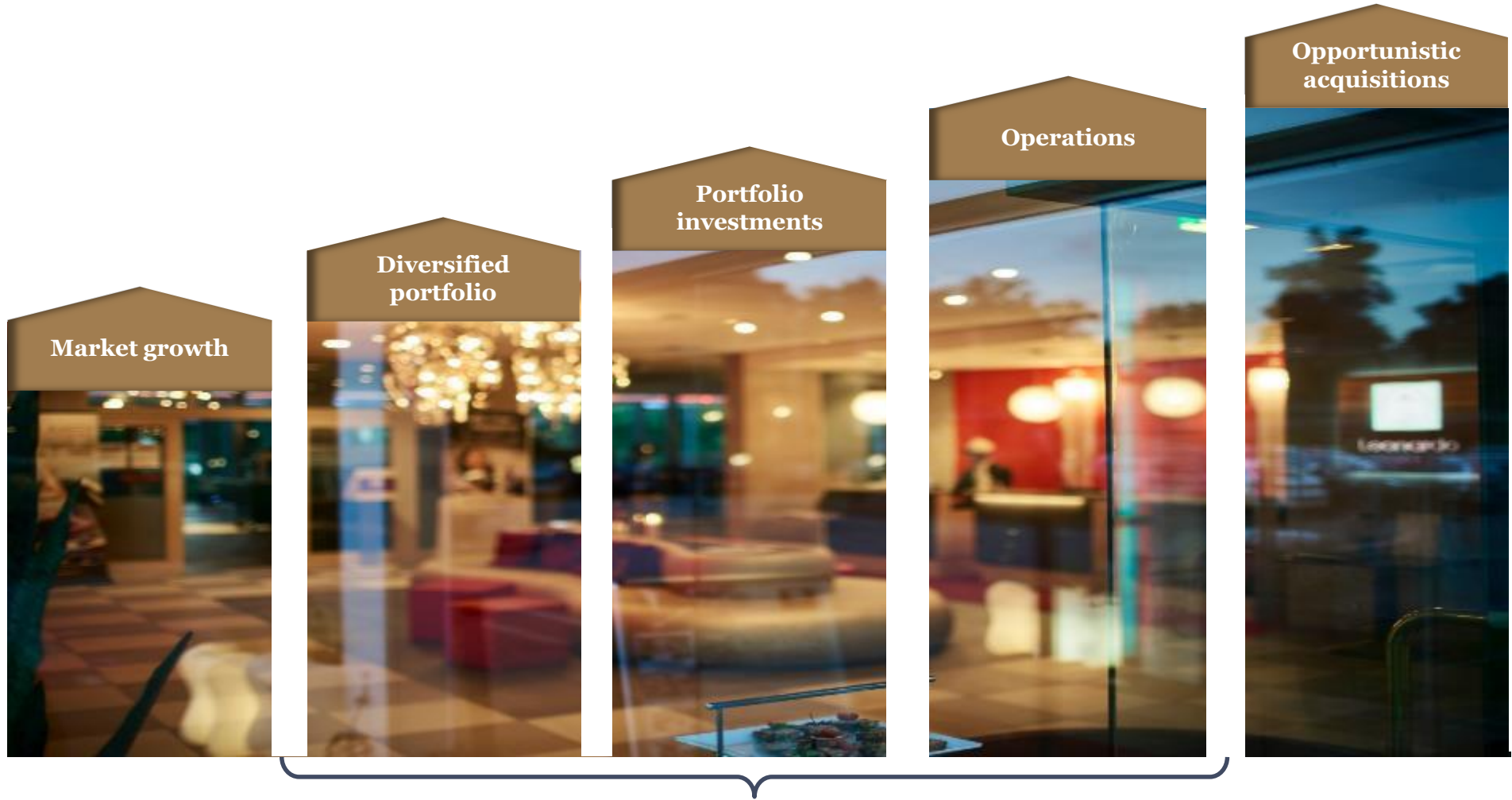
Stable growing dividend

Pay-out ratio well within target range



- 1) Total dividend divided by total cash earnings. For 2018 the proposed dividend is used.
- 2) Total dividend divided by total number of outstanding shares end of year.
- 3) Dividend per share divided by the closing share price end of year.

The main drivers for growth



Organic growth



Q & A



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