

INTERIM REPORT JANUARY-JUNE 2019

Profitable diversification



Interim presentation

12 July, 2019

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Profitable diversification

16%

R12M

Return on equity²⁾

1

Profitable diversification effects

2

Strong performance for Operator Activities

3

Stable hotel market

10%

Q2 2019

12%

H1 2019

Growth in total
net operating income¹⁾

0.3%

Q2 2019

0.7%

H1 2019

LFL growth in NOI
Property Management³⁾

16.8%

Q2 2019

16.9%

H1 2019

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

Tangible increase in total net operating income

Based on a combination of factors



- + Previous acquisitions
- + Strong growth in Brussels and other markets
- + Stable underlying demand

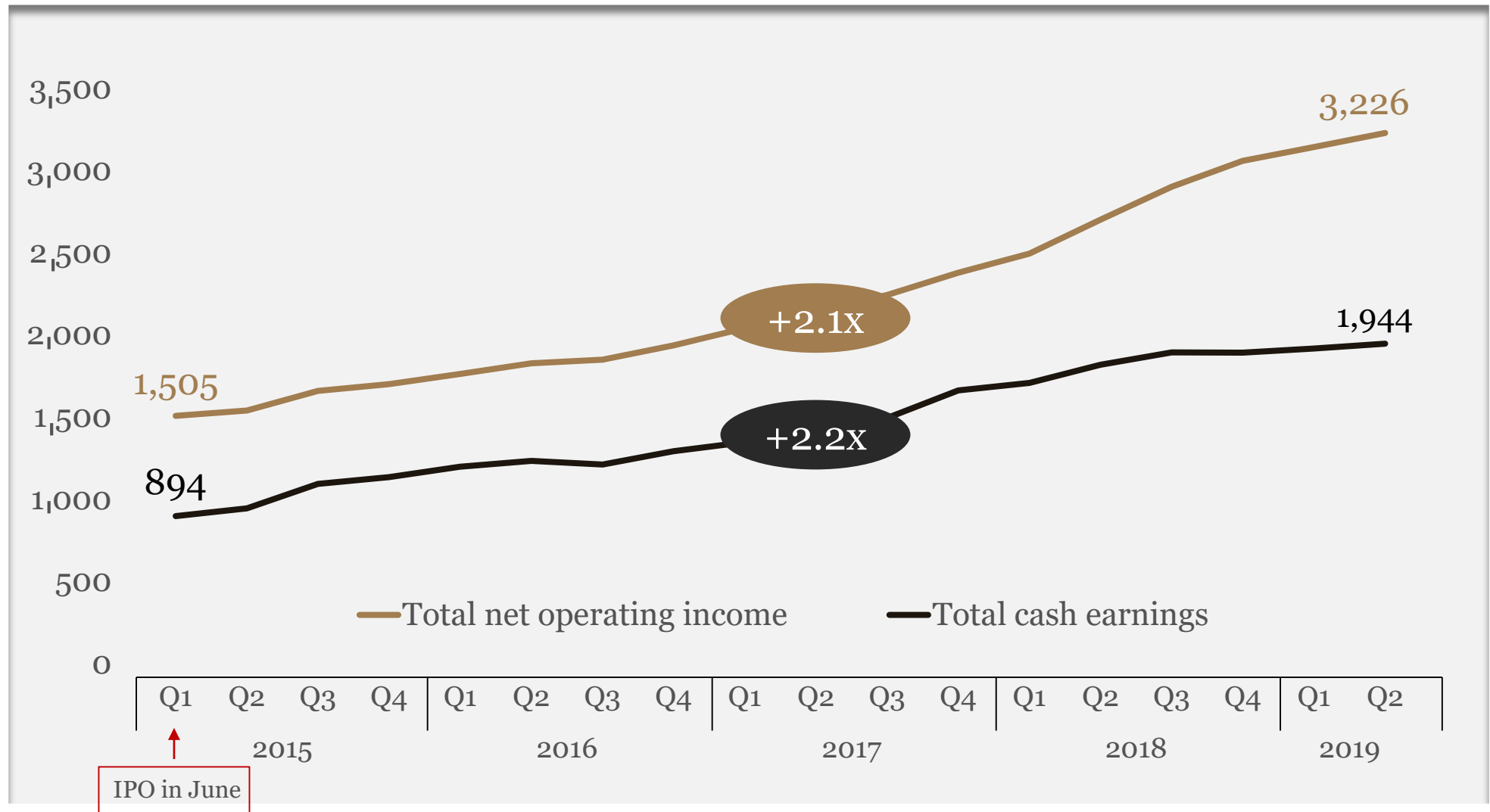
- Negative calendar effects
- Increased hotel supply in some markets
- Some renovation effects

1) Excluding IFRS 16 the increase was MSEK 64, or 8 percent

2) Excluding IFRS 16 the increase was MSEK 129, or 9 percent

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
32,281 Rooms	27,322 Rooms	4,959 Rooms
SEK 57.6bn Property market value	85% Property market value	15% Property market value
	5.51% Valuation yield	6.61% Valuation yield

Based on portfolio market value as of 31 March 2019 (rounded percentages)

Including the three hotel properties in Germany at acquisition value and currency exchange rate per 30 June, 2019, the total property market value is SEK 58.7bn

Acquisition of three hotel properties in Germany

Full-service hotels in growing cities with domestic demand

- MSEK 103 purchase price
- Initial yield 5.7 percent
- Long-term revenue-based leases with HR Group
- Dorint Hotels & Resorts as brand
- 565 rooms
- Well-maintained properties
- MEUR 6.0 in expected rent (annualised)
- MEUR 5.8 in expected NOI (annualised)



Three full-service hotels in strategic locations

Well-positioned in their markets and with growth potential



Dorint Hotel am Dom Erfurt

Full-service

160 rooms



Dorint Hotel an den Westfalenhalle Dortmund

Full-service

221 rooms

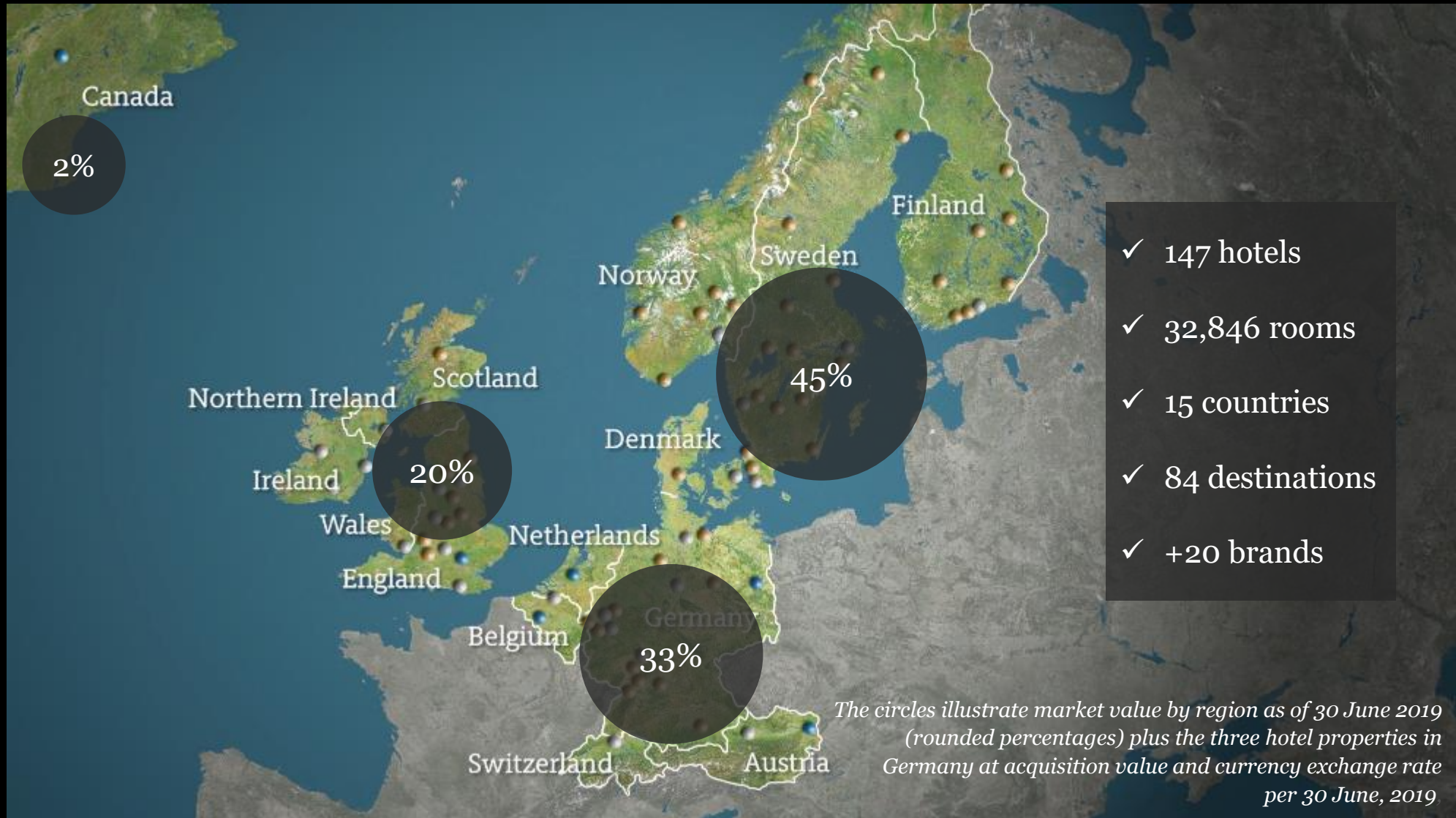


Dorint Hotel and der
Kongresshalle Augsburg

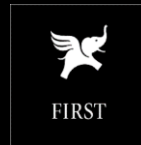
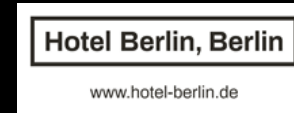
Full-service

184 rooms

The world of Pandox including recent acquisition



A broad selection of operators and brands

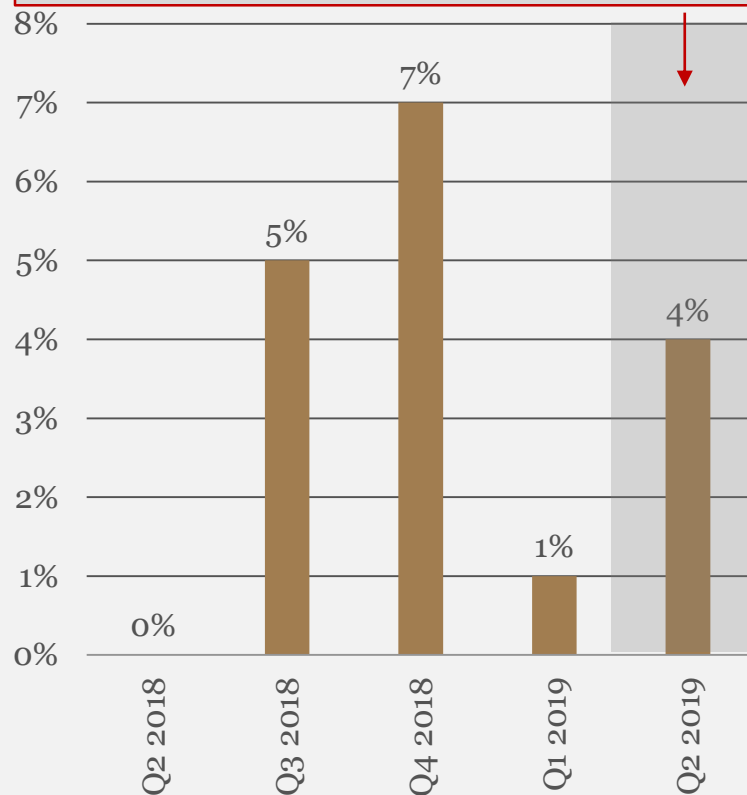


All brands and logos are the property of their respective owner

Uneven development but demand is there (RevPAR Q2 y/y)

Europe (RevPAR)

Average growth for the periods April and May 2019

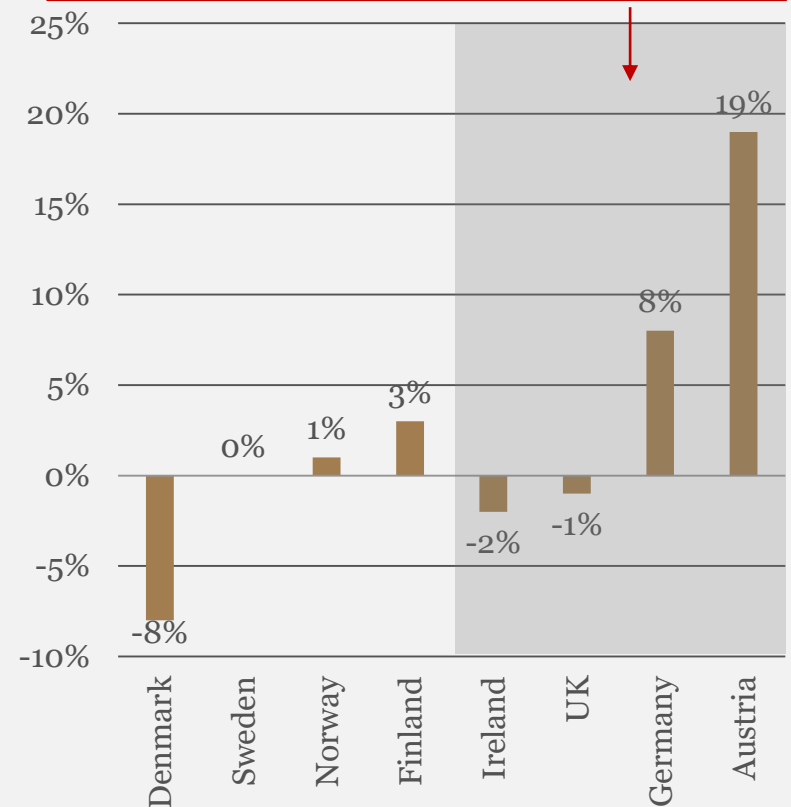


Source: STR Global

Rounded figures

Selected countries (RevPAR)

Average growth for the periods April and May 2019

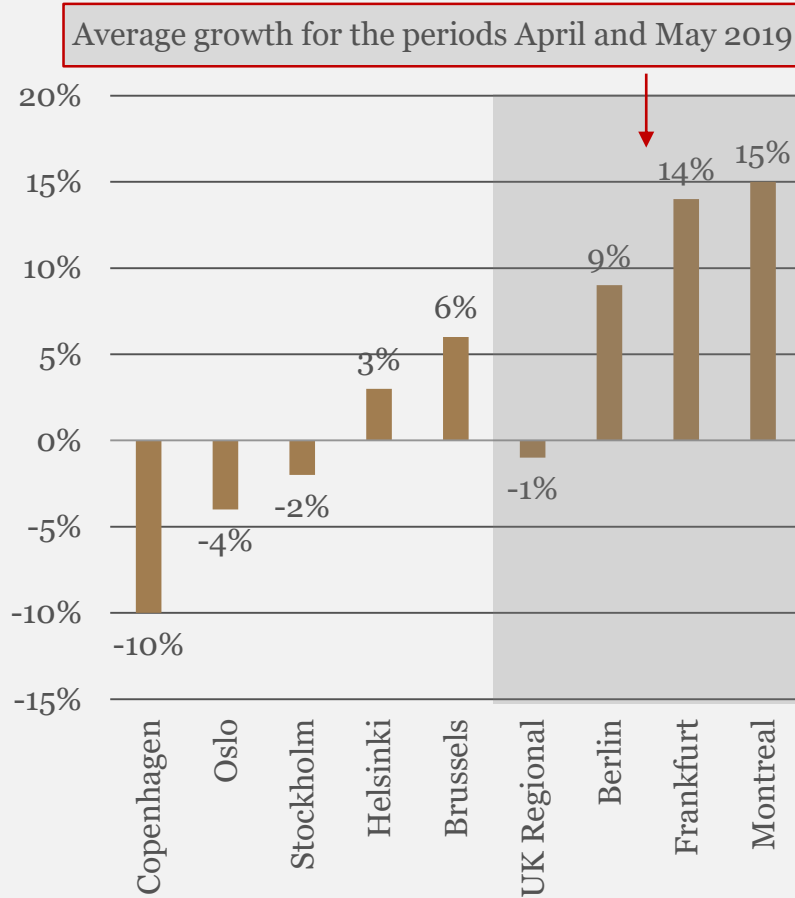


Source: STR Global, Benchmarking Alliance

Rounded figures

Diversification limits portfolio fluctuations (RevPAR Q2 y/y)

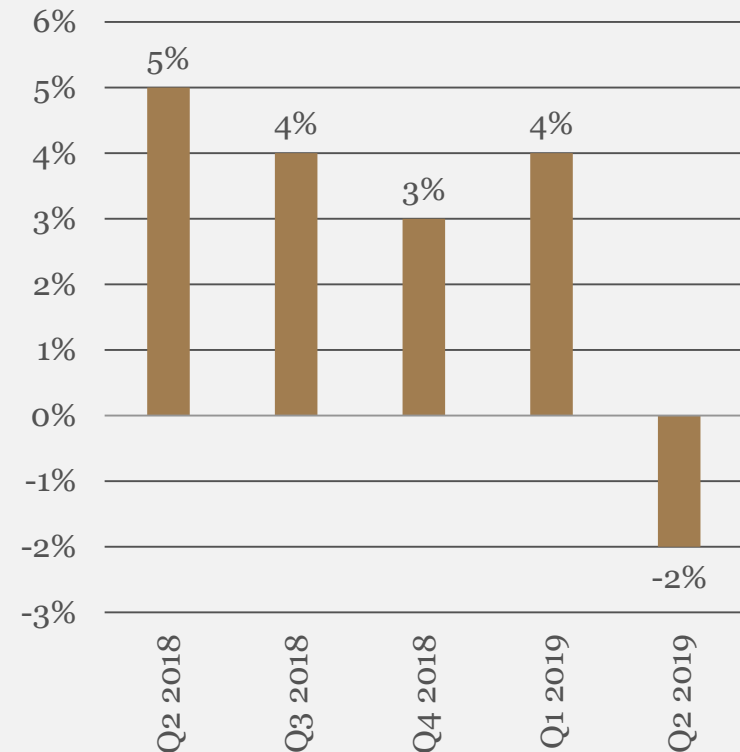
Key markets (RevPAR)



Source: STR Global, Benchmarking Alliance

Rounded figures

Stockholm (RevPAR)



Source: Benchmarking Alliance

Rounded figures

Financial highlights

Continued positive earnings growth

Key figures

(MSEK)		Q2 2019	Q2 2018	chg %	FY 2018
Revenue					
Property Management (Note 1)	Adj for tax 813	783	791	3 -1	2,971
Net operating income					
Property Management (Note 1)	Ex IFRS 16 689	704	664	8 10	2,517
Net operating income					
Operator Activities (Note 1)	206	212	167	23 27	540
EBITDA (Note 1)	847	868	794	7 9	2,909
Profit for the period (Note 1)		760	763	-0	2,823
Cash earnings (Note 1)		565	537	5	1,890
Per share data (SEK)					
Earnings per share (Note 1,2,3)		4.53	4.53	0	16.83
Cash earnings (Note 1,2,3)		3.37	3.19	5	11.26
EPRA NAV (Note 3)		173.83	-	-	164.04

(Note 1) See page 24 in interim report January-March 2019 for summary of reclassifications, acquisitions and divestments.

(Note 2) Based on total and weighted number of shares 167,499,999 for Q2 2019, Q2 2018 and FY 2018.

(Note 3) After non-controlling interest.

Comments on the quarter

- Property Management: LFL¹ increase in revenue and net operating income of 0.4 and 0.3 percent respectively
- Operator Activities: LFL¹ increase in net operating income of 16.8 percent
- End of period, EPRA NAV per share amounted to SEK 173.83, an increase of SEK 9.79 from year-end 2018. Adjusted for dividend the annualised return was 16 percent
- For the year, Investment Properties experienced an unrealised and realised portfolio value increase of 1.4 percent. For Operating Properties (information purposes only) the unrealised value increase was 2.2 percent
- IFRS 16 applied from 1 January 2019

¹For comparable units adjusted for currency effects

Positive effects from diversification

Property Management

Net operating income

(MSEK)	Q2 2019	Q2 2018	FY 2018
Rental income	772	739	2,809
Other property income	11	52	162
Costs*	-79	-127	-454
Net operating income	704	664	2,517

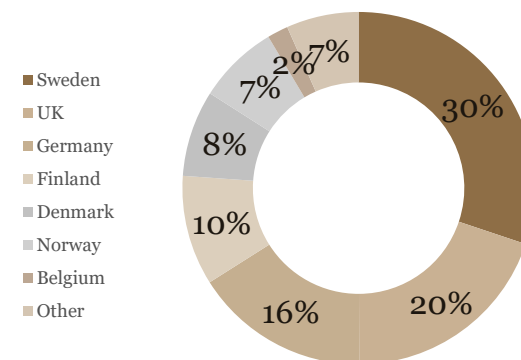
*Including property administration costs

-30m

Ex IFRS 16: MSEK 689

Included in Other property income and Costs due to change of reporting in the UK and Ireland, of which half attributed to the first quarter.
Adjusted for these changes, the underlying level for Other property income are approximately MSEK 26 for Q2'19 and MSEK 22 for Q2'18

Rental income Apr – Jun 2019 in %



- Q2 2019 LFL¹⁾ rental income and net operating income increased by 0.4 and 0.3 percent respectively
- Positive diversification effects with stronger markets balancing weaker markets
- Negative calendar effects of 2-3 percent for the comparable portfolio
- New supply and some negative renovation effects in selected markets
- Positive currency effects

¹⁾For comparable units adjusted for currency effects

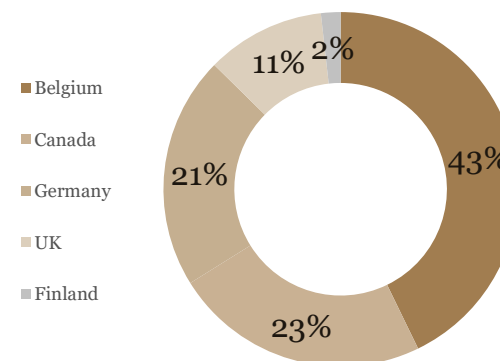
Strong earnings growth

Operator Activities

Net operating income

(MSEK)	Q2 2019	Q2 2018	FY 2018
Revenue	673	565	2,153
Costs	-508	-436	-1,776
Gross Profit	165	129	377
Add: Depreciation included in costs	47	38	163
Net operating income	212	167	540
	<small>Ex IFRS 16: MSEK 206</small>		
NOI margin	32%	30%	25%

Revenues Apr – Jun 2019 in %



- Q2 2019 LFL¹⁾ revenue and net operating profit increased by 8.6 and 16.8 percent respectively
- Broad based NOI improvement driven by Brussels, Germany and positive currency effects
- Rebranding of DoubleTree by Hilton Montreal progressing according to plan

¹⁾For comparable units adjusted for currency effects

Property portfolio

Good value increase in the quarter

Change in value (MSEK)

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2019)	47 139
+ Acquisitions ²⁾	-65
+ Investments in current portfolio	225
- Divestments	—
+/- Reclassifications	—
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	640
+/- Realised changes in value	—
+/- Change in currency exchange rates	1 087
Investment Properties, closing balance (June 30, 2019) ³⁾	49 026

**+1.4%
YTD**

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2019)	8 058
+ Acquisitions ¹⁾	-25
+ Investments in current portfolio	89
- Divestments	—
+/- Reclassifications	—
+/- Unrealised changes in value	181
+/- Realised changes in value	—
+/- Change in currency exchange rates	289
Operating Properties, market value (June 30, 2019)	8 592

**+2.2%
YTD**

+1.5% YTD

¹⁾ Refers to adjustment Radisson Blu Glasgow (MSEK 4), Hilton Grand Place (MSEK 7) and Hilton Garden Inn (MSEK-36)

²⁾ Refers to adjustment the Midland Manchester (MSEK 8) and the Jurys Inn portfolio (MSEK-73)

³⁾ Corresponding to value of Investment properties and Assets held for sale in the balance sheet

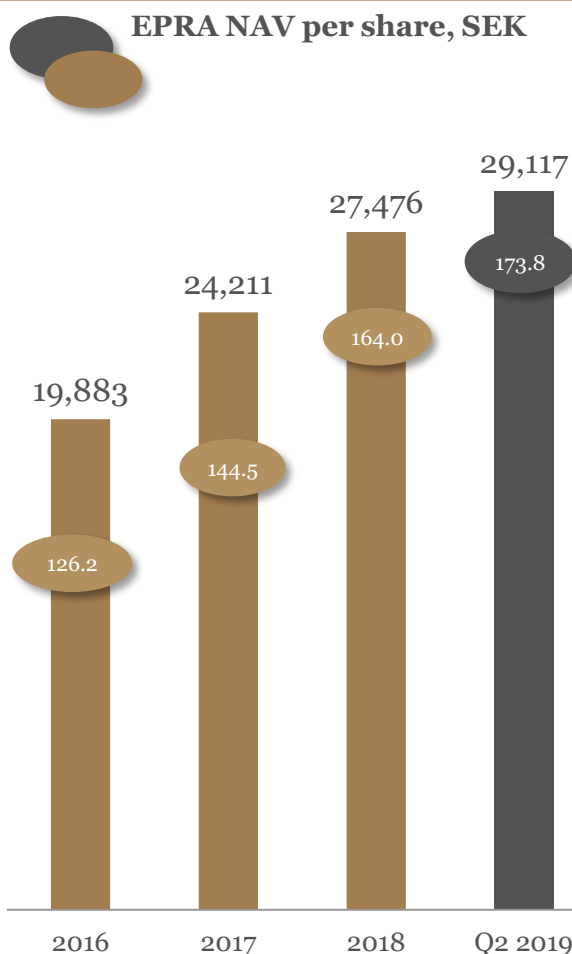
Comments per 30 June, 2019

- Total property portfolio market value amounted to MSEK 56,713 (55,197)
- Average valuation yield for Investment Properties was 5.51 (5.51) percent and for Operating Properties 6.61 (6.74) percent
- Approximately 20 percent of property portfolio externally valued in Q2
- External valuations in line with and confirms Pandox's internal valuations
- Agreement to acquire three hotel properties in Germany 18 June 2019. Completed 1 July 2019
- Agreement to divest hotel building in Stockholm for MSEK 480. Expected completion 2 September 2019

Financing and capital structure

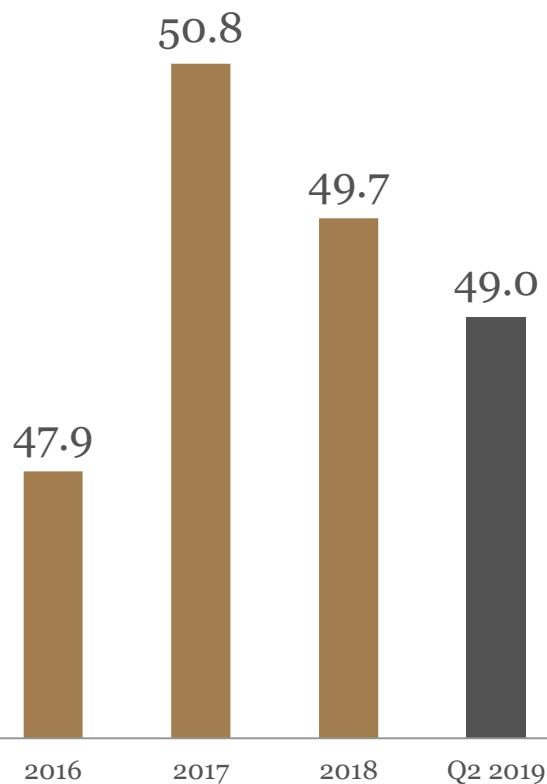
Sustained growth in EPRA NAV and maintained financial flexibility

EPRA Net Asset Value (MSEK)

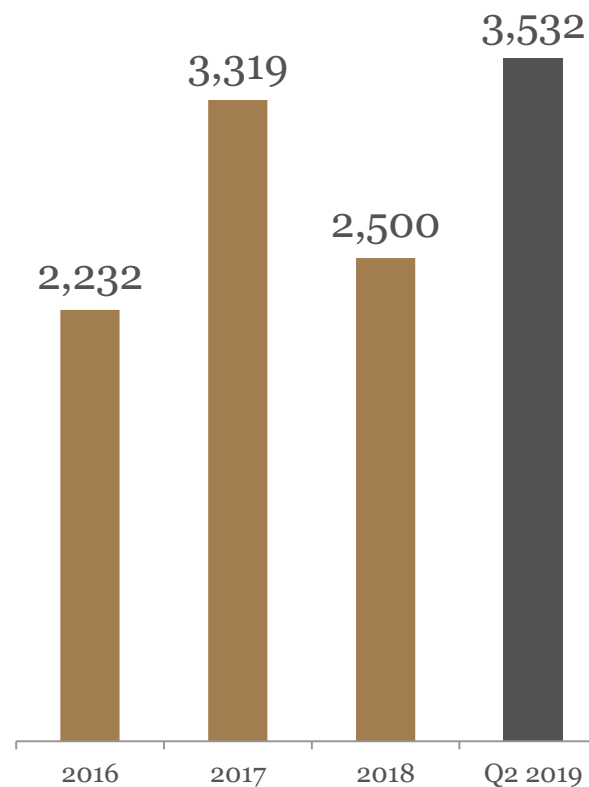


Loan to value (%)

Renewed mandate from the AGM 2019 to issue new shares up to a maximum of 10 percent of total outstanding shares



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



The main drivers for growth





Q&A



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