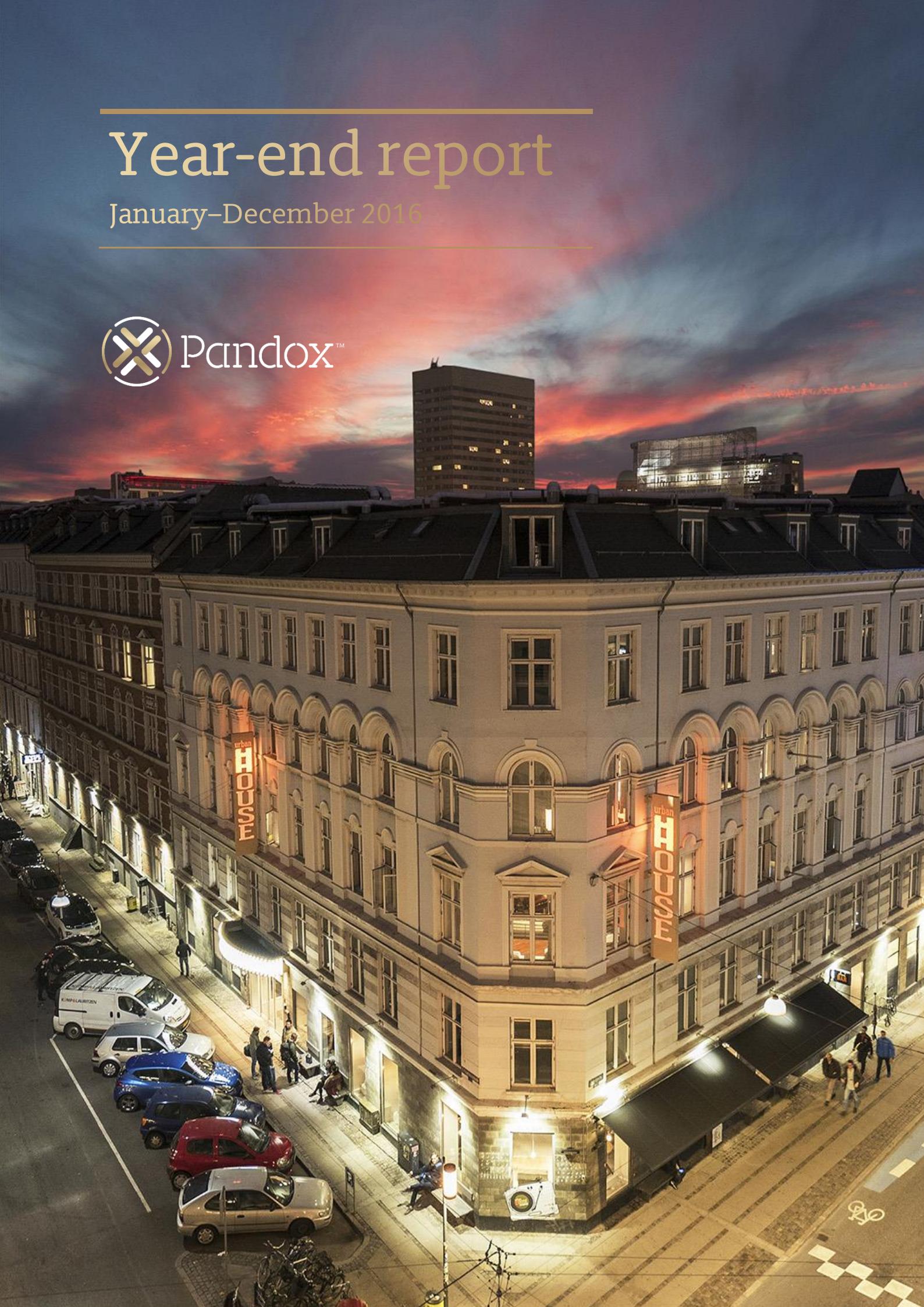


Year-end report

January–December 2016



Year-end report

January–December 2016

Strong end to a strong year

Quarter October–December 2016

- Revenue from Property Management amounted to MSEK 458 (365). Adjusted for currency effects and comparable units, the increase was 6 percent.
- Net operating income from Property Management amounted to MSEK 368 (306). Adjusted for currency effects and comparable units, the increase was 2 percent.
- Net operating income from Operator Activities amounted to MSEK 130 (104). Adjusted for currency effects and comparable units, the increase was 10 percent.
- EBITDA amounted to MSEK 464 (381).
- Profit for the period amounted to MSEK 772 (681).
- Cash earnings amounted to MSEK 314 (263 adjusted for extra tax cost).
- Earnings per share before and after dilution amounted to SEK 5.08 (4.54).
- A directed share issue raised MSEK 1,012 before transaction costs.

Period January–December 2016

- Revenue from Property Management amounted to MSEK 1,787 (1,543). Adjusted for currency effects and comparable units, the increase was 6 percent.
- Net operating income from Property Management amounted to MSEK 1,495 (1,280). Adjusted for currency effects and comparable units, the increase was 7 percent.
- Net operating income from Operator Activities amounted to MSEK 439 (416). Adjusted for currency effects and comparable units, the decrease was 1 percent.
- EBITDA amounted to MSEK 1,817 (1,603).
- Profit for the period amounted to MSEK 2,214 (2,131).
- Cash earnings amounted to MSEK 1,289 (1,080 adjusted for non-recurring items net).
- Earnings per share before and after dilution amounted to SEK 14.65 (14.21).
- The Board of Directors is proposing a dividend of SEK 4.10 (3.80) per share, total MSEK 646 (570).

Significant events after the end of the period

- Pandox signed twenty-year lease agreements for seven operations hotels in the Nordics with Scandic Hotels Group and ended its operator agreement for Grand Hotel Oslo.

| Key figures (MSEK)* | Q4 2016 | Q4 2015 | Chg in % | FY 2016 | FY 2015 | Chg in % |
|-------------------------------------------------------------------------------------|------------|------------|-------------|------------|------------|-------------|
| Revenue Property management (Note 1,2) | 458 | 365 | 25 | 1,787 | 1,543 | 16 |
| Net operating income Property Management (Note 1,2) | 368 | 306 | 20 | 1,495 | 1,280 | 17 |
| Net operating income Operator Activities (Note 2) | 130 | 104 | 25 | 439 | 416 | 6 |
| EBITDA (Note 1) | 464 | 381 | 22 | 1,817 | 1,603 | 13 |
| Profit for the period (Note 1,3) | 772 | 681 | 13 | 2,214 | 2,131 | 4 |
| Earnings per share, SEK (Note 1,3,4,5) | 5.08 | 4.54 | 12 | 14.65 | 14.21 | 3 |
| Cash earnings, MSEK (Note 1,3) | 314 | 234 | 34 | 1,289 | 1,130 | 14 |
| Cash earnings per share, SEK (Note 1,3,4,5) | 2.05 | 1.56 | 31 | 8.49 | 7.53 | 13 |
| Key data | | | | | | |
| Net interest bearing debt, MSEK | — | — | — | 18,324 | 15,376 | 19 |
| Equity asset ratio, % | — | — | — | 39.7 | 38.6 | n.m. |
| Loan to value, % | — | — | — | 49.3 | 49.5 | n.m. |
| Interest cover ratio, times | 4.0 | 3.6 | n.m. | 4.0 | 3.6 | n.m. |
| Property market value, MSEK | — | — | — | 38,233 | 31,437 | 22 |
| EPRA NAV per share, SEK (Note 4) | — | — | — | 126.24 | 107.71 | 17 |
| WAULT (Investment Properties), years | — | — | — | 13.9 | 11.2 | n.m. |
| RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK | 660 | 660 | 0 | 657 | 684 | -4 |

(Note 1) FY 2015 includes one-time revenue of MSEK 60 in Q3 relating to mediation with Nordic Hospitality Group AS. (Note 2) Reclassification of The Hub Hotel & Livingroom in June 2015, Lillehammer Hotel in June 2015, Best Western Plus Hotel Prince Philip in October 2015, Thon Hotel Fagernes in January 2016, Thon Hotel Sørlandet in May 2016 and Meetingpoint Hafjell in September 2016 to Operator Activities. (Note 3) FY 2015 includes received tax compensation of MSEK 19 in Q3 and extra tax cost of MSEK -29 in Q4. (Note 4) Based on weighted number of shares before and after dilution of 151,059,782 for Q4 2016 and 150,266,393 for full year 2016. For information about previous years see page 22. (Note 5) After non-controlling interest.

*For a complete set of definitions please see page 28.

CEO comment

Strong end to a strong year

Pandox is reporting record strong results for 2016 with growth in cash earnings and net asset value of 19 and 20 percent respectively. The drivers of this increase were a strong underlying hotel market, successful acquisitions, good return on joint investments with partners, and high efficiency and profitability.

Net operating income from Property Management increased by 7 percent during the year adjusted for currency effects and comparable units, which is explained by a consistently strong hotel market in Denmark, Finland, Germany and Sweden as well as stabilisation in Norway.

Net operating income from Operator Activities declined by 1 percent during the year, with strong development in Germany, Denmark and Canada largely compensating for a weak market in Belgium. The hotel market in Brussels improved gradually during the second half of 2016 and profitability strengthened in the fourth quarter. The negative effect on net operating income in Operator Activities relating to the terrorist attacks in Brussels amounted to around MSEK 40 for the full year 2016, compared with the full year 2015.

Higher than expected growth in Pandox's key markets

RevPAR increased by 3 percent in Europe in the fourth quarter and 2 percent for the full year 2016, mainly bolstered by an active leisure segment. The hotel market strengthened further in the fourth quarter resulting in increased average prices. All in all, growth in Pandox's key markets during the year was higher than expected, boosting profitability in the industry and therefore also improving opportunities for value growth in the property portfolio.

Pandox's growth in the fourth quarter was still being driven by conferences and trade fairs as well as balanced demand from both the business and leisure segments. Copenhagen was the single strongest market driven by a combination of high occupancy and increased average prices. Montreal also benefitted from good demand with high occupancy and increased average prices, partly due to a major competitor having closed for renovation. Stockholm and Berlin showed good underlying growth. Growth in Oslo and Helsinki remained unchanged. In Helsinki the opening of two new hotels had a dampening effect. Growth in Germany in total was a good four percent.

Acquisitions, leases and new share issue ensure high flexibility

Pandox ended 2016 moving at a fast pace. In November we acquired seven hotel properties in Europe for around MSEK 4,100 from Invesco Real Estate and we entered into a twenty-year revenue-based lease for Urban House Copenhagen with MEININGER. In December we completed a share issue which added just over MSEK 1,000 to Pandox's cash position. Furthermore, we also started 2017 by signing an agreement with Scandic Hotels Group for new, twenty-year revenue-based leases for seven hotel properties in the Nordic region in Operator Activities.

All of these activities are entirely in line with Pandox's strategy and are proof of the skills and resolve of our people, as well as the confidence our stakeholders have in us. After the acquisitions and the lease signings, the Property Management business segment will increase its share of the total portfolio value from around 78 percent to around 84 percent which, combined with proceeds from the new share issue, will guarantee high financial and strategic flexibility.

Pandox's Board of Directors is proposing the dividend is increased to SEK 4.10 (3.80) per share for 2016.

Good prospects to increase cash earnings continue in 2017

The market outlook for hotels normally follows global economic development and is also affected by a number of specific growth factors, such as increased disposable income and a growing global middle class. The outlook for international tourism and regional travel is on a long-term positive trajectory. The World Tourism Organization (UNWTO) is expecting growth for 2017 of 3-4 percent globally and 2-3 percent for Europe which, in an historical perspective, represents good growth. Pandox's key markets are expected to see stable positive demand in 2017, but since these markets are facing more challenging comparable quarters, we are planning for lower growth compared with 2016.

Having said that, we do see good prospects for increasing our cash earnings also in 2017. This is based on (1) an expectation of an economy with conditions for higher business activity, (2) the hotel market remaining robust with good profitability, (3) development of recently acquired hotels and a significant pipeline of approved investments with good return potential in the existing portfolio and (4) a sustained high business momentum driven through a larger and more profitable hotel property portfolio than ever before.

Pandox has the experience, the game plan and the people. This, combined with good financial and strategic flexibility, means conditions are good for continued profitable growth.

19%

Growth in
cash earnings
2016¹

20%

Growth in
net asset value
2016²

¹Adjusted for one-time items of MSEK 50 net 2015.

²Measured as growth in EPRA NAV, with dividends added back and proceeds from new share issue deducted.

"Pandox is reporting growth in cash earnings and net asset value of 19 and 20 percent respectively. The drivers of this increase were a strong underlying hotel market, successful acquisitions, good return on joint investments with partners, and high efficiency and profitability.



Anders Nissen, CEO

A property company specialised in hotels

An active hotel property owner

Pandox is one of Europe's leading hotel property companies, with a geographical focus on Northern Europe. Pandox's strategy is to own sizeable full-service hotels 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 lease agreements with the best operators in the market. But if these conditions are missing, Pandox has long experience of running hotel operations on its own, which creates business opportunities across the hotel value chain.

Long leases with well-known tenants

At the end of the fourth quarter 2016, Pandox's hotel property portfolio comprised 120 hotels with a total of 26,240 hotel rooms in ten countries, with a market value of MSEK 38,233. 98 hotels were leased on a long-term basis to well-known tenants with established brands providing income stability, lower capital expenditure and risk for Pandox. For Investment Properties the weighted average unexpired lease term (WAULT) was 13.9 years. The remaining 22 hotels were owned and operated by Pandox.

In addition, Pandox has asset management agreements for nine hotels and operates one additional hotel under a long-term lease agreement.

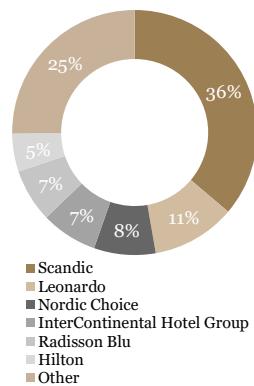
Pandox's value drivers

- High quality portfolio of premier hotel properties in strategic cities.
- Geographical diversification which provides opportunity for diversification over the business cycle.
- Income stability from renowned tenant base with long leases.
- Focus on solid economies and ability to capture market growth.
- Organic growth from refurbishment and repositioning of hotels.
- Attractive yield and resilient cash flow generation.
- Active ownership, which creates value and optionality.

Pandox's financial targets

- Dividend policy – Pandox will target a dividend pay-out ratio of between 40 and 60 percent of cash earnings¹, with an average pay-out ratio over time of approximately 50 percent. Future dividends and the size of any such dividends are dependent on Pandox's future performance, financial position, cash flows, working capital requirements, investment plans and other factors. *For 2016 a dividend of MSEK 646 (SEK 4.10 per share) is proposed, compared with MSEK 570 (SEK 3.80 per share) in 2015, corresponding to 50 percent of cash earnings.*
- Capital structure – Pandox will target a debt ratio (loan-to-value²) between 45 and 60 percent, depending on the market environment and prevailing opportunities. *By the end of the fourth quarter the loan-to-value ratio was 49.3 (49.5) percent.*

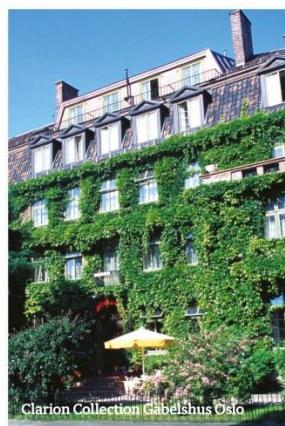
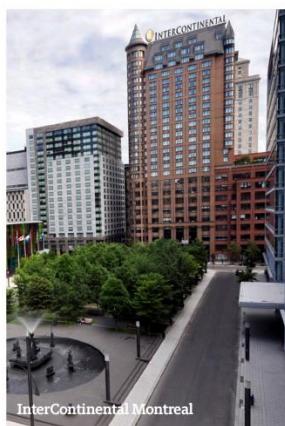
Rooms per brand
31 December, 2016



¹ Defined as EBITDA plus financial income less financial cost less current tax.

² Defined as interest bearing liabilities as a percentage of the properties' market value at the end of the period.

Value-adding business model



We own and lease hotel properties



We own and operate hotels



We manage hotel properties owned by others



Hotel market development October–December 2016

Strong underlying hotel market

Demand in the international tourist market increased by close to 4 percent in 2016 according to the UNWTO. It was the seventh consecutive year of growth and it illustrates the underlying strength of the tourism market despite security challenges. The UNWTO's outlook remains positive, with expected growth in 2017 of 3-4 percent globally and 2-3 percent for Europe.

The hotel markets in North America and Europe developed well in general in the fourth quarter. Both of the markets are high up in the hotel business cycle, with growth driven mainly by improved average prices. Altogether, RevPAR (revenue per available room) increased both in Europe and the US by 3 percent in the fourth quarter.

Sustained growth in important hotel markets

RevPAR development quarterly change (in local currency)

| | FY 2014 | FY 2015 | FY 2016 | Q4 2015 | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 |
|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| USA | 8% | 6% | 3% | 5% | 3% | 3% | 3% | 3% |
| New York ¹ | 3% | -2% | -2% | -2% | -1% | -3% | -2% | 1% |
| Montreal | 10% | 7% | 9% | 6% | 5% | 1% | 16% | 10% |
| Europe | 6% | 7% | 2% | 6% | 3% | 3% | 2% | 3% |
| London ¹ | 3% | 2% | -1% | 1% | -4% | -3% | 1% | 2% |
| Brussels | 3% | 2% | -18% | -10% | -8% | -29% | -26% | -4% |
| Berlin | 5% | 8% | 4% | 7% | 6% | 0% | 6% | 3% |
| Frankfurt | -2% | 9% | -2% | 1% | 4% | 3% | -9% | -1% |
| Stockholm | 2% | 9% | 8% | 11% | 4% | 20% | 0% | 6% |
| Oslo | 1% | 8% | 3% | 7% | 2% | 0% | 9% | 0% |
| Helsinki | 2% | 2% | 7% | 6% | 6% | 12% | 11% | 0% |
| Copenhagen | 4% | 11% | 13% | 14% | 3% | 15% | 18% | 14% |

Source: STR (USA, Canada, Europe, Finland), Benchmarking Alliance (Sweden, Norway, Denmark).

¹Pandox does not have any direct business exposure to these markets but they are important for the overall assessment of the global hotel market.

Increased average prices drive growth in the US and Canada

In the US and Canada, RevPAR increased by 3 and 6 percent respectively in the fourth quarter, driven mainly by higher average prices. The hotel business cycle has reached a more balanced phase in the US in which supply and demand are growing at the same pace after several years of demand deficit. Montreal had a strong fourth quarter (+10 percent) explained by good demand from, for example, the US and Asian inbound markets and positive average price development. The closure of a large hotel for renovation also had a positive impact.

Europe positive on the whole

The hotel markets in Europe as a whole developed positively in the fourth quarter and RevPAR increased by 3 percent as a result of stable growth in demand and improved average prices.

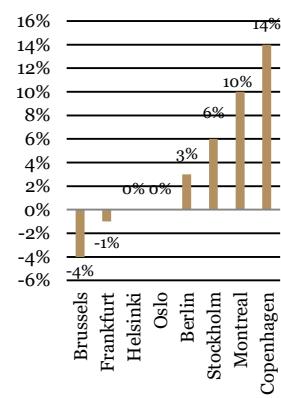
Certain European countries benefitted from a change in the security situation. Spain and Portugal had record numbers for 2016, while Turkey lost one third of its RevPAR compared to 2015. The rate of decline in Brussels and Paris slowed significantly in the fourth quarter and positive growth should be possible towards the end of the first half of 2017. London experienced a small upswing in the fourth quarter, partly due to a weaker currency. Development in Germany remained strong and RevPAR increased by 4 percent in the quarter and 5 percent for the full year.

Strong quarter in the Nordics

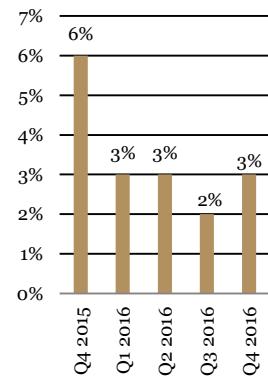
RevPAR growth in Oslo and Helsinki remained unchanged during the quarter. In Helsinki the opening of two new hotels with a combined 700 or so rooms had a dampening effect and this is likely to continue in the short term. Growth in RevPAR for 2016 as a whole in Helsinki was good, at 7 percent, mainly driven by improved average prices. Copenhagen ended an already strong year with growth of 14 percent in the fourth quarter. Several factors explain this strong development, including a record strong year for conferences and trade fairs and limited addition of new hotels. Development was similar in many German cities such as Düsseldorf, Hannover and Hamburg. Stockholm enjoyed continued strong development, with RevPAR growth of 6 percent in the fourth quarter. Demand increased in Stockholm for the seventh consecutive year at the same time as average prices increased by 5 percent for the year as a whole.

3%
**RevPAR growth
in Europe Q4**

Good growth in key markets
RevPAR growth Q4 2016



Europe grows at a stable pace
RevPAR growth by quarter



Financial development October–December 2016

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2015 for balance sheet items, unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 458 (365), an increase of 25 percent, still driven by a combination of acquired and organic growth in the lease portfolio. Adjusted for currency effects and comparable units, revenue increased by 6 percent.

Revenue from Operator Activities amounted to MSEK 619 (536), an increase of 15 percent. Adjusted for currency effects and comparable units, revenue and RevPAR were unchanged.

The Group's net sales amounted to MSEK 1,077 (901). Adjusted for currency effects and comparable units, revenue increased by 2 percent. The seven hotels acquired in Europe were consolidated on 19 December 2016.

Net operating income

Net operating income from Property Management amounted to MSEK 368 (306), an increase of 20 percent. Adjusted for currency effects and comparable units, net operating income increased by 2 percent.

Net operating income from Operator Activities amounted to MSEK 130 (104), an increase of 25 percent, bolstered mainly by improved results in Brussels compared with the previous year. Adjusted for currency effects and comparable units, net operating income increased by 10 percent.

Total net operating income amounted to MSEK 498 (410), an increase of 21 percent.

Administration costs

Central administration costs amounted to MSEK -34 (-30). The increase is mainly explained by costs associated with being a listed company as well as some project-related costs.

EBITDA

EBITDA amounted to MSEK 464 (381), an increase of 22 percent, driven by good net operating income development for Property Management and improved profitability for Operator Activities.

Financial income and expense

Financial expense amounted to MSEK -116 (-106) and financial income to MSEK 0 (1).

Profit before changes in value

Profit before changes in value amounted to MSEK 309 (236), an increase of 31 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 413 (484) and are mainly explained by improved underlying cash flows in Pandox's property portfolio.

Unrealised changes in value of derivatives amounted to MSEK 116 (93).

Current and deferred tax

Current tax amounted to MSEK -34 (-42), which adjusted for an extra tax cost of MSEK -29 in the fourth quarter 2015, constitutes an increase primarily explained by increased profit in Germany after past acquisitions, as well as some accruals. Deferred tax expense amounted to MSEK -32 (-94).

Profit for the period

Profit for the period amounted to MSEK 772 (681) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 767 (681), which represents SEK 5.08 (4.54) per share before and after full dilution.

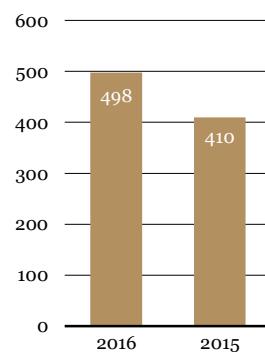
Cash earnings

Cash earnings amounted to MSEK 314 (234), an increase of 34 percent. Adjusted for the extra tax expense of MSEK -29 in the comparable period 2015, the increase was 19 percent.

21%

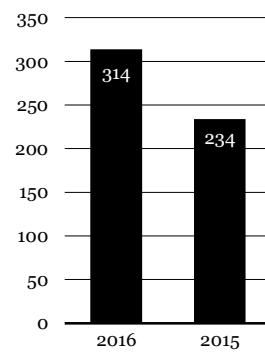
NOI increase
Property
Management Q4

Total net operating
income, MSEK
(October–December)¹



¹Includes Hilton Grand Place Brussels from 10 October 2016 and seven hotel properties in Europe from 19 December 2016.

Cash earnings, MSEK
(October–December)^{1,2}



¹Hilton Grand Place Brussels is included from 10 October 2016 and seven hotel properties in Europe from 19 December 2016.

²Includes extra tax cost of MSEK -29 Q4 2015.

Financial development January–December 2016

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2015 for balance sheet items, unless otherwise indicated.

Net sales

Revenue from Property Management amounted to MSEK 1,787 (1,543), an increase of 16 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 20 percent. Adjusted for currency effects and comparable units, revenue increased by 6 percent.

Revenue from Operator Activities amounted to MSEK 2,158 (2,046). Adjusted for currency effects and comparable units, revenue decreased by 3 percent and RevPAR by 4 percent.

The Group's net sales amounted to MSEK 3,945 (3,589), an increase of 10 percent. Adjusted for currency effects and comparable units, the increase was 1 percent.

The seven hotels acquired in Europe were consolidated on 19 December 2016.

Net operating income

Net operating income from Property Management amounted to MSEK 1,495 (1,280), an increase of 17 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 23 percent. Adjusted for currency effects and comparable units, net operating income increased by 7 percent.

Net operating income from Operator Activities amounted to MSEK 439 (416), an increase of 6 percent. Adjusted for currency effects and comparable units, net operating income decreased by 1 percent. The negative effect of the terrorist attacks in Brussels on net operating income amounted to around MSEK 40 compared with the same period the previous year.

Total net operating income amounted to MSEK 1,934 (1,696), an increase of 14 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 18 percent.

Administration costs

Central administration costs amounted to MSEK -117 (-94). The increase is mainly explained by higher employee costs relating to the new functions required for listed companies, costs for incentive schemes for senior executives and some non-recurring costs for external projects that were incurred in the second and fourth quarters.

EBITDA

EBITDA amounted to MSEK 1,817 (1,603), an increase of 13 percent. Adjusted for one-time revenue of MSEK 60 in the comparable period 2015, the increase was 18 percent, driven by higher net operating income from Property Management and Operator Activities.

Financial income and expense

Financial expense amounted to MSEK -457 (-441) and financial income amounted to MSEK 1 (3).

Profit before changes in value

Profit before changes in value amounted to MSEK 1,214 (1,027), an increase of 18 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 1,301 (1,387), still explained by lower yield compression and thereby lower discount rates in the valuation of Investment Properties, and by improved underlying cash flows in Pandox's property portfolio. Realised changes in value for Investment Properties amounted to MSEK 159 (12), explained by the divestment of eight hotel properties in Sweden completed on 31 March 2016.

Unrealised changes in value of derivatives amounted to MSEK -39 (203).

Current and deferred tax

Current tax amounted to MSEK -72 (-35). The increase is mainly explained by increased profit in Germany after acquisitions were made there. Tax compensation received of MSEK 19 and an extra tax expense of MSEK -29 are included in the comparable period 2015. Deferred tax expense amounted to MSEK -349 (-463).

Profit for the period

Profit for the period amounted to MSEK 2,214 (2,131) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 2,201 (2,131), which represents SEK 14.65 (14.21) per share before and after full dilution.

Cash earnings

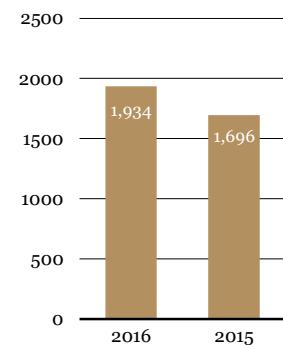
Cash earnings amounted to MSEK 1,289 (1,130), an increase of 14 percent. Adjusted for one-time revenue of MSEK 60, tax compensation received of MSEK 19 and an extra tax expense of MSEK -29 in the comparable period 2015, the increase was 19 percent.

18%

Increase total NOI 2016*

*Adjusted for one-time revenue of MSEK 60 in Q3 2015.

Total net operating income, MSEK (January–December)^{1,2,3}

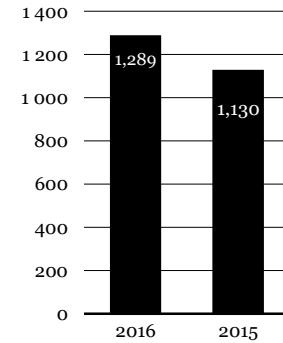


¹18 hotel properties included from 1 January 2016, Hilton Grand Place Brussels from 10 October 2016 and seven hotel properties from 19 December 2016.

²Eight hotel properties in Sweden divested 31 March 2016.

³Includes one-time revenue of MSEK 60 in Q3 2015.

Cash earnings, MSEK (January–December)^{1,2,3}



¹18 hotel properties included from 1 January 2016, Hilton Grand Place Brussels from 10 October 2016 and seven hotel properties from 19 December 2016.

²Eight hotel properties in Sweden divested 31 March 2016.

³Includes one-time revenue of MSEK 60 in Q3 2015, tax compensation of MSEK 19 in Q3 2015 and extra tax cost of MSEK -29 in Q4 2016.

Segment reporting

Summary of segments

| MSEK | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|------------------------------------------------------------|------------|------------|------------|------------|
| Total gross profit | 459 | 371 | 1,787 | 1,559 |
| - whereof gross profit Property Management | 368 | 306 | 1,495 | 1,280 |
| - whereof gross profit Operator Activities | 91 | 65 | 292 | 279 |
| Net operating income Property Management | | | | |
| - Net operating income equals gross profit | 368 | 306 | 1,495 | 1,280 |
| Net operating income Operator Activities | | | | |
| - Gross profit | 91 | 65 | 292 | 279 |
| - Add: Depreciation included in costs, Operator Activities | 39 | 39 | 147 | 137 |
| - Net operating income Operator Activities | 130 | 104 | 439 | 416 |
| Total net operating income | 498 | 410 | 1,934 | 1,696 |
| Central administration, excluding depreciation | -34 | -29 | -117 | -93 |
| EBITDA | 464 | 381 | 1,817 | 1,603 |

Property Management

Investment Properties: MSEK 30,163 representing 79 percent of total property market value

Net operating income Property Management

| MSEK | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|------------------------------------------------------|------------|------------|------------|------------|
| Rental income | 433 | 351 | 1,717 | 1,431 |
| Other property income | 25 | 14 | 70 | 112 |
| Costs, excluding property administration | -68 | -44 | -212 | -197 |
| Net operating income, before property administration | 390 | 321 | 1,575 | 1,346 |
| Property administration | -22 | -15 | -80 | -66 |
| Gross profit | 368 | 306 | 1,495 | 1,280 |
| Net operating income, after property administration | 368 | 306 | 1,495 | 1,280 |

Comment to the period October-December 2016

Rental income and other property income amounted to MSEK 458 (365) and net operating income to MSEK 368 (306), an increase of 25 and 20 percent respectively.

Adjusted for currency effects and comparable units, total rental income and net operating income increased by 6 and 2 percent respectively.

The seven hotels acquired in Europe were consolidated on 19 December 2016.

Development in the comparable lease portfolio remained positive, bolstered by stable demand and increased average prices. Demand remained driven by a high percentage of conferences and trade fairs and an active leisure segment. Germany, Denmark and Sweden saw the highest rental growth for the quarter. Individual cities with particularly strong development were Copenhagen, Stockholm and Düsseldorf. Helsinki continued to benefit from a high level of travel from Asia, but RevPAR growth slowed due to an increase in the supply of rooms when two new hotels were opened.

Most regional cities in Sweden and Finland – such as Jönköping, Karlstad, Kuopio and Jyväskylä – also developed well.

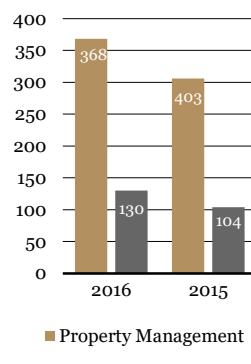
Germany ended the year strong and the 18 hotel properties acquired there previously increased RevPAR by around 9 percent in 2016, which can be compared with around 5 percent for Germany as a whole.

In the fourth quarter Pandox has secured operations of Best Western Pilotti with 112 rooms. The agreement for future operation of the hotel was signed with a new operator which will take over in spring 2017.

On 31 December 2016 the Investment Properties had a weighted average unexpired lease term (WAULT) of 13.9 years (31 December 2015: 11.2).

Revenue for the quarter from the eight external asset management agreements in Oslo amounted to MSEK 1 (1).

Net operating income by segment, MSEK
(October-December)^{1,2,3}

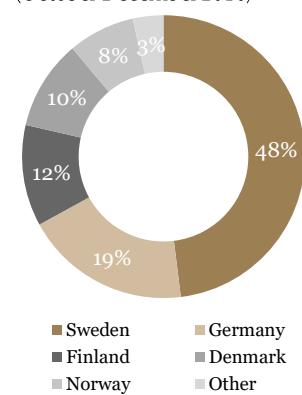


¹18 hotel properties included from 1 January 2016 and seven hotel properties in Europe from 19 December 2016 in Property Management.

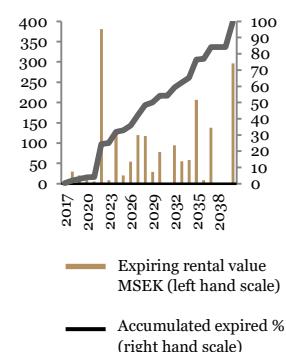
²Eight hotel properties in Sweden divested 31 March 2016 in Property Management.

³Includes Hilton Grand Place Brussels from 10 October 2016 in Operator Activities.

Income by country
Property Management
(October-December 2016)



Lease maturity profile
(31 December 2016)



Operator Activities

Operating Properties: MSEK 8,070, representing 21 percent of total property market value

Net operating income Operator Activities

| MSEK | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|-------------------------------------|------------|------------|------------|------------|
| Revenues | 619 | 536 | 2,158 | 2,046 |
| Costs | -528 | -471 | -1,866 | -1,767 |
| Gross profit | 91 | 65 | 292 | 279 |
| Add: Depreciation included in costs | 39 | 39 | 147 | 137 |
| Net operating income | 130 | 104 | 439 | 416 |

Comment to the period October-December 2016

Revenue from Operator Activities amounted to MSEK 619 (536) and net operating income to MSEK 130 (104), an increase of 15 and 25 percent respectively. The net operating margin was 21.0 (19.5) percent.

Adjusted for currency effects and comparable units, revenue was unchanged, while net operating income increased by 10 percent. The improvement is mainly explained by the recovery in Brussels and a weaker development in the fourth quarter 2015 when demand was negatively affected by the Belgian authorities' terror response. Some tax relief also benefitted the hotel market in Brussels.

The negative effect on net operating income from Operator Activities related to the terrorist attack in Brussels amounted to around MSEK 40 for the full year 2016 compared with the full year 2015.

Germany, Canada and Denmark recorded stable, positive growth and some profitability improvement was noted for the hotels in Norway and Sweden, which are in the process of being repositioned.

Adjusted for currency effects and comparable units, RevPAR was unchanged.

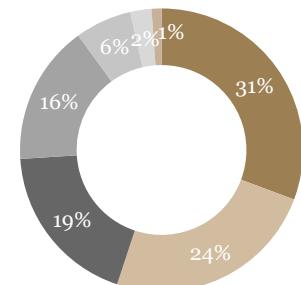
Revenue from Grand Hotel Oslo, which Pandox operates without owning the property and at lower operating margin, amounted to MSEK 54 (50) and net operating income to MSEK -3 (-5).

Adjusted for Grand Hotel Oslo, the net operating margin for Operator Activities was 23.5 (22.4) percent.



Hilton Grand Place Brussels, Belgium

Revenue by country
Operator Activities
(October–December 2016)



Pandox's own brands
(31 December 2016)



The Hotel.
BRUSSELS



hotelbloom!
Brussels

HOTELI KORPILAMPI



Property portfolio

Change in property values

At the end of the period Pandox's property portfolio had a total market value of MSEK 38,233 (31,437), of which Investment Properties accounted for MSEK 30,163 (25,062) and Operating Properties for MSEK 8,070 (6,375). The market value of Operating Properties is reported for information purposes only and is included in EPRA NAV. The takeover of operations and reclassification of Thon Hotel Fagernes was implemented 1 January 2016, Thon Hotel Sørlandet 28 May 2016 and Meetingpoint Hafjell 1 September 2016. Operating Properties are recognised at cost less depreciation and any impairment. At the end of the period the carrying amount of the Operating Properties portfolio was MSEK 6,415 (5,128). The increase is mainly a result of the acquisition of Hilton Grand Place Brussels, reclassifications and currency fluctuations.

Change in value Investment properties

| | MSEK |
|------------------------------------------------------------------|---------------|
| Investment properties, beginning of the period (January 1, 2016) | 25,062 |
| + Acquisitions ¹ | 3,970 |
| + Investments | 173 |
| - Divestments ² | -887 |
| +/- Reclassifications | -295 |
| +/- Unrealised changes in value | 1,301 |
| +/- Realised changes in value ² | 159 |
| +/- Change in currency exchange rates | 680 |
| Investment properties, end of period (December 31, 2016) | 30,163 |

Change in value Operating properties (reported for information purposes only)

| | MSEK |
|------------------------------------------------------------------------------|--------------|
| Operating properties, market value beginning of the period (January 1, 2016) | 6,375 |
| + Acquisitions ³ | 526 |
| + Investments | 260 |
| - Divestments | — |
| +/- Reclassifications | 295 |
| +/- Unrealised changes in value | 225 |
| +/- Realised changes in value | — |
| +/- Change in currency exchange rates | 389 |
| Operating properties, market value end of period (December 31, 2016) | 8,070 |

¹Refers to acquisition of seven investment properties in Europe 19 December 2016.

²Refers to divestment of eight investment properties 31 March 2016.

³Refers to acquisition of Hilton Grand Place Brussels 10 October 2016.

Investments

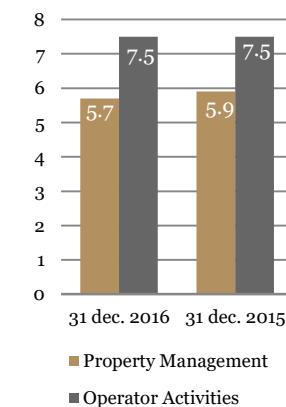
During the period January–December 2016, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 433 (392), of which MSEK 173 (220) in Investment Properties and MSEK 260 (172) in Operating Properties. At the end of the period, investments for future projects equivalent to around MSEK 1,035 were approved, of which major projects include Hyatt Regency Montreal, Hotel Berlin, Berlin, Leonardo Wolfsburg City, Hilton Grand Place Brussels, Elite Park Avenue Gothenburg, Elite Stora Hotellet in Jönköping, InterContinental Montreal, Meetingpoint Hafjell as well as the new investment programme with Scandic Hotels for 19 hotels in the Nordic region.

Sensitivity analysis (MSEK)

Financial effects of changes in certain key valuation parameters as of December 31, 2016:

| Investment properties, effect on fair value | Change | Effect on value |
|--------------------------------------------------------------------------------------------------|-----------|--------------------------------|
| Yield | +/- 0.5pp | -2,439 / +2,910 |
| Change in currency exchange rates | +/- 1% | +/- 169 |
| Net operating income | +/- 1% | +/- 271 |
| Investment properties, effect on revenues | Change | Effect on revenues |
| RevPAR (assuming 50/50 split between occupancy and rate) | +/- 1% | +/- 15 |
| Operating properties, effect on revenues | Change | Effect on revenue |
| RevPAR (assuming 50/50 split between occupancy and rate) | +/- 1% | +/- 18 |
| Financial sensitivity analysis, effect on earnings | Change | Profit before changes in value |
| Interest expenses with current fixed interest hedging of our portfolio, change in interest rates | +/- 1% | -/+ 72 |
| Interest expenses with a change in the average interest rate level | +/- 1% | -/+ 188 |
| Remeasurement of interest-rate derivatives following shift in yield curves | +/- 1% | -/+ 509 |

Average valuation yield, %
(31 December 2016)



Property valuation

Pandox performs internal valuations of its hotel property portfolio. Investment properties are recognised at fair value in accordance with accounting standard IAS 40. Operating properties are recognised at cost less accumulated depreciation and any accumulated impairment losses. The market value of Operating properties is reported for information purposes only and is included in EPRA NAV.

The valuation model consists of an accepted and proven cash flow model, where the future cash flows the hotel properties are expected to generate are discounted. The valuation is based on the business plan for the hotel concerned, which is updated at least twice a year and takes into consideration, among other things, developments in the underlying operator activities, market developments, the contract situation, operating and maintenance issues and investments aimed at maximizing the hotel property's cash flow and return in the long-term.

External valuations of all properties are carried out annually by independent property appraisers. The external appraisers complete a more in-depth inspection at least every three years or in conjunction with major changes to the properties. The external valuations provide an important reference point for Pandox's internal valuations.

In the fourth quarter Pandox had external valuations performed on a quarter of the properties in its portfolio. The external valuation results are in line with and confirm Pandox's internal valuations.

For an overview of the property portfolio by segment, geography and brand, please see page 25.

Financing

Comparable figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2015 for balance sheet items, unless otherwise stated.

Financial position and net asset value

At the end of the period the loan-to-value ratio was 49.3 percent (49.5). Equity attributable to the Parent Company's shareholders amounted to MSEK 15,081 (12,092) and EPRA NAV (net asset value) was MSEK 19,883 (16,156). EPRA NAV per share was SEK 126.24 (107.71). Cash and cash equivalents plus unutilised long-term credit facilities, amounted to MSEK 2,232 (1,561).

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 18,831 (15,546). Unutilised long-term credit facilities amounted to MSEK 1,715 (1,391).

The average fixed rate period was 2.8 (2.6) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.6 (2.8) percent including effects of interest-rate swaps. The average repayment period was 3.0 (3.4) 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 streams, interest rate derivatives, mainly interest rate swaps, are used. In the fourth quarter of 2016 Pandox increased the average fixed interest period and the average repayment period. At the end of the period Pandox had interest rate swaps amounting to MSEK 11,342 and around 56 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year. This is an increase compared with the third quarter 2016.

Interest maturity profile

| (MSEK) | Interest maturity | | | | Interest rate swaps | | | |
|-------------------|-------------------|----------------|--------|-------|---------------------|-------|-------------------------------------|--|
| | Loans | Interest swaps | Amount | Share | Volume | Share | Average interest swaps ¹ | |
| < 1 year | 18,831 | -10,500 | 8,330 | 44% | 841 | 7% | 3.8% | |
| 1–2 year | — | 700 | 700 | 4% | 700 | 6% | 3.1% | |
| 2–3 year | — | 1,451 | 1,451 | 8% | 1,451 | 13% | 1.1% | |
| 3–4 year | — | 1,911 | 1,911 | 10% | 1,911 | 17% | 2.7% | |
| 4–5 year | — | 2,637 | 2,637 | 14% | 2,637 | 23% | 1.4% | |
| > 5 year | — | 3,802 | 3,802 | 20% | 3,802 | 34% | 1.7% | |
| Total/net/average | 18,831 | 0 | 18,831 | 100% | 11,342 | 100% | 2.0% | |

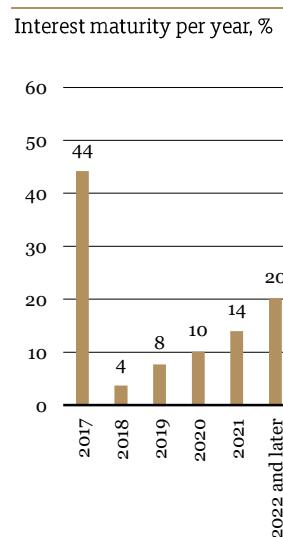
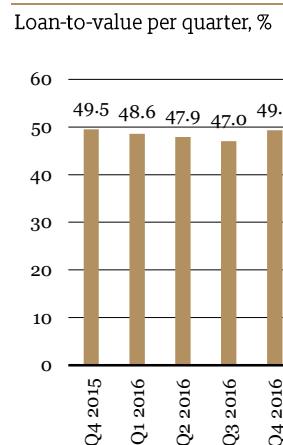
¹Excluding bank margin.

In order to reduce the currency exposure in foreign investment Pandox's main objective is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox strategy is to have a long investment perspective. Currency effects are largely in form of translation effects.

Interest maturity profile by currency

| Year due (MSEK) ¹ | SEK | DKK | EUR | CHF | CAD | NOK | Total | Share % | Interest % ² |
|-------------------------------------|--------|-------|--------|-----|-------|-------|--------|---------|-------------------------|
| 2017 | 981 | 542 | 5,612 | 217 | 434 | 545 | 8,330 | 44 | 3.6 |
| 2018 | 250 | — | 239 | — | — | 211 | 700 | 4 | 3.1 |
| 2019 | 125 | — | 694 | — | — | 632 | 1,451 | 8 | 0.9 |
| 2020 | 900 | 154 | 856 | — | — | — | 1,911 | 10 | 2.7 |
| 2021 | 1,250 | 0 | 1,387 | — | — | — | 2,637 | 14 | 1.4 |
| 2022 and later | 1,450 | 515 | 1,837 | — | — | — | 3,802 | 20 | 1.7 |
| Total | 4,956 | 1,211 | 10,625 | 217 | 434 | 1,388 | 18,831 | 100 | 2.6 |
| Share, % | 26.3 | 6.4 | 56.4 | 1.2 | 2.3 | 7.4 | 100 | — | — |
| Average interest rate, % | 3.5 | 2.2 | 2.1 | 0.8 | 3.5 | 3.3 | 2.6 | — | — |
| Average interest rate period, years | 3.8 | 2.9 | 2.6 | 0.1 | 0.3 | 1.6 | 2.8 | — | — |
| Property market value | 13,620 | 3,129 | 16,647 | 763 | 1,025 | 3,050 | 38,233 | — | — |

¹ Converted to MSEK. ² Average interest rate including bank margin.



Pandox uses interest rate derivatives to achieve a desired interest maturity profile. The market value of the derivatives portfolio is measured on each closing date, with the change in value recognised in profit or loss. Upon maturing, the market value of a derivative contract is dissolved entirely and the change in value over time thus does not affect equity.

On 31 December 2016 the market value of Pandox's financial derivatives amounted to MSEK -736 (-703). The change is mainly explained by a decrease in the market interest rate relative to the fixed interest rate in the interest swap contract.

Maturity structure interest-bearing debt

| Year due (MSEK) | Loan maturity ² | Interest, loans ¹ | Net interest, interest ¹ swaps, negative value | Net interest, interest ¹ swaps, positive value | Total |
|-----------------|----------------------------|------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|------------|
| 2017 | 248 | 3 | 30 | | 33 |
| 2018 | 5,239 | 43 | 21 | | 64 |
| 2019 | 6,054 | 86 | 8 | | 94 |
| 2020 | 3,137 | 46 | 61 | | 106 |
| 2021 | 4,154 | 66 | 47 | -1 | 112 |
| 2022 and later | 0 | 0 | 80 | | 80 |
| Total | 18,831 | 243 | 247 | -1 | 489 |

¹Calculation based on ending balance as of December 31, 2016 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.

² Excluding current amortisation.

In the fourth quarter loans of MSEK 796 maturing in December 2016 were refinanced with an extended amount and a four-year duration.

Deferred tax

At the end of the period deferred tax assets amounted to MSEK 748 (800). These represent the book value of tax loss carryforwards which the company expects to be able to use in upcoming fiscal years, and temporary measurement differences for interest rate derivatives.

Deferred tax liabilities amounted to MSEK 2,582 (2,281) and relate to temporary differences between fair value and the taxable value of Investment Properties, as well as temporary differences between the book value and the taxable value of Operating Properties.

Other information

Press releases during the period

- 10 October 2016 Pandox has completed the acquisition of Hilton Grand Place Brussels.
1 November 2016 Pandox appoints Karmen Bergholcs as General Counsel.
18 November 2016 Pandox acquires hotel portfolio in Europe for approximately MSEK 4,100.
9 December 2016 Pandox completes a directed share issue, raising around MSEK 1,012 before transactions costs.
19 December 2016 Pandox has completed the acquisition of a hotel portfolio in Europe.

Important press releases after the period

- 9 January 2017 Pandox appoints Martin Creydt to Head of Property Management Intl.
18 January 2017 Pandox signs lease agreements for seven operations hotels in the Nordics.

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

Significant events after the end of the period

Pandox signed twenty-year lease agreements for seven operations hotels in the Nordics with Scandic Hotels Group and ended its operator agreement for Grand Hotel Oslo.

Employees

As of 31 December 2016, Pandox had the equivalent of 1,477 (1,359) full-time employees. Of the total number of employees, 1,443 (1,329) are employed in the Operator Activities segment and 34 (30) in the Property Management segment and in central administration.

Parent Company

Activities in the Pandox's property owning companies are administered by staff employed by the Parent Company, Pandox AB (publ). The costs of these services are invoiced to Pandox's subsidiaries. Invoicing during the period January–December 2016 amounted to MSEK 65 (56), and the profit for the period amounted to MSEK 438 (571).

At the end of the period the Parent Company's shareholders' equity amounted to MSEK 3,712 (2,841) and interest bearing debt of MSEK 5,085 (5,810), of which MSEK 4,997 (4,087) in the form of long-term debt.

Transactions with related parties

The Parent Company carries out transactions with subsidiaries in the Group. Such transactions mainly entail allocation of centrally incurred administration cost and interest relating to receivables and liabilities. All related party transactions are entered into on market terms.

In the acquisition announced earlier of seven hotel properties in Europe (press release from 18 November 2016), the completed transaction resulted in Eiendomsspar AS increasing its minority holding in Radisson Blu Cologne from 5.1 to 9.9 percent. A temporary minority holding of 5.1 percent for the two hotel properties in Austria will be divested in the first quarter of 2017.

Pandox has entered into asset management agreements regarding eight hotels located in Oslo and the Pelican Bay Lucaya resort in the Grand Bahama Island, which are owned by Eiendomsspar AS, subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. During the fourth quarter revenue from the asset management agreements amounted to MSEK 1 (1), and revenue from Pelican Bay Lucaya amounted to MSEK 0.4 (0.4).

Pandox operates Grand Hotel Oslo under a lease agreement with the property owner Eiendomsspar AS. During the fourth quarter rental payments for Grand Hotel Oslo amounted to MSEK 13 (12). As communicated earlier the agreement will be cancelled in the second quarter of 2017.

Alternative performance measurements

Pandox applies the European Securities and Market Authority's (ESMA) guidelines for Alternative Performance Measurements. The guidelines aim at making alternative Performance Measurements in financial reports more understandable, trustworthy and comparable and thereby enhance their usability. According to these guidelines, an Alternative Performance Measurement is a financial key ratio of past or future earnings development, financial position, financial result or cash flows which are not defined or mentioned in current legislation for financial reporting; IFRS and the Swedish Annual Accounts Act. The guidelines are mandatory for financial reports published after 3 July, 2016. Reconciliations of Alternative Performance Measurements are available on pages 21-22.

Number of shares

At the end of the period, the total number of undiluted and diluted shares outstanding amounted to 75,000,000 A shares and 82,499,999 B shares. For the full year 2016, the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 75,266,393 B shares. For the fourth quarter 2016, the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 76,059,782 B shares.

Financial risk management

Pandox seeks to achieve the lowest possible financing costs while simultaneously limiting risks related to interest rates, foreign currencies and borrowings.

Pandox seeks to manage the risk that changes in interest rate levels could negatively affect Pandox's results. Pandox's objective is that interest rate exposure is managed so that increased costs as a result of reasonable changes in interest rates are compensated through higher revenues. Pandox seeks to achieve this objective through maintaining a loan portfolio with varying maturity dates and fixed interest periods.

Further, Pandox has developed and implemented systems and procedures designed to support continuous monitoring and reporting of interest rate exposures. Pandox enters into interest-rate swaps to obtain fixed interest rates on a certain part of its debt portfolio.

Pandox's balance sheet and income statement are exposed to changes in the value of the Swedish Krona, as certain of Pandox's assets are denominated in foreign currencies. Pandox seeks to hedge a part of this exposure through entering into loans in the local currency where Pandox's assets are located.

Pandox seeks to manage the risk that external financing may become more difficult to access. Pandox's objective is to enter into long-term framework agreements. Pandox aims to centralise, where possible, all Group borrowing in the Parent Company in order to gain flexibility and administrative benefits.

Risk factors

Pandox's business and market are subject to certain risks which are completely or partly outside the control of the Company and which could affect Pandox's business, financial condition and results of operations. These direct and indirect risks are the same for the Group and the Parent Company, with the exception that the Parent Company does not engage directly in hotel operations. Risks are the same both on a short and long-term basis.

Risk factors include, among others, the main following sector risks and risks related to the operations: (1) The value of Pandox's assets is exposed to macroeconomic fluctuations and the liquidity in the property market could decline. (2) Pandox is subject to risks in its business of repositioning and transforming hotel properties. (3) Pandox's costs of maintaining, replacing and improving its existing properties could be higher than estimated. (4) Pandox might be unable to identify and acquire suitable hotel properties. (5) Pandox may from time to time carry out acquisitions of new hotel properties, all of which are subject to risks. (6) Pandox may be unable to retain, and recruit, key personnel in the future. (7) Pandox depends on third party operators' reputation, brand, ability to run their businesses successfully and financial condition. (8) Pandox is exposed to environmental risks. (9) Pandox is exposed to interest rate fluctuations. (10) Pandox is exposed to the risk of being unable to refinance its facility agreements when they fall due. (11) Pandox is subject to certain risks common to the hotel industry, which are beyond the Company's control. (12) The hotel industry is characterised by intense competition and Pandox may be unable to compete effectively in the future. (13) New business models may enter the hotel industry. (14) The growth of Online Travel Agencies (OTAs) could materially and adversely affect Pandox's business and profitability.

Seasonal variations

The hotel industry is seasonal in nature. The periods during which the Company's properties experience higher revenues vary from property to property, depending principally upon location and the customer base served. Since the majority of the customers that stay at Pandox owned or operated hotels are business travellers, the Company's total revenues have historically been greater particularly in the second quarter. The timing of holidays and major events can also impact the Company's quarterly results.

Company information

Pandox AB (publ) is a Swedish limited liability company (corporate reg. no. 556030-7885) with its registered office in Stockholm, Sweden. Pandox was formed in 1995 and the company's B shares are listed on Nasdaq Stockholm since 18 June 2015.

Forward-looking statements

This report contains forward-looking statements. Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of Pandox AB's (publ), may cause actual developments and results to differ materially from the expectations expressed in this report.

Governing text

The report has been translated from Swedish. The Swedish text shall govern for all purposes and prevail in the event of any discrepancy.

Annual General Meeting 2017

The Annual General Meeting (AGM) for Pandox AB (publ) will take place at 10.00 CET on 29 March 2017 at Hilton Stockholm Slussen, Guldgränd 8, 104 65 Stockholm, Sweden.

Shareholders wishing to participate in the 2017 AGM must be listed in the register of shareholders maintained by Euroclear Sweden AB no later than Thursday, 23 March 2017 and must register with Pandox to participate in the AGM no later than 23 March 2017 (before 16.00 CET). Notice to attend the AGM will be published no later than four weeks before the AGM and will be available at www.pandox.se. In connection herewith Pandox will also make the Annual Report and other relevant documents available. The Annual Report will be published no later than three weeks before the AGM. The notice to attend will list the agenda items to be addressed at the AGM and information about how to register to participate.

Changes in executive management

Pandox's increased size and geographical diversity, with the addition of several countries where the Group has operations and partners, requires a proactive and dynamic organisation. With this in view, Pandox's organisational structure and the composition and areas of responsibility of executive management have been more clearly defined.

A decision was taken to increase executive management as of 16 February 2017 to include Erik Hvesser, Senior Vice President, Director of Property Management Nordics and Helge Krogsbøl, Senior Vice President, Director of Operations Nordics and Germany.

In connection with this change, responsibility for sustainability will be transferred to Liia Nõou, Senior Executive Vice President and CFO. Camilla Weiner remains in a strategic advisory role but will not be part of the executive management.

After these changes, Pandox's executive management will consist of the following individuals:

| | |
|----------------------|----------------------------------------------------------------------|
| Anders Nissen | CEO |
| Liia Nõou | Senior Executive Vice President and CFO |
| Erik Hvesser (new) | Senior Vice President, Director of Property Management Nordics |
| Martin Creydt | Senior Vice President, Director of Property Management International |
| Aldert Schaaphok | Senior Vice President, Director of Operations International |
| Helge Krogsbøl (new) | Senior Vice President, Director of Operations Nordics and Germany |
| Lars Häggström | Senior Executive Vice President, Asset Management & Development |
| Jonas Törner | Senior Vice President, Business Intelligence |
| Karmen Bergholcs | General Counsel |
| Anders Berg | Director of Communications and IR |

Financial calendar

| | |
|----------------------------------------|------------------|
| Year-end report 2016 | 16 February 2017 |
| Annual general meeting 2017 | 29 March 2017 |
| Interim report, Q1, January–March 2017 | 4 May 2017 |
| Capital market day in Stockholm | 9 May 2017 |

More information about Pandox and our financial calendar is available at www.pandox.se.

Presentation of interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 16 February 09:00 CET.

To follow the presentation online go to <http://media.fronto.com/cloud/pandox/170216>. To participate in the conference call and ask questions, please call one of the telephone numbers indicated below about 10 minutes before the start of the presentation. The presentation material will be available at www.pandox.se at approximately 08:00 CET.

SE: +46 (0)8 503 36 434
UK LocalCall: 08444933800
US LocalCall: 16315107498
Conference ID: 51368715

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

Contact persons

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+46 (0) 760 95 19 40

Board of Directors' assurance

The Board of Directors and the CEO confirm that this report provides a fair overview of the Company's and the Group's business, position and results and describes the significant risks and uncertainties facing the Company and its subsidiaries. This interim report has not been examined by the Company's auditors.

Stockholm, 15 February, 2017

Christian Ringnes
Chairman

Leiv Askvig
Board member

Olaf Gauslå¹
Board member

Bengt Kjell
Board member

Ann-Sofi Danielsson
Board member

Helene Sundt
Board member

Mats Wäplling
Board member

Anders Nissen
Chief Executive Officer

This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 07:00 CET on 16 February 2017.

Summary of financial reports

Condensed consolidated statement of comprehensive income

| MSEK | Note | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|--------------------------------------------------------------------------------------------------|------|------------|------------|------------|------------|
| Revenues Property Management | | | | | |
| Rental income | 2 | 433 | 351 | 1,717 | 1,431 |
| Other property income | | 25 | 14 | 70 | 112 |
| Revenue Operator Activities | 2 | 619 | 536 | 2,158 | 2,046 |
| Total revenues | | 1,077 | 901 | 3,945 | 3,589 |
| Costs Property Management | 2 | -90 | -59 | -292 | -263 |
| Costs Operator Activities | 2 | -528 | -471 | -1,866 | -1,767 |
| Gross profit | | 459 | 371 | 1,787 | 1,559 |
| - whereof gross profit Property Management | 2 | 368 | 306 | 1,495 | 1,280 |
| - whereof gross profit Operator Activities | 2 | 91 | 65 | 292 | 279 |
| Central administration | | -34 | -30 | -117 | -94 |
| Financial income | | 0 | 1 | 1 | 3 |
| Financial expenses | | -116 | -106 | -457 | -441 |
| Profit before changes in value | | 309 | 236 | 1,214 | 1,027 |
| Changes in value | | | | | |
| Properties, unrealised | 2 | 413 | 484 | 1,301 | 1,387 |
| Properties, realised | 2 | — | 4 | 159 | 12 |
| Derivatives, unrealised | | 116 | 93 | -39 | 203 |
| Profit before tax | | 838 | 817 | 2,635 | 2,629 |
| Current tax | | -34 | -42 | -72 | -35 |
| Deferred tax | | -32 | -94 | -349 | -463 |
| Profit for the period | | 772 | 681 | 2,214 | 2,131 |
| Other comprehensive income | | | | | |
| Items that have been or may be classified to profit or loss | | | | | |
| Translation differences foreign operations | 18 | -131 | 359 | -287 | |
| Translation differences realisation of foreign operations | — | -4 | — | -4 | |
| Other comprehensive income for the period | 18 | -135 | 359 | -291 | |
| Total comprehensive income for the period | 790 | 546 | 2,573 | 1,840 | |
| Profit for the period attributable to the shareholders of the parent company | 767 | 681 | 2,201 | 2,131 | |
| Profit for the period attributable to non-controlling interests | 5 | — | 13 | — | |
| Total comprehensive income for the period attributable to the shareholders of the parent company | 787 | 546 | 2,556 | 1840 | |
| Total comprehensive income for the period attributable to non-controlling interests | 3 | — | 17 | — | |
| Earnings per share, before and after dilution, SEK | | 5.08 | 4.54 | 14.65 | 14.21 |

Condensed consolidated statement of financial position

| MSEK | 31 Dec 2016 | 31 Dec 2015 |
|----------------------------------------------------------------|----------------|----------------|
| ASSETS | | |
| Non-current assets | | |
| Operating properties | 5,984 | 4,747 |
| Equipment and interiors | 431 | 381 |
| Investment properties | 30,163 | 24,335 |
| Deferred tax assets | 748 | 800 |
| Derivatives ² | 1 | — |
| Other non-current receivables | 22 | 25 |
| Total non-current assets | 37,349 | 30,288 |
| Current assets | | |
| Inventories | 16 | 14 |
| Current tax assets | 11 | 64 |
| Trade account receivables | 249 | 173 |
| Prepaid expenses and accrued income | 262 | 109 |
| Other current receivables | 25 | 70 |
| Cash and cash equivalents | 517 | 170 |
| Assets held for sale | — | 732 |
| Total current assets | 1,080 | 1,332 |
| Total assets | 38,429 | 31,620 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 394 | 375 |
| Other paid-in capital | 3,122 | 2,138 |
| Reserves | -53 | -408 |
| Retained earnings, including profit for the period | 11,618 | 9,987 |
| Equity attributable to the owners of the Parent Company | 15,081 | 12,092 |
| Non-controlling interests | 177 | 123 |
| Sum equity | 15,258 | 12,215 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Interest-bearing liabilities ¹ | 18,304 | 13,720 |
| Derivatives ² | 736 | 703 |
| Provisions | 100 | 56 |
| Deferred tax liability | 2,582 | 2,281 |
| Total non-current liabilities | 21,722 | 16,760 |
| Current liabilities | | |
| Provisions | 3 | 12 |
| Interest-bearing liabilities ¹ | 537 | 1,826 |
| Tax liabilities | 44 | 2 |
| Current liabilities | 202 | 212 |
| Other current liabilities | 209 | 99 |
| Accrued expenses and prepaid income | 454 | 482 |
| Debt related to assets held for sale | — | 12 |
| Total current liabilities | 1,449 | 2,645 |
| Total liabilities | 23,171 | 19,405 |
| Total equity and liabilities | 38,429 | 31,620 |

¹The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values.²The fair value measurement belongs to level 2 in the fair value hierarchy in IFRS, i.e., it is based on inputs that are observable, either directly or indirectly.

Condensed consolidated statement of changes in equity

| Attributable to the owners of the parent company | | | | | | | |
|--------------------------------------------------|---------------|-----------------------|----------------------|-----------------------------------------------|---------------|---------------------------|---------------|
| MSEK | Share capital | Other paid in capital | Translation reserves | Retained earnings, incl profit for the period | Total | Non-controlling interests | Total equity |
| Opening balance equity January 1, 2015 | 375 | 2,138 | -117 | 8,006 | 10,402 | — | 10,402 |
| Profit for the period 2015 | — | — | — | 2,131 | 2,131 | — | 2,131 |
| Other comprehensive income 2015 | — | — | -291 | — | -291 | — | -291 |
| Dividend | — | — | — | -150 | -150 | — | -150 |
| Change in non-controlling interests ¹ | — | — | — | — | — | 123 | 123 |
| Closing balance equity December 31, 2015 | 375 | 2,138 | -408 | 9,987 | 12,092 | 123 | 12,215 |
| Opening balance equity January 1, 2016 | 375 | 2,138 | -408 | 9,987 | 12,092 | 123 | 12,215 |
| Profit for the period 2016 | — | — | — | 2,201 | 2,201 | 13 | 2,214 |
| Other comprehensive income 2016 | — | — | 355 | — | 355 | 4 | 359 |
| New share issue 2016 ² | 19 | 984 | — | — | 1,003 | — | 1,003 |
| Dividend | — | — | — | -570 | -570 | -8 | -578 |
| Change in non-controlling interests ¹ | — | — | — | — | — | 45 | 45 |
| Closing balance equity December 31, 2015 | 394 | 3,122 | -53 | 11,618 | 15,081 | 177 | 15,258 |

¹ Via acquisitions. ² After transaction cost.

Condensed consolidated statement of cash flow

| MSEK | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| OPERATING ACTIVITIES | | | | |
| Profit before tax | 838 | 817 | 2,635 | 2,629 |
| Reversal of depreciation | 39 | 39 | 147 | 137 |
| Changes in value, Investment properties, realised | — | -4 | -159 | -12 |
| Changes in value, Investment properties, unrealised | -413 | -484 | -1,301 | -1,387 |
| Changes in value, derivatives, unrealised | -116 | -93 | 39 | -203 |
| Other items not included in the cash flow | 16 | 12 | 35 | 12 |
| Taxes paid | -62 | -13 | -72 | -6 |
| Cash flow from operating activities before changes in working capital | 302 | 274 | 1,324 | 1,170 |
| Increase/decrease in operating assets | -29 | 2 | -179 | -119 |
| Increase/decrease in operating liabilities | 25 | -18 | 50 | -187 |
| Change in working capital | -4 | -16 | -129 | -306 |
| Cash flow from operating activities | 298 | 258 | 1,195 | 864 |
| INVESTING ACTIVITIES | | | | |
| Investments in properties and fixed assets | -187 | -158 | -433 | -392 |
| Divestment of subsidiaries, net effect on liquidity | — | 124 | 843 | 124 |
| Acquisitions of subsidiaries, net effect on liquidity | -4,477 | -3,712 | -4,477 | -3,720 |
| Acquisitions of financial assets | -1 | — | -9 | -1 |
| Divestment of financial assets | — | — | 12 | 3 |
| Cash flow from investing activities | -4,665 | -3,746 | -4,064 | -3,986 |
| FINANCING ACTIVITIES | | | | |
| New share issue | 1,012 | — | 1,012 | — |
| Transaction cost | -9 | — | -9 | — |
| New loans | 3,381 | 3,696 | 4,850 | 3,899 |
| Amortization of debt | -44 | -788 | -2,128 | -887 |
| Acquisition of non-controlling interest | 45 | 123 | 45 | 123 |
| Paid dividends | — | — | -570 | -150 |
| Cash flow from financing activities | 4,385 | 3,031 | 3,200 | 2,985 |
| Cash flow for the period | 18 | -457 | 331 | -137 |
| Cash and cash equivalents at beginning of period | 500 | 636 | 170 | 321 |
| Exchange differences in cash and cash equivalents | -1 | -9 | 16 | -14 |
| Cash and cash equivalents at end of period | 517 | 170 | 517 | 170 |
| Information regarding interest payments | | | | |
| Interest received | 0 | 1 | 1 | 3 |
| Interest paid | -111 | -101 | -440 | -430 |
| Information regarding cash and cash equivalents end of period | 517 | 170 | 517 | 170 |
| Cash and cash equivalents consist of bank deposits. | | | | |

Condensed income statement for the Parent Company

| MSEK | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|------------------------------------------------------|------------|------------|------------|------------|
| Net sales | 20 | 24 | 65 | 56 |
| Administration cost | -47 | -37 | -158 | -123 |
| Other income | — | — | — | 9 |
| Operating profit | -27 | -13 | -93 | -58 |
| Profit from participations in Group companies | -61 | 3 | 300 | 669 |
| Other interest income and similar profit/loss items | 56 | 48 | 112 | 65 |
| Other interest expense and similar profit/loss items | -22 | -50 | -185 | -211 |
| Profit after financial items | -54 | -12 | 134 | 465 |
| Year-end appropriations | 304 | 106 | 304 | 106 |
| Profit before tax | 250 | 94 | 438 | 571 |
| Current tax | — | — | — | — |
| Profit for the period | 250 | 94 | 438 | 571 |

Condensed balance sheet for the Parent Company

| MSEK | 31 Dec 2016 | 31 Dec 2015 |
|-------------------------------------|----------------|----------------|
| ASSETS | | |
| Non-current assets | 0 | 0 |
| Financial assets | 12,717 | 11,775 |
| Current assets | 217 | 112 |
| Total assets | 12,934 | 11,887 |
| EQUITY AND LIABILITIES | | |
| Equity | 3,712 | 2,841 |
| Provisions | 57 | 30 |
| Non-current liabilities | 4,997 | 4,087 |
| Current liabilities | 4,168 | 4,929 |
| Total equity and liabilities | 12,934 | 11,887 |

Key ratios

| RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS (MSEK) | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|----------------------------------------------------------------------------------------------|---------|---------|---------|---------|
| Return on shareholders' equity, % | — | — | 12,092 | 10,402 |
| Shareholders' equity attributable to the shareholders of the parent company, opening balance | — | — | 15,081 | 12,092 |
| Shareholders' equity attributable to the shareholders of the parent company, closing balance | — | — | 13,586 | 11,247 |
| Average shareholders' equity attributable to the shareholders of the parent company | — | — | 2,201 | 2,131 |
| Profit for the period attributable to the shareholders of the parent company | — | — | 16.2% | 18.9% |
| Return on shareholders' equity, % | — | — | 39.7% | 38.6% |
| Equity to assets ratio, % | — | — | 15,258 | 12,215 |
| Sum equity | — | — | 38,429 | 31,620 |
| Total assets | — | — | 38,233 | 31,437 |
| Equity to assets ratio, % | — | — | 49.3% | 49.5% |
| Loan to value ratio, % | — | — | 18,304 | 13,720 |
| Non-current interest bearing liabilities | — | — | 537 | 1,826 |
| Current interest bearing liabilities | — | — | 38,233 | 31,437 |
| Market value properties | — | — | 49.3% | 49.5% |
| Loan to value, % | — | — | 49.3% | 49.5% |
| Interest cover ratio, times | — | — | 4.0 | 3.6 |
| Profit before changes in value | 309 | 236 | 1,214 | 1,027 |
| Financial expenses | 116 | 106 | 457 | 441 |
| Depreciation | 39 | 39 | 147 | 137 |
| Interest cover ratio, times | — | — | 4.0 | 3.6 |
| Average interest on debt end of period, % | — | — | 489 | 428 |
| Average interest expenses | — | — | 18,304 | 13,720 |
| Non-current interest bearing liabilities | — | — | 537 | 1,826 |
| Current interest bearing liabilities | — | — | 2.6% | 2.8% |
| Average interest on debt, end of period, % | — | — | — | — |
| <i>See page 11-12 for a complete reconciliation</i> | — | — | — | — |
| Net interest-bearing debt | — | — | 18,324 | 15,376 |
| Non-current interest bearing liabilities | — | — | 18,304 | 13,720 |
| Current interest bearing liabilities | — | — | 537 | 1,826 |
| Cash and cash equivalents | — | — | -517 | -170 |
| Net interest-bearing debt | — | — | 18,324 | 15,376 |
| Investments, excl. acquisitions | 187 | 158 | 433 | 392 |
| Net operating income, Property Management | — | — | — | — |
| Rental income | 433 | 351 | 1,717 | 1,431 |
| Other property income | 25 | 14 | 70 | 112 |
| Costs, excl. property administration | -68 | -44 | -212 | -197 |
| Net operating income, before property administration | 390 | 321 | 1,575 | 1,346 |
| Property administration | -22 | -15 | -80 | -66 |
| Net operating profit, Property Management | 368 | 306 | 1,495 | 1,280 |
| Net operating profit, Operator Activities | — | — | — | — |
| Revenues Operator Activities | 619 | 536 | 2,158 | 2,046 |
| Costs Operator Activities | -528 | -471 | -1,866 | -1,767 |
| Gross profit | 91 | 65 | 292 | 279 |
| Add: Depreciation included in costs | 39 | 39 | 147 | 137 |
| Net operating profit, Operator Activities | 130 | 104 | 439 | 416 |
| EBITDA | — | — | — | — |
| Gross profit from respective operating segment | 459 | 371 | 1,787 | 1,559 |
| Add: Depreciation included in costs Operator Activities | 39 | 39 | 147 | 137 |
| Less: Central administration, excluding depreciation | -34 | -29 | -117 | -93 |
| EBITDA | 464 | 381 | 1,817 | 1,603 |
| Cash earnings | — | — | — | — |
| EBITDA | 464 | 381 | 1,817 | 1,603 |
| Add: Financial income | 0 | 1 | 1 | 3 |
| Less: Financial cost | -116 | -106 | -457 | -441 |
| Less: Current tax | -34 | -42 | -72 | -35 |
| Cash earnings | 314 | 234 | 1,289 | 1,130 |
| EPRA NAV | — | — | — | — |
| Equity attributable to the shareholders of the parent company | — | — | 15,081 | 12,092 |
| Add: Revaluation of Operating Properties | — | — | 1,655 | 1,248 |
| Add: Fair value of financial derivatives | — | — | 736 | 703 |
| Less: Deferred tax assets related to derivatives | — | — | -171 | -168 |
| Add: Deferred tax liabilities related to properties | — | — | 2,582 | 2,281 |
| EPRA NAV | — | — | 19,883 | 16,156 |
| Growth in EPRA NAV, annual rate, % | — | — | 20.4% | 18.0% |
| EPRA NAV attributable to the shareholders of the parent company, opening balance | — | — | 16,156 | 13,816 |
| EPRA NAV attributable to the shareholders of the parent company, opening balance | — | — | 19,883 | 16,156 |
| Dividend added back, current year | — | — | 570 | 150 |
| Excluding proceeds from new share issue | — | — | -1,003 | — |
| Growth in EPRA NAV, % | — | — | — | — |

Key figures not defined according to IFRS

A number of the financial descriptions and measures in this interim report provide information about development and status of financial and per share measurements that are not defined in accordance with the IFRS (International Financial Reporting Standards). Adjoining alternative financial measurements provides useful supplementary information to investors and management, as they facilitate evaluation of company performance. Since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Hence, these financial measures should not be seen as a substitute for measures defined according to the IFRS. Unless otherwise stated, the table to the left presents measures, along with their reconciliation, which are not defined according to the IFRS. The definitions of these measures appear on page 28.

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, equity/assets ratio, interest cover ratio, average cost of debt and interest-bearing net debt are other relevant measurements of Pandox's financial risk.

Growth and profitability

Pandox's overall goal is to increase cash flow and property value and thereby enable Pandox to have the resources for investments to support the Group's continued expansion. Since Pandox both owns and operates hotel properties, multiple indicators are needed to measure the Company's performance in relation to goals in this regard. Growth in cash earnings is Pandox's primary focus and this is also the basis for the dividend paid annually to the shareholders, i.e. 40–60 percent of cash earnings with an average dividend share of 50 percent over time. Measuring net operating income creates transparency and comparability between the Company's two operating segments and with other property companies. EBITDA measures Pandox's total operational profitability in a uniform way.

Net asset value (EPRA NAV) and equity

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

Key ratios continued

| CONTINUED RECONCILIATION ALTERNATIVE PERFORMANCE MEASUREMENTS PER SHARE ¹ | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|--------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Total comprehensive income per share, SEK | | | | |
| Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK | 787 | 546 | 2,556 | 1,840 |
| Weighted average number of share, before and after dilution | 151,059,782 | 150,000,000 | 150,266,393 | 150,000,000 |
| Total comprehensive income per share, SEK | 5.21 | 3.64 | 17.01 | 12.26 |
| Cash earnings per share, SEK | | | | |
| Cash earnings attributable to the shareholders of the parent company, MSEK | 309 | 234 | 1,276 | 1,130 |
| Cash earnings per share, SEK | 151,059,782 | 150,000,000 | 150,266,393 | 150,000,000 |
| | 2.05 | 1.56 | 8.49 | 7.53 |
| Shareholders' equity per share, SEK | | | | |
| Shareholders' equity attributable to the shareholders of the parent company, MSEK | — | — | 15,081 | 12,092 |
| Number of shares at the end of the period | — | — | 157,499,999 | 150,000,000 |
| Shareholders' equity per share, SEK | — | — | 95.75 | 80.61 |
| Net asset value (EPRA NAV) per share, SEK | | | | |
| EPRA NAV, MSEK | — | — | 19,883 | 16,156 |
| Number of shares at the end of the period | — | — | 157,499,999 | 150,000,000 |
| Net asset value (EPRA NAV) per share, SEK | — | — | 126.24 | 107.71 |
| Dividend per share, SEK | | | | |
| Dividend, MSEK | — | — | 646 | 570 |
| Number of shares at dividend | — | — | 157,499,999 | 150,000,000 |
| Dividend per share, SEK ³ | — | — | 4.10 | 3.80 |
| Weighted average number of shares outstanding, after dilution, thousands | 151,059,782 | 150,000,000 | 150,266,393 | 150,000,000 |
| Number of shares at end of period | 157,499,999 | 150,000,000 | 157,499,999 | 150,000,000 |
| PROPERTY RELATED KEY FIGURES | | | | |
| Number of hotels, end of period ² | — | — | 120 | 121 |
| Number of rooms, end of period ² | — | — | 26,240 | 25,190 |
| WAULT, years | — | — | 13.9 | 11.2 |
| Total market value properties, MSEK | — | — | 38,233 | 31,437 |
| Market value Investement properties | — | — | 30,163 | 25,062 |
| Market value Operating properties | — | — | 8,070 | 6,375 |
| RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK | 660 | 660 | 657 | 684 |

¹Retrospectively adjusted for share split in May 2015. Total number of outstanding shares after split amount to 157,499,999, of which 75,000,000 A shares and 82,499,999 B shares. For a fair comparison this number of shares is used for the calculation of key ratios. ²Pandox's owned hotel properties. ³For 2016 proposed dividend and for 2015 actual dividend is indicated.

Quarterly data

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (MSEK)

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|-------------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenue Property Management | | | | | | | | |
| Rental income | 433 | 459 | 451 | 374 | 351 | 389 | 372 | 319 |
| Other property income | 25 | 20 | 13 | 12 | 14 | 69 | 16 | 13 |
| Revenue Operator Activities | 619 | 561 | 536 | 442 | 536 | 534 | 609 | 367 |
| Total revenues | 1,077 | 1,040 | 1,000 | 828 | 901 | 992 | 997 | 699 |
| Costs Property Management | -90 | -70 | -66 | -66 | -59 | -55 | -76 | -72 |
| Costs Operator Activities | -528 | -466 | -448 | -424 | -471 | -454 | -494 | -348 |
| Gross profit | 459 | 504 | 486 | 338 | 371 | 483 | 427 | 279 |
| Central administration | -34 | -27 | -32 | -24 | -30 | -23 | -19 | -21 |
| Financial net | -116 | -114 | -112 | -114 | -105 | -105 | -115 | -114 |
| Profit before value changes | 309 | 363 | 342 | 200 | 236 | 355 | 293 | 144 |
| Changes in value | | | | | | | | |
| Properties, unrealised | 413 | 369 | 319 | 200 | 484 | 232 | 307 | 363 |
| Properties, realised | — | — | — | 159 | 4 | — | 8 | — |
| Derivatives, unrealised | 116 | 24 | 55 | 124 | 93 | -73 | 216 | -33 |
| Profit before tax | 838 | 756 | 606 | 435 | 817 | 514 | 824 | 474 |
| Current tax | -34 | -12 | -25 | -1 | -42 | 17 | -5 | -5 |
| Deferred tax | -32 | -152 | -107 | -58 | -94 | -106 | -168 | -95 |
| Profit for the period | 772 | 592 | 474 | 376 | 681 | 425 | 651 | 374 |
| Other comprehensive income | 18 | 108 | 103 | 131 | -135 | 37 | -62 | -130 |
| Total comprehensive income for the period | 790 | 700 | 577 | 507 | 546 | 462 | 589 | 244 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (MSEK)

| | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 | 30 Sep 2015 | 30 Jun 2015 | 31 Mar 2015 |
|-----------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS | | | | | | | | |
| Properties incl equipment and interiors | 36,578 | 31,623 | 30,710 | 29,998 | 29,463 | 26,287 | 26,170 | 25,941 |
| Other non-current receivables | 23 | 21 | 20 | 20 | 25 | 25 | 27 | 28 |
| Deferred tax assets | 748 | 772 | 802 | 829 | 800 | 865 | 805 | 898 |
| Current assets | 563 | 531 | 428 | 345 | 1,162 | 587 | 415 | 254 |
| Cash and cash equivalents | 517 | 500 | 365 | 820 | 170 | 636 | 263 | 378 |
| Total assets | 38,429 | 33,447 | 32,325 | 32,012 | 31,620 | 28,400 | 27,680 | 27,499 |
| EQUITY AND LIABILITIES | | | | | | | | |
| Equity | 15,258 | 13,428 | 12,728 | 12,722 | 12,215 | 11,546 | 11,084 | 10,646 |
| Deferred tax liability | 2,582 | 2,660 | 2,421 | 2,274 | 2,281 | 2,310 | 2,147 | 2,074 |
| Interest-bearing liabilities | 18,841 | 15,547 | 15,388 | 15,219 | 15,546 | 12,861 | 12,822 | 12,821 |
| Non interest-bearing liabilities | 1,748 | 1,812 | 1,788 | 1,797 | 1,578 | 1,683 | 1,627 | 1,958 |
| Total equity and liabilities | 38,429 | 33,447 | 32,325 | 32,012 | 31,620 | 28,400 | 27,680 | 27,499 |

KEY RATIOS

| | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|---------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| NOI, Property Management, MSEK | 368 | 409 | 398 | 320 | 306 | 403 | 312 | 260 |
| NOI, Operator Activities, MSEK | 130 | 130 | 125 | 54 | 104 | 115 | 146 | 51 |
| EBITDA, MSEK | 464 | 512 | 491 | 350 | 381 | 495 | 439 | 290 |
| Earnings per share before and after dilution, SEK | 5.08 | 3.93 | 3.14 | 2.49 | 4.54 | 2.83 | 4.34 | 2.49 |
| Cash earnings, MSEK | 314 | 386 | 354 | 235 | 234 | 407 | 319 | 171 |
| Cash earnings per share before and after dilution, SEK | 2.05 | 2.55 | 2.34 | 1.57 | 1.56 | 2.71 | 2.13 | 1.14 |
| RevPAR growth (Operator Activities) for comparable units and constant currency. | -4 | -2 | -12 | 1 | 0 | 7 | 10 | 11 |
| | 31 Dec 2016 | 30 Sep 2016 | 30 Jun 2016 | 31 Mar 2016 | 31 Dec 2015 | 30 Sep 2015 | 30 Jun 2015 | 31 Mar 2015 |
| Net interest-bearing debt, MSEK | 18,324 | 15,047 | 15,023 | 14,399 | 15,376 | 12,225 | 12,559 | 12,444 |
| Equity to assets ratio, % | 39.7 | 40.1 | 39.4 | 39.7 | 38.6 | 40.7 | 40.0 | 38.7 |
| Loan to value, % | 49.3 | 47.0 | 47.9 | 48.6 | 49.5 | 46.4 | 46.9 | 47.5 |
| Interest coverage ratio, times | 4.0 | 4.0 | 3.7 | 3.1 | 3.6 | 3.7 | 3.2 | 2.5 |
| Market value properties, MSEK | 38,233 | 33,098 | 32,124 | 31,322 | 31,437 | 27,712 | 27,327 | 26,996 |
| EPRA NAV per share, SEK | 126.24 | 120.53 | 114.03 | 112.16 | 107.71 | 104.45 | 99.23 | 96.25 |
| WAULT (Property Management), yrs | 13.9 | 13.4 | 13.3 | 11.3 | 11.2 | 8.7 | 8.9 | 8.7 |

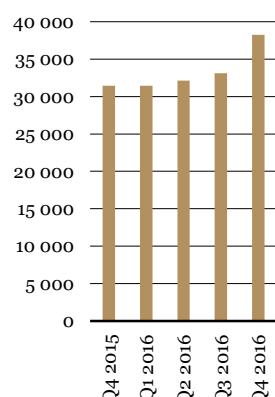
Property portfolio overview

At the end of the period, Pandox's property portfolio comprised 120 (31 December, 2015: 121) hotel properties with 26,240 (31 December, 2015: 25,190) hotel rooms in ten countries. Pandox's main geographical focus, which represents approximately 60 percent of the portfolio by market value, is the Nordics. Of the owned hotel properties, 98 are leased to third parties, which mean that approximately 79 percent of the portfolio market value is covered by external leases.

Portfolio overview by segment and geography

| Property Management <i>Investment properties</i> | No. of hotels | No. of rooms | Market value (MSEK) | Market value in % of total | Value per room (MSEK) |
|-----------------------------------------------------|------------------|-----------------|------------------------|-------------------------------|--------------------------|
| Sweden | 42 | 8,597 | 13,311 | 35% | 1.5 |
| Norway | 10 | 1,641 | 2,379 | 6% | 1.4 |
| Finland | 13 | 2,919 | 3,246 | 8% | 1.1 |
| Denmark | 6 | 1,402 | 2,395 | 6% | 1.7 |
| Belgium | 1 | 100 | 100 | 0% | 1.0 |
| The Netherlands | 1 | 189 | 945 | 2% | 5.0 |
| Germany | 22 | 4,331 | 5,751 | 15% | 1.3 |
| Austria | 2 | 639 | 1,273 | 3% | 2.0 |
| Switzerland | 1 | 206 | 763 | 2% | 3.7 |
| Total Investment properties | 98 | 20,024 | 30,163 | 79% | 1.5 |

Market value properties per quarter, MSEK



Operator Activities *Operating properties*

| | | | | | |
|-----------------------------------|-----------|--------------|--------------|------------|------------|
| Sweden | 2 | 357 | 309 | 1% | 0.9 |
| Norway | 4 | 861 | 671 | 2% | 0.8 |
| Finland | 1 | 151 | 43 | 0% | 0.3 |
| Denmark | 2 | 440 | 734 | 2% | 1.7 |
| Belgium | 7 | 2,158 | 3,251 | 9% | 1.5 |
| Germany | 4 | 1,285 | 2,037 | 5% | 1.6 |
| Canada | 2 | 964 | 1,025 | 3% | 1.1 |
| Total Operating properties | 22 | 6,216 | 8,070 | 21% | 1.3 |

Total owned properties 120 26,240 38,233 100% 1.5

The majority of Pandox's tenant base consists of well-known hotel operators with strong hotel brands in their respective markets. The tenants are both Nordic-oriented hotel operators, such as Scandic (the largest hotel operator in the Nordics with more than 200 hotels), Nordic Choice, and operators focused on other regions and global markets such as Fattal (Leonardo), Rezidor (Radisson Blu), Hilton and NH.

| Brand | No. of hotels | No. of rooms | Countries |
|----------------------|---------------|---------------|------------------------|
| Scandic | 44 | 9,458 | SE, NO, FI, DK, BE |
| Leonardo | 16 | 2,921 | DE |
| Nordic Choice Hotels | 12 | 1,956 | SE, NO |
| Radisson Blu | 7 | 1,783 | SE, NO, CH, DE |
| Hilton | 5 | 1,225 | SE, FI, BE |
| NH | 5 | 1,162 | DE, AU |
| Holiday Inn | 4 | 963 | BE, DE |
| First Hotels | 3 | 618 | DK |
| Crowne Plaza | 2 | 616 | BE |
| Hyatt | 1 | 607 | CAN |
| Best Western | 2 | 311 | SE, FI |
| Elite | 2 | 452 | SE |
| InterContinental | 1 | 357 | CAN |
| Thon Hotels | 2 | 348 | NO |
| Rantasipi | 1 | 135 | FI |
| Independent brands | 13 | 3,328 | SE, NO, FI, DK, BE, DE |
| Total | 120 | 26,240 | 10 |

Notes

Note 1 Accounting principles

Pandox follows the International Financial Reporting Standards (IFRS) - and interpretations (IFRIC) - as they have been adopted by the EU. This interim report has been prepared according to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR2 "Accounting principles for legal entities". RFR2 implies that the Parent Company of the legal entity applies all EU approved IFRS principles and interpretations, within the framework defined by the Swedish Annual Accounts Act, and taking into consideration the connection between accounting and taxation. Disclosures according to IAS 34.16A are, apart from in the financial reports and their corresponding notes, available also in other parts of the interim report. The accounting principles applied correspond to those described in Pandox's annual report for 2015.

Note 2 Operating segments

| Operating segments | Property Management | | Operator Activities | | Group and non-allocated items | | Total | |
|----------------------------------|---------------------|--------------|---------------------|--------------|-------------------------------|--------------|--------------|--------------|
| | Q1-4 2016 | Q1-4 2015 | Q1-4 2016 | Q1-4 2015 | Q1-4 2016 | Q1-4 2015 | Q1-4 2016 | Q1-4 2015 |
| Revenue Property Management | | | | | | | | |
| Rental and other property income | 1,787 | 1,543 | — | — | — | — | 1,787 | 1,543 |
| Revenue Operator Activities | — | — | 2,158 | 2,046 | — | — | 2,158 | 2,046 |
| Total revenues | 1,787 | 1,543 | 2,158 | 2,046 | — | — | 3,945 | 3,589 |
| Costs Property Management | -292 | -263 | — | — | — | — | -292 | -263 |
| Costs Operator Activities | — | — | -1,866 | -1,767 | — | — | -1,866 | -1,767 |
| Gross profit | 1,495 | 1,280 | 292 | 279 | — | — | 1,787 | 1,559 |
| Central administration | — | — | — | — | -117 | -94 | -117 | -94 |
| Financial income | — | — | — | — | 1 | 3 | 1 | 3 |
| Financial expenses | — | — | — | — | -457 | -441 | -457 | -441 |
| Profit before changes in value | 1,495 | 1,280 | 292 | 279 | -573 | -532 | 1,214 | 1,027 |
| Changes in value | | | | | | | | |
| Properties, unrealised | 1,301 | 1,387 | — | — | — | — | 1,301 | 1,387 |
| Properties, realised | 159 | 12 | — | — | — | — | 159 | 12 |
| Derivatives, unrealised | — | — | — | — | -39 | 203 | -39 | 203 |
| Profit before tax | 2,955 | 2,679 | 292 | 279 | -612 | -329 | 2,635 | 2,629 |
| Current tax | — | — | — | — | -72 | -35 | -72 | -35 |
| Deferred tax | — | — | — | — | -349 | -463 | -349 | -463 |
| Profit for the period | 2,955 | 2,679 | 292 | 279 | -1,033 | -827 | 2,214 | 2,131 |

Q1-Q4 2016

| Geographical area | Swe | Den | Nor | Fin | Ger | Bel | Other | Tot |
|----------------------------------|--------|-------|-------|-------|-------|-------|-------|--------|
| Total revenues | | | | | | | | |
| -Property Management | 869 | 177 | 138 | 240 | 314 | 5 | 44 | 1,787 |
| -Operator Activities | 55 | 159 | 336 | 29 | 432 | 658 | 489 | 2,158 |
| Market value properties | 13,620 | 3,129 | 3,050 | 3,289 | 7,788 | 3,351 | 4,006 | 38,233 |
| Investments in properties | 148 | 31 | 80 | 9 | 47 | 50 | 68 | 433 |
| Acquisitions of properties | — | — | — | — | 1,752 | 526 | 2,218 | 4,496 |
| Realised value change properties | 159 | — | — | — | — | — | — | 159 |

Q1-Q4 2015

| Geographical area | Swe | Den | Nor | Fin | Ger | Bel | Other | Tot |
|----------------------------------|--------|-------|-------|-------|-------|-------|-------|--------|
| Total revenues | | | | | | | | |
| -Property Management | 882 | 142 | 242 | 221 | — | 17 | 39 | 1,543 |
| -Operator Activities | 22 | 134 | 248 | 23 | 404 | 770 | 445 | 2,046 |
| Market value properties | 13,463 | 2,608 | 2,611 | 3,020 | 5,491 | 2,772 | 1,472 | 31,437 |
| Investments in properties | 117 | 58 | 52 | 53 | 16 | 63 | 33 | 392 |
| Acquisitions of properties | — | — | — | — | 3,665 | — | — | 3,665 |
| Realised value change properties | — | — | — | — | — | 12 | — | 12 |

Explanation to note 2

Pandox's operating segments consist of the Property Management and Operator Activities business streams. The Property Management segment owns, improves and manages hotel properties and provides external customers with premises for hotel operations, as well as other types of premises adjacent to hotel properties. The Property Management segment also includes eight asset management contracts for externally owned hotel properties. The Operator Activities segment owns hotel properties and operates hotels in such owned properties. The Operator Activities segment also includes one hotel operated under a long-term lease agreement and one hotel property under an asset management agreement. Non-allocated items are any items that are not attributable to a specific segment or are common to both segments. The segments have been established based on the reporting that takes place internally to executive management on financial outcomes and position. Segment reporting applies the same accounting principles as those used in the annual report in general, and the amounts reported for the segments are the same as those for the Group. Scandic Hotels and Leonardo Hotels are tenants who account for more than 10 percent of revenues each.

Note 2 Operating segments continued

| Operating segments | Property Management | | Operator Activities | | Group and non-allocated items | | Total | |
|---------------------------------------|---------------------|------------|---------------------|------------|-------------------------------|-------------|--------------|------------|
| | Q4 2016 | Q4 2015 | Q4 2016 | Q4 2015 | Q4 2016 | Q4 2015 | Q4 2016 | Q4 2015 |
| Revenue Property Management | | | | | | | | |
| Rental and other property income | 458 | 365 | — | — | — | — | 458 | 365 |
| Revenue Operator Activities | — | — | 619 | 536 | — | — | 619 | 536 |
| Total revenues | 458 | 365 | 619 | 536 | — | — | 1,077 | 901 |
| Costs Property Management | -90 | -59 | — | — | — | — | -90 | -59 |
| Costs Operator Activities | — | — | -528 | -471 | — | — | -528 | -471 |
| Gross profit | 368 | 306 | 91 | 65 | — | — | 459 | 371 |
| Central administration | — | — | — | — | -34 | -30 | -34 | -30 |
| Financial income | — | — | — | — | 0 | 1 | 0 | 1 |
| Financial expenses | — | — | — | — | -116 | -106 | -116 | -106 |
| Profit before changes in value | 368 | 306 | 91 | 65 | -150 | -135 | 309 | 236 |
| <i>Changes in value</i> | | | | | | | | |
| Properties, unrealised | 413 | 484 | — | — | — | — | 413 | 484 |
| Properties, realised | — | 4 | — | — | — | — | — | 4 |
| Derivatives, unrealised | — | — | — | — | 116 | 93 | 116 | 93 |
| Profit before tax | 781 | 794 | 91 | 65 | -34 | -42 | 838 | 817 |
| Current tax | — | — | — | — | -34 | -42 | -34 | -42 |
| Deferred tax | — | — | — | — | -32 | -94 | -32 | -94 |
| Profit for the period | 781 | 794 | 91 | 65 | -100 | -178 | 772 | 681 |

Q4 2016

| Geographical area | Swe | Den | Nor | Fin | Ger | Bel | Other | Tot |
|----------------------------------|--------|-------|-------|-------|-------|-------|-------|--------|
| Total revenues | | | | | | | | |
| -Property Management | 220 | 47 | 35 | 53 | 87 | 1 | 15 | 458 |
| -Operator Activities | 15 | 40 | 99 | 7 | 117 | 190 | 151 | 619 |
| Market value properties | 13,620 | 3,129 | 3,050 | 3,289 | 7,788 | 3,351 | 4,006 | 38,233 |
| Investments in properties | 45 | 4 | 48 | 4 | 24 | 24 | 38 | 187 |
| Acquisitions of properties | — | — | — | — | 1,752 | 526 | 2,218 | 4,496 |
| Realised value change properties | — | — | — | — | — | — | — | — |

Q4 2015

| Geographical area | Swe | Den | Nor | Fin | Ger | Bel | Other | Tot |
|----------------------------------|--------|-------|-------|-------|-------|-------|-------|--------|
| Total revenues | | | | | | | | |
| -Property Management | 222 | 34 | 39 | 56 | — | 4 | 10 | 365 |
| -Operator Activities | 15 | 35 | 69 | 6 | 111 | 193 | 107 | 536 |
| Market value properties | 13,463 | 2,608 | 2,611 | 3,020 | 5,491 | 2,772 | 1,472 | 31,437 |
| Investments in properties | 33 | 30 | 24 | 15 | 13 | 32 | 11 | 158 |
| Acquisitions of properties | — | — | — | — | 3,665 | — | — | 3,665 |
| Realised value change properties | — | — | — | — | — | 12 | — | 12 |

Definitions

FINANCIAL INFORMATION

Average interest on debt, %

Average interest expenses based on interest rate maturity in respective currency as a percentage of interest-bearing debt.

Cash earnings, MSEK

EBITDA plus financial income less financial cost less current tax.

EBITDA, MSEK

Total net operating income less central administration (excluding depreciation).

Equity/assets ratio, %

Recognised equity as a percentage of total assets.

Gross profit, Property Management, MSEK

Revenue less directly related costs for Property Management.

Gross profit, Operator Activities, MSEK

Revenue less directly related costs for Operator Activities including depreciation of Operator Activities.

Growth adjusted for currency effects and comparable units
Growth measure that excludes effects of acquisitions, sales and reclassifications as well as exchange rate changes.

Growth in EPRA NAV (net asset value growth), annual rate, %
Accumulated percentage change in EPRA NAV, with dividends added back, for the immediately preceding 12-month period.

Interest coverage ratio, %

Profit before changes in value plus financial expense and depreciation, divided by financial expense.

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

Loan-to-value ratio, %

Interest-bearing liabilities as a percentage of the properties' market value at the end of the period.

Net interest-bearing debt, MSEK

Interest-bearing liabilities less cash and cash equivalents and short-term investments that are equivalent to cash and cash equivalents.

Net operating income, Property Management, MSEK

Net operating income corresponds to gross profit for Property Management.

Net operating income, Operator Activities, MSEK

Gross profit for Operator Activities plus depreciation included in costs for Operator Activities.

Net operating margin, Operator Activities, %

Net operating income for Operator Activities in relation to total revenue from Operator Activities.

Return on shareholders' equity, %

Profit or loss attributable to the shareholders of the Parent Company rolling twelve months as a percentage of average equity attributable to the shareholders of the Parent Company for the same period of time. At interim reports, the return is also calculated on a rolling twelve month basis. Average shareholders' equity is calculated as the sum of opening and closing balance divided by two.

Rounding off

Since amounts have been rounded off in MSEK, the tables do not always add up.

PER SHARE

Cash earnings per share, SEK

EBITDA plus financial income less financial expense less current tax, after non-controlling interest, divided by the weighted average number of shares outstanding.

Dividend per share, SEK

Proposed/approved dividend for the year divided by the weighted average number of outstanding shares after dilution at the end of the period.

Earnings per share, SEK

Profit for the period attributable to the Parent Company's shareholders divided by the weighted average number of shares outstanding.

Equity per share, SEK

Equity attributable to the Parent Company's shareholders, divided by the number of shares outstanding at the end of the period.

Net asset value (EPRA NAV) per share, SEK

Recognised equity, attributable to the Parent Company's shareholders, including reversal of derivatives, deferred tax asset derivatives, deferred tax liabilities related to the properties and revaluation of Operating Properties, divided by the total number of shares outstanding after dilution at the end of the period.

Total comprehensive income per share, SEK

Total comprehensive income attributable to the Parent Company's shareholders divided by the weighted average number of share outstanding after dilution at the end of the period.

Weighted average number of shares before dilution, thousands
The weighted average number of outstanding shares taking into account changes in the number of shares outstanding, before dilution, during the period.

Weighted average number of shares after dilution, thousands
The weighted average number of outstanding shares taking into account changes in the number of shares outstanding, after dilution, during the period.

PROPERTY INFORMATION

Market value properties, MSEK

Market value of Investment Properties plus market value of Operating Properties.

Number of hotels

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

Number of rooms

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

RevPAR for Operating Properties (comparable units at constant exchange rates), SEK

Revenue per available room, i.e. total revenue from sold rooms divided by the number of available rooms. Comparable units are defined as hotel properties that have been owned and operated during the entire current period and the comparative period. Constant exchange rate is defined as the exchange rate for the current period, and the comparative period is recalculated based on that rate.

WAULT (Investment Properties)

Average lease term remaining to expiry, across the property portfolio, weighted by contracted rental income.



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