

## A stable quarter

### July-September 2018

- Revenue from Property Management amounted to MSEK 810 (589). For comparable units the increase was 2 percent adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 698 (511). For comparable units the increase was 2 percent adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 142 (129). For comparable units the increase was 4 percent adjusted for currency effects
- EBITDA amounted to MSEK 806 (610)
- Cash earnings amounted to MSEK 537 (462)
- Cash earnings per share amounted to SEK 3.20 (2.91)
- Profit for the period amounted to MSEK 833 (551)
- Earnings per share amounted to SEK 4.98 (3.47)

### Significant events after the period

- Pandox entered into agreement for the acquisition of Radisson Blu Glasgow October 2 and The Midland Manchester October 12

### January-September 2018

- Revenue from Property Management amounted to MSEK 2,222 (1,631). For comparable units the increase was 2 percent adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 1,890 (1,392). For comparable units the increase was 1 percent adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 375 (350). For comparable units the increase was 10 percent adjusted for currency effects
- EBITDA amounted to MSEK 2,160 (1,654)
- Cash earnings amounted to MSEK 1,410 (1,177)
- Cash earnings per share amounted to SEK 8.39 (7.39)
- Profit for the period amounted to MSEK 2,049 (1,965)
- Earnings per share amounted to SEK 12.20 (12.39)
- EPRA NAV per share amounted to SEK 158.44 (136.47)

## Financial summary

Figures in MSEK	Quarter 3			Jan-Sep			FY
	2018	2017	Δ%	2018	2017	Δ%	2017
Revenue Property Management	810	589	38	2,222	1,631	36	2,202
Net operating income Property Management	698	511	37	1,890	1,392	36	1,882
Net operating income Operator Activities	142	129	10	375	350	7	494
EBITDA	806	610	32	2,160	1,654	31	2,252
Profit for the period	833	551	51	2,049	1,965	4	3,148
Earnings per share, SEK <sup>1)</sup>	4.98	3.47	44	12.20	12.39	-2	19.89
Cash earnings	537	462	16	1,410	1,177	20	1,660
Cash earnings per share, SEK <sup>1)</sup>	3.20	2.91	10	8.39	7.39	13	10.46
<b>Key data</b>							
Market value properties, MSEK	—	—	—	53,281	40,951	30	50,121
Net interest-bearing debt, MSEK	—	—	—	26,590	19,550	36	25,474
Loan to value net, %	—	—	—	49.9	47.7	n.m.	50.8
Interest cover ratio, times	3.9	4.6	n.m.	3.7	4.2	n.m.	4.2
EPRA NAV per share, SEK <sup>1)</sup>	—	—	—	158.44	136.47	16	144.54
WAULT (Investment Properties), years	—	—	—	15.3	13.8	n.m.	15.6
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	908	855	6	837	800	5	803

<sup>1)</sup>Based on total and weighted number of shares 167,499,999 Q3 2018. For information about previous years see page 16.

<sup>2)</sup>See page 23 for a summary of reclassifications, acquisitions and divestments.  
For complete definitions see page 25.

## CEO comment

# A stable quarter

### Good increase in both net operating income and NAV

Pandox is reporting growth in total net operating income of 31 percent and growth in net asset value, on an annualised basis, of 20 percent in the third quarter. Similar to earlier in the year, this was driven by profitable acquisitions in new, large hotel markets, good development in Brussels and stable underlying demand in the hotel market.

For comparable units, revenue and net operating income in Property Management increased by 2 percent each, adjusted for currency effects.

The investment properties acquired in 2017 in the UK and Ireland, which are not part of the comparable portfolio, demonstrated continued strong growth. The comparable growth in revenue for these properties is estimated at around 8 percent for the third quarter, which reflects stable growth in UK Regional and an increase in the hotels' market share after previously completed renovations.

Within Operator Activities, Brussels continued to develop well, while Montreal, Dortmund and Bremen had a weaker development, mainly due to challenging comparative figures from the previous year.

Underlying demand in Pandox's key markets was mainly positive in the quarter, although an increased supply of hotel rooms resulted in lower growth in certain markets, including Oslo and Copenhagen. In Stockholm, negative renovation effects in Pandox's portfolio contributed to slightly negative rental growth. Rental growth in the comparable portfolio was, however, positive in Sweden, supported by good development in the regional hotel market.

In Germany development remained positive despite a trade fair calendar that was still weak and strong comparative figures compared to the previous year.

### Additional acquisitions in Manchester and Glasgow

During the quarter Pandox completed the legal reorganisation of the 21 hotel properties in the UK and Ireland which were acquired at the end of 2017. While progress in the integration was made Pandox completed two additional acquisitions in the UK. One was Radisson Blu Glasgow within the Operator Activities segment (management agreement), the other The Midland Manchester in Property Management (lease agreement).

Radisson Blu Glasgow is a full-service hotel in the premium segment with 247 rooms, and a strong central location and market position. The acquisition price of MGBP 39 is equivalent to a valuation yield of around 7 percent.

The Midland Manchester is an iconic full-service hotel in the upper premium segment with 312 rooms and a very attractive, central location. The acquisition price, based on the underlying property value, is MGBP 102 and is equivalent to a valuation yield of around 5.7 percent.

Radisson Blu Glasgow is already a well-invested product while The Midland Manchester offers clear potential for increased revenue after room upgrades and the addition of more rooms.

The hotel properties have good earnings from the start and, combined, are expected to add the equivalent of around MSEK 100 in net operating income on an annualised basis.

### New agreement with Hilton

The pace of business in the Operator Activities segment was high during the quarter with the opening of Hotel Hubert in Brussels after a comprehensive renovation and a new cooperation agreement with Hilton in Montreal. Under the agreement the Hyatt Montreal will be rebranded to DoubleTree by Hilton during the fourth quarter in 2018. As part of the agreement Pandox will also invest to reposition the hotel and raise the standard of the hotel product. Pandox expects the change to have a clearly positive effect over time on the hotel's revenue and profitability. The hotel will continue to be operated by Pandox as part of the Operator Activities segment but under a franchise agreement.

### Stable market but somewhat lower organic growth likely

The third quarter was stable overall, but growth was uneven and did not fully reach Pandox's expectations, mainly due to a weaker September. Despite expectations of sustained, positive underlying demand, the combination of new capacity in key markets, negative renovation effects in Pandox's portfolio and challenging comparative figures, mean that growth in comparable portfolios is likely to be lower in the fourth quarter than in the third quarter.

Taking into account completed acquisitions, as well as the agreements to acquire Radisson Blu Glasgow and The Midland Manchester, good growth and profitability are expected for Pandox as a whole.

*"Pandox is reporting growth in total net operating income of 31 percent and growth in net asset value, on an annualised basis, of 20 percent in the third quarter. The drivers were profitable acquisitions, a continued good development in Brussels and stable underlying demand in the hotel market."*

*Anders Nissen, CEO*



July-September 2018 (change compared with the corresponding period previous year)

# 31%

Growth in total NOI

# 20%

Growth in net asset value

*Annual growth in EPRA NAV, with dividends added back and proceeds from new share issue deducted*

# 16%

Growth in total cash earnings

*EBITDA plus financial income less financial expense less current tax*

# Hotel market development July-September 2018

## Stable growth in the travel market

The hotel markets in Pandox's portfolio benefitted from sustained, broad economic growth and from good demand in the travel and hotel industries in the quarter. Growth was positive overall, with good growth in July and August, but with a slightly weaker outcome than expected in September.

The conditions remain positive with underlying demand considered good, but due to the addition of new hotel capacity and challenging comparative figures in several markets, RevPAR growth is expected to be lower in the fourth quarter.

## Good growth in general in the Nordics

Development in the Nordic countries remained positive with good underlying growth in demand for hotel nights.

In Sweden RevPAR increased by 3 percent, supported by increased average prices and demand keeping up with the increase in the number of new hotel rooms.

RevPAR in Stockholm increased by just over 4 percent, driven mainly by improved occupancy and a modest increase in new hotel rooms in the quarter.

RevPAR development was similar in Gothenburg and Malmö, which saw 4 and 5 percent growth respectively in the quarter. In Gothenburg growth was driven by both occupancy and average prices, while Malmö was driven exclusively by improved average prices. No new capacity was added in these cities in the quarter.

In Oslo 700 rooms were added to the hotel market in the quarter, resulting in a reduction in occupancy of close to 4 percent. However, thanks to strong average price development, RevPAR increased by 3 percent.

In Copenhagen, which has had relatively volatile development during the year, RevPAR growth increased by around 2 percent.

Finland and Helsinki saw slightly negative growth after an extended period of positive growth. Lower demand from international markets resulted in a decrease in RevPAR of 2 percent in Helsinki. Supported by better development in the regional hotel market, the decline for Finland as a whole was limited to -1 percent.

## Trade fair calendar remains weak in Germany

Similar to several other markets in Europe, Germany showed good growth in July and August. Apart from certain submarkets with weaker trade fair and conference calendars than the previous year, September was a relatively good business month. RevPAR for Germany as a whole increased by 4 percent.

## Stable development in the UK

The hotel market in the UK consists of two markets. One is London which has a high share of international demand and the other is the regional market (UK Regional), with a high share of domestic demand where Pandox has its focus.

RevPAR in UK Regional increased during the quarter by just over 1 percent, which remains in line with the forecasts of external analysts of a RevPAR increase of 1–2 percent for the full year 2018.

Pandox's portfolio in the UK and Ireland had significantly higher RevPAR growth than UK Regional also in the third quarter.

In London RevPAR increased by just over 4 percent, supported by good international demand in the summer months.

The overall supply situation is well-balanced in UK Regional, but more new capacity is expected in cities such as Manchester, Glasgow and Belfast, which may lower RevPAR growth in the short term. All of these cities are, however, large destinations and attractive hotel markets with good underlying demand.

## Brussels remains strong but growth is slowing

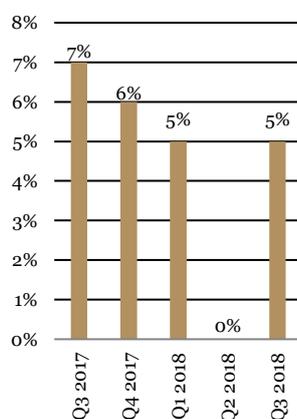
RevPAR in Brussels increased by 12 percent, mainly driven by a strong corporate and conference segment. The slightly lower growth rate compared to earlier in the year is explained by the fact that the hotel market in Brussels is now facing increasingly strong comparative figures from the corresponding period the previous year.

## Strong comparison figures explain the decline in Montreal

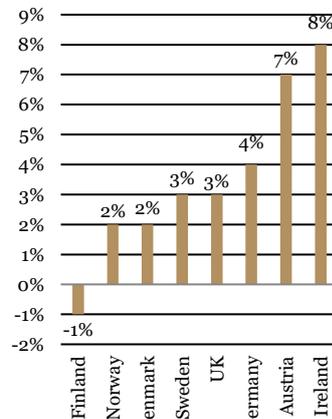
RevPAR in Montreal fell by 1 percent in the quarter, mainly explained by strong comparison figures from the same period the previous year when both Canada and Montreal celebrated an anniversary year with a packed event calendar. Slightly lower incoming travel from the USA as well as some new hotel capacity also contributed to the decrease.

## July-September 2018

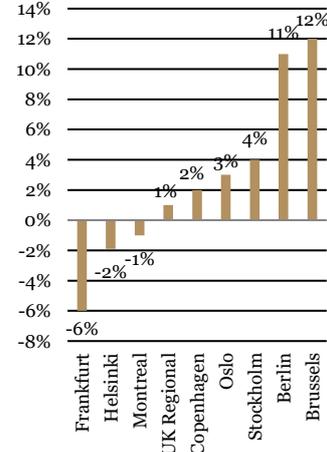
Europe  
RevPAR growth y/y



Countries  
RevPAR growth y/y



Key markets  
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance

# Financial development July-September 2018

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated.

## Net sales

Revenue from Property Management amounted to MSEK 810 (589), an increase of 38 percent, mainly explained by acquired growth in the lease portfolio, positive market growth and past reclassifications.

For comparable units, revenue increased by 2 percent adjusted for currency effects, despite a certain negative renovation effect in Pandox's portfolio, mainly in Stockholm.

The recently acquired investment properties in the UK and Ireland, which are not part of the comparable portfolio, demonstrated strong and profitable growth in the third quarter too.

Revenue from Operator Activities amounted to MSEK 531 (463), an increase of 15 percent. For comparable units, revenue and RevPAR increased by 4 and 6 percent respectively, adjusted for currency effects.

The Group's net sales amounted to MSEK 1,341 (1,052). For comparable units, net sales increased by 3 percent adjusted for currency effects.

## Net operating income

Net operating income from Property Management amounted to MSEK 698 (511), an increase of 37 percent.

For comparable units, net operating income increased by 2 percent adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 142 (129), an increase of 10 percent. For comparable units, net operating income increased by 4 percent adjusted for currency effects.

Total net operating income amounted to MSEK 840 (640), an increase of 31 percent.

## Administration costs

Central administration costs amounted to MSEK -34 (-30).

## EBITDA

EBITDA amounted to MSEK 806 (610), an increase of 32 percent.

## Financial income and expense

Financial expense amounted to MSEK -207 (-132). The change is mainly explained by increased interest-bearing liabilities following acquisitions that increased debt in foreign currencies. Pandox has decided to hedge a larger share of its loan portfolio, including in the third quarter, resulting in higher costs for interest rate derivatives.

Financial income amounted to MSEK 2 (0).

## Profit before changes in value

Profit before changes in value amounted to MSEK 561 (439), an increase of 28 percent.

## Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 376 (194) and are explained by a combination of a lower valuation yield and higher cash flows in the comparable portfolio.

Realised changes in value amounted to MSEK 13 (—) and relate to the reversal of a guarantee for past divestments.

Unrealised changes in value of derivatives amounted to MSEK 113 (18).

## Current and deferred tax

Current tax amounted to MSEK -64 (-16).

Deferred tax expense amounted to MSEK -166 (-84).

## Profit for the period

Profit for the period amounted to MSEK 833 (551) and profit for the period attributable to Parent Company's shareholders amounted to MSEK 833 (547), which is equivalent to SEK 4.98 (3.47) per share.

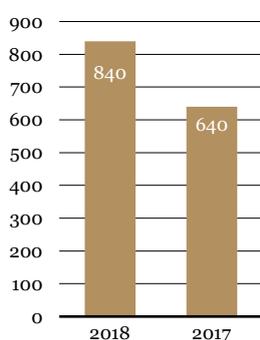
## Cash earnings

Cash earnings amounted to MSEK 537 (462), an increase of 16 percent.

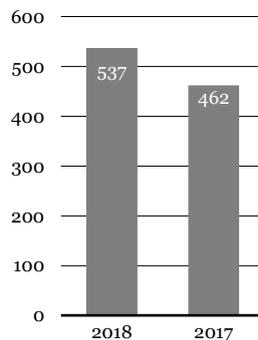
See page 23 for summary of reclassifications, acquisitions and divestments.

## July-September 2018

Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



# Financial development January-September 2018

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated

## Net sales

Revenue from Property Management amounted to MSEK 2,222 (1,631), an increase of 36 percent, mainly explained by acquired growth in the lease portfolio, contribution from reclassifications and positive market growth.

For comparable units, revenue increased by 2 percent adjusted for currency effects.

The recently acquired investment properties in the UK and Ireland, which are not part of the comparable portfolio, demonstrated strong and profitable growth.

Revenue from Operator Activities amounted to MSEK 1,527 (1,539), a decrease of 1 percent, which is explained by reclassifications made.

For comparable units, revenue and RevPAR increased by 4 and 5 percent respectively, adjusted for currency effects.

The Group's net sales amounted to MSEK 3,749 (3,170). For comparable units, net sales increased by 3 percent adjusted for currency effects.

## Net operating income

Net operating income from Property Management amounted to MSEK 1,890 (1,392), an increase of 36 percent. For comparable units, net operating income increased by 1 percent adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 375 (350), an increase of 7 percent. For comparable units, net operating income increased by 10 percent adjusted for currency effects.

Total net operating income amounted to MSEK 2,265 (1,742), an increase of 30 percent.

## Administration costs

Central administration costs amounted to MSEK -105 (-88). The increase is explained by the company's growth and geographical expansion.

## EBITDA

EBITDA amounted to MSEK 2,160 (1,654), an increase of 31 percent.

## Financial income and expense

Financial expense amounted to MSEK -592 (-394). The change is mainly explained by increased interest-bearing liabilities following acquisitions that increased debt in foreign currencies. Pandox has decided to hedge a larger share of its loan portfolio than previously, resulting in higher costs for interest rate derivatives.

Financial income amounted to MSEK 3 (1).

## Profit before changes in value

Profit before changes in value amounted to MSEK 1,454 (1,136), an increase of 28 percent.

## Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 822 (1,136) and are explained by a combination of higher cash flows and a lower valuation yield in the comparable portfolio.

Realised changes in value amounted to MSEK 40 (-) and relate to the reversal of a guarantee for past divestments.

Unrealised changes in value of derivatives amounted to MSEK 172 (166).

## Current and deferred tax

Current tax amounted to MSEK -161 (-84).

Deferred tax expense amounted to MSEK -278 (-389), including a revaluation of the Group's deferred tax assets in the second quarter which reduced the Group's tax liabilities by MSEK 104.

## Profit for the period

Profit for the period amounted to MSEK 2,049 (1,965) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK 2,044 (1,952) which is equivalent to SEK 12.20 (12.39) per share.

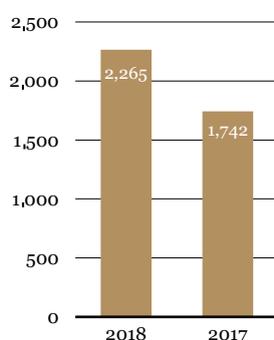
## Cash earnings

Total cash earnings amounted to MSEK 1,410 (1,177), an increase of 20 percent.

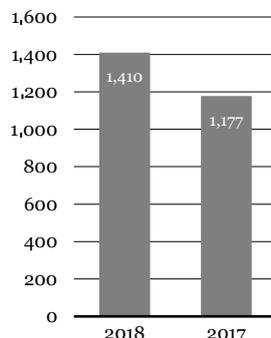
See page 23 for summary of reclassifications, acquisitions and divestments.

## January-September 2018

Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



# Segment reporting July-September 2018

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated

## Property Management

Figures in MSEK	Quarter 3		Jan-Sep		FY
	2018	2017	2018	2017	2017
Rental income	766	569	2,105	1,572	2,121
Other property income	44	20	117	59	81
Costs, excluding prop admin	-48	-62	-241	-181	-228
Net operating income, before property admin	762	527	1,981	1,450	1,974
Property administration	-64	-16	-91	-58	-93
Gross profit	698	511	1,890	1,392	1,882
Net operating income, after property admin	698	511	1,890	1,392	1,882

Rental income and other property income amounted to MSEK 810 (589) and net operating income to MSEK 698 (511), an increase of 38 and 37 percent respectively, supported by strong and profitable growth in the portfolio acquired in the UK and Ireland, as well as stable development in the comparable portfolio.

For comparable units, total rental income and net operating income increased by 2 percent each adjusted for currency effects, including a certain negative renovation effect.

Taking into account the acquired properties in the UK and Ireland the total comparable growth in rental income was around 3 percent.

Growth in the comparable portfolio of revenue-based leases was positive in Sweden, Germany, Denmark and Finland, and slightly negative in the Netherlands and Austria. Individual cities with particularly strong rental income growth were Gothenburg, Malmö, Oslo, Frankfurt, Heidelberg and Munich. Regional cities in Sweden also for the most part saw positive growth.

Rental income in Stockholm fell by around 2 percent, which is mainly explained by negative renovation effects relating to Scandic Park and Hilton Stockholm Slussen. In the hotel markets outside the city centre growth in rental income was positive.

In Bergen (Norway) growth was negative as an effect of a challenging supply situation with significant new capacity in the market.

## Operator Activities

Figures in MSEK	Quarter 3		Jan-Sep		FY
	2018	2017	2018	2017	2017
Revenues	531	463	1,527	1,539	2,067
Costs	-429	-373	-1,269	-1,314	-1,743
Gross profit	102	90	258	225	324
Add: Depreciation included in costs	40	39	117	125	170
Net operating income	142	129	375	350	494

Revenue from Operator Activities amounted to MSEK 531 (463), an increase of 15 percent.

Net operating income amounted to MSEK 142 (129), an increase of 10 percent.

The net operating margin was 26.7 (27.9) percent.

For comparable units, revenue and net operating income increased by 4 percent each, adjusted for currency effects, mainly supported by continued good growth in Brussels.

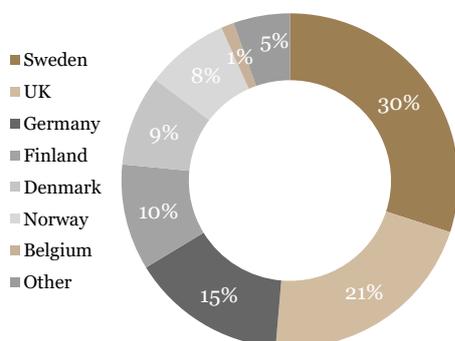
Growth in Montreal was negative and this is explained in general by another strong comparison quarter in the anniversary year, 2017, as well as competing hotel capacity being reintroduced into the market.

Pandox entered into an agreement with Hilton during the quarter under which the Hyatt Montreal will be repositioned as a DoubleTree by Hilton in the fourth quarter in 2018. The hotel will continue to be operated by Pandox but under a franchise agreement. Pandox expects the change to have a clearly positive effect over time on the hotel's revenue and profitability.

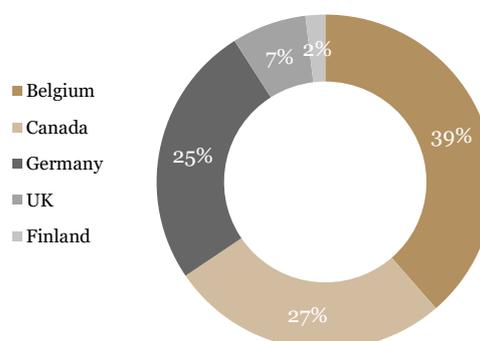
Adjusted for currency effects and comparable units, RevPAR increased by 6 percent.

## July-September 2018

Revenue by country, Property Management



Revenue by country, Operator Activities



# Property portfolio

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated

## Change in property value

At the end of the period, Pandox's property portfolio had a total market value of MSEK 53,281 (50,121), of which Investment Properties accounted for MSEK 45,810 (42,548) and Operating properties for MSEK 7,471 (7,573). At the same point in time, the carrying amount of the Operating Properties portfolio was MSEK 5,331 (5,668).

At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 15.3 years (31 December 2017: 15.6).

A total of two hotel properties in Brussels have been reclassified to Property Management during the year.

### Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (January 1, 2018)	42,548
+ Acquisitions <sup>2)</sup>	8
+ Investments in current portfolio	243
- Divestments	—
+/- Reclassifications <sup>1)</sup>	657
+/- Revaluation of fixed assets to total comprehensive income for the period <sup>1)</sup>	117
+/- Unrealised changes in value	822
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,415
<b>Investment Properties, closing balance (September 30, 2018) <sup>3)</sup></b>	<b>45,810</b>

### Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (January 1, 2018)	7,573
+ Acquisitions	—
+ Investments in current portfolio	217
- Divestments	—
+/- Reclassifications <sup>1)</sup>	-773
+/- Unrealised changes in value	159
+/- Realised changes in value	—
+/- Change in currency exchange rates	295
<b>Operating Properties, market value (September 30, 2018)</b>	<b>7,471</b>

<sup>1)</sup> Refers to reclassification of two hotel properties to Property Management in Q1 2018.

<sup>2)</sup> Refers to adjustment of acquisition.

<sup>3)</sup> Including assets held for sale of MSEK 286.

## Investments

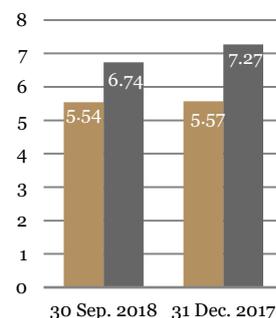
During the period January–September 2018, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 460 (501), of which MSEK 243 (298) for Investment Properties and MSEK 217 (203) for Operating Properties and MSEK 1 (0) for the head office.

At the end of the period, committed investments for future projects equivalent to around MSEK 930 had been approved. Larger projects included are Crown Plaza Brussels, Hilton Brussels City, Vildmarkshotellet, Jurys Inn Belfast, NH Brussels Bloom, Hyatt Regency Montreal, NH Vienna Airport, Park Amsterdam, Hotel Berlin Berlin, as well as the joint investment programme with Scandic Hotels Group for 19 hotel properties in the Nordic region.

### Financial effects of changes in certain key valuation parameters as of September 30, 2018

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-3,794 / +4,547
Change in currency exchange rates	+/- 1%	+/- 308
Net operating income	+/- 1%	+/- 437
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 24
Operating properties, effect on revenues	Change	Effect on revenues
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, change in interest rates	+/- 1%	-/+ 101
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 275
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 738

### Average valuation yield, % (30 September 2018)



## Property valuation

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

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

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

In the third quarter Pandox had external valuations performed on one sixth 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 19.

# Financing

Figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2017 for balance sheet items, unless otherwise stated.

## Financial position and net asset value

At the end of the period the loan-to-value net was 49.9 (50.8) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 20,778 (18,845). EPRA NAV (net asset value) per share amounted to SEK 26,539 (24,211), corresponding to SEK 158.44 (144.54) per share. Liquid funds plus unutilised long-term credit facilities amounted to MSEK 2,965 (3,319).

## Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 27,513 (26,473). Unutilised long-term credit facilities amounted to MSEK 2,042 (2,320).

During the quarter Pandox established a commercial paper program with a framework amount of MSEK 3,000, and issued commercial papers in a total amount of MSEK 800 in different tenors ranging from 2 to 12 months. The purpose of the program is to decrease the financing costs and diversify the financing structure. Issued commercial papers are backed in full by existing long-term unutilized credit facilities.

The average fixed rate period was 3.0 (2.6) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.7 (2.6) percent, including effects from interest-rate swaps. The average repayment period was 2.9 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives are used, mainly in the form of interest swaps. At the end of the period interest derivatives amount to a gross amount of MSEK 21,540 and a net amount of MSEK 16,454, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Around 59 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

### Interest maturity profile

Tenor (MSEK)	Interest maturity				Interest rate swaps		
	Loans	Interest swaps	Amount	Share, %	Volume	Share, %	Average interest swaps, % <sup>1)</sup>
< 1 year	27,513	-16,200	11,312	41	254	2	2.9
1-2 year	—	3,256	3,256	12	3,256	20	2.1
2-3 year	—	1,859	1,859	7	1,859	11	1.4
3-4 year	—	3,183	3,183	12	3,183	19	1.1
4-5 year	—	2,580	2,580	9	2,580	16	1.8
> 5 year	—	5,322	5,322	19	5,322	32	1.1
Total/net/average	27,513	0	27,513	100	16,454	100	1.5

<sup>1)</sup> Excluding bank margin on loans.

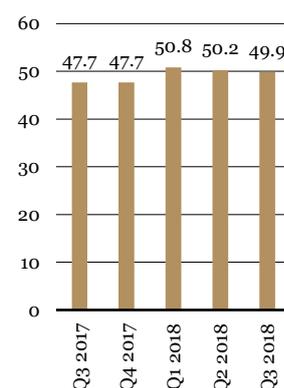
To reduce the currency exposure in foreign investment Pandox's aim is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox's strategy is to have a long investment perspective. Currency exposures are largely in form of currency translation effects.

### Interest maturity profile by currency

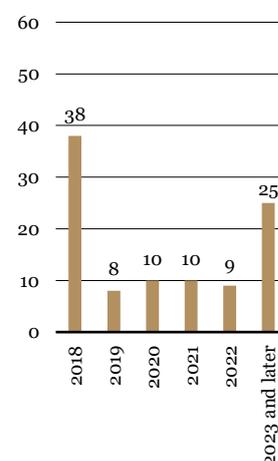
Year due (MSEK) <sup>1)</sup>	Currency							Total	Share %	Interest % <sup>2)</sup>
	SEK	DKK	EUR	CHF	CAD	NOK	GBP			
2018	2,797	756	2,828	463	518	720	2,377	10,459	38	4.8
2019	725	—	746	—	—	652	—	2,123	8	0.8
2020	1,400	525	921	—	—	—	—	2,846	10	1.9
2021	1,250	—	1,493	—	—	—	—	2,743	10	1.4
2022	250	552	1,719	—	—	—	—	2,521	9	1.0
2023	-800	—	892	—	—	-543	1,950	1,499	5	2.9
2024	—	—	—	—	—	—	—	—	—	—
2025	—	—	—	—	—	—	—	—	—	—
2026	—	—	1,235	—	—	—	—	1,235	4	0.7
2027	—	—	618	—	—	—	926	1,544	6	1.1
2028 and later	2,000	—	—	—	—	543	—	2,543	9	1.4
Total	7,622	1,833	10,453	463	518	1,372	5,253	27,513	100	2.7
Share maturity in currency, %	27.7	6.7	38.0	1.7	1.9	5.0	19.1	100	—	—
Average interest rate, %	3.0	2.1	2.4	0.9	3.5	2.7	3.1	2.7	—	—
Average interest rate period, years	3.1	1.8	3.2	0.2	0.1	2.6	3.3	3.0	—	—
Market value Properties	15,005	3,555	21,488	699	1,282	3,398	7,853	53,281	—	—

<sup>1)</sup> Converted to MSEK. <sup>2)</sup> Average interest rate including bank margin.

### Loan to value per quarter, %



### Interest maturity per year, %



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.

At the end of the period, the net market value of Pandox's financial derivatives amounted to MSEK -391 (-563).

#### Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity <sup>2)</sup>	Interest, loans <sup>1)</sup>	Net interest, interest swaps, negative value <sup>1)</sup>	Subtotal interest	Net interest, interest swaps, positive value <sup>1)</sup>	Total interest
2018	1,254	17	0	16	0	16
2019	6,613	88	8	97	1	98
2020	5,485	83	60	143	0	143
2021	5,511	94	35	129	4	133
2022	7,550	177	31	208	2	210
2023 and later	1,098	28	27	55	67	122
<b>Total</b>	<b>27,513</b>	<b>488</b>	<b>160</b>	<b>648</b>	<b>74</b>	<b>722</b>

<sup>1)</sup> Calculation based on ending balance as of September 30, 2018 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.

<sup>2)</sup> Excluding current amortisation.

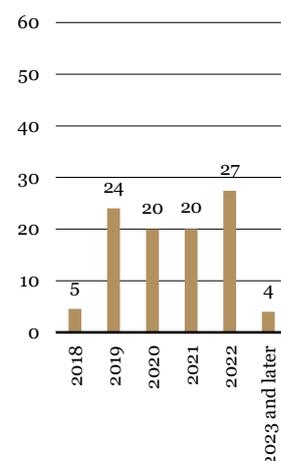
#### Deferred tax

At the end of the period deferred tax assets amounted to MSEK 520 (613). These represent the book value of tax loss carry forwards which the Company expects to be able to use in upcoming fiscal years, and temporary measurement differences for interest rate derivatives.

Deferred tax liabilities amounted to MSEK 3,316 (3,026) 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.

The corporate tax rate is to be reduced in two steps: from the present 22.0 percent to 21.4 percent for financial years commencing after December 31, 2018, and to 20.6 percent for financial years commencing after December 31, 2020. In the second quarter 2018, the Group's deferred tax assets and liabilities were adjusted for to be measured at the reduced tax rates that are expected to apply to the period when the liability is settled. The reduced tax rate resulted in a reduction of the Group's tax liabilities in the amount of MSEK 104.

Debt maturity per year, %



# Other information

## Important press releases during the period

7 September 2018	Pandox establishes a commercial paper programme
5 September 2018 31 August 2018	Nomination Committee for the AGM 2019 Pandox has completed legal reorganisation in the UK and Ireland
13 July 2018	Interim report January–June 2018

To read the full press releases, see [www.pandox.se](http://www.pandox.se).

## Significant events after the period

12 October 2018	Pandox enters into agreement to acquire The Midland Manchester
2 October 2018	Pandox enters into agreement to acquire Radisson Blu Glasgow

## Employees

At the end of the period, Pandox had the equivalent of 1,134 (1,154) fulltime employees. Of the total number of employees, 1,094 (1,119) are employed in the Operator Activities segment and 40 (35) in the Property Management segment and in central administration.

## Parent company

Administration for activities within Pandox's property owning companies is provided by staff employed by the Parent Company, Pandox AB (publ). Pandox's subsidiaries are invoiced for these services. Amounts invoiced during the January–September 2018 period totalled MSEK 43 (43), and the profit amounted to MSEK 748 (44).

At the end of the period the Parent Company's equity amounted to MSEK 4,598 (4,556) and the interest-bearing debt was MSEK 5,870 (6,638), of which MSEK 4,936 (5,803) was in the form of long-term debt.

## Transactions with related parties

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

Eiendomsspar AS owns 5.1 percent of 21 hotel properties in Germany and 9.9 percent of another hotel property in Germany, which were acquired by Pandox in 2015 and 2016. In the second quarter the dissolution of the temporary minority holding of 5.1 percent for the two hotel properties in Austria was completed.

Pandox has asset management agreements regarding nine hotels located in Oslo as well as for the Pelican Bay Lucaya Resort in the Grand Bahama Island, which are owned by Eiendomsspar AS or subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. During the third quarter revenue from the nine asset management agreements amounted to MSEK 1.3 (0.9), and revenue from Pelican Bay Lucaya amounted to MSEK 0.3 (0.5).

## Alternative performance measurements

Pandox applies the European Securities and Market Authority's (ESMA) guidelines for Alternative Performance Measurements. The guidelines aim at making alternative Performance Measurements in financial reports more understandable, trustworthy and comparable and thereby enhance their usability.

According to these guidelines, an Alternative Performance Measurement is a financial key ratio of past or future earnings development, financial position, financial result or cash flows which are not defined or mentioned in current legislation for financial reporting; IFRS and the Swedish Annual Accounts Act. Reconciliations of Alternative Performance Measurements are available on pages 16-17.

## Number of shares

At the end of the period, the total number of shares before and after dilution amounted to 75,000,000 A shares and 92,499,999 B shares. For the third quarter 2018 the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 92,499,999 B shares.

## Financial risk management

Pandox seeks to achieve the lowest possible financing cost while simultaneously limiting the Company's interest rate, currency and liquidity risks. Pandox's approach is that increased financing cost resulting from moderate changes in interest rates is often compensated for by higher operating income due to increased economic activity. Also, Pandox has a loan portfolio with staggered maturities and fixed interest periods where the Company enters into interest rate swaps to hedge interest rate levels for a certain portion of the debt portfolio.

A significant amount of Pandox's operations are in countries outside Sweden and the Company is therefore exposed to exchange rate fluctuations. Pandox reduces currency exposure in foreign investments primarily by taking out loans in local currencies. In general, foreign operations report both income and costs in the local currency, which limits currency exposure in current flows.

Pandox aims to have a diversified loan portfolio in terms of the number of lenders, concentration and maturities in order to manage liquidity risk.

Pandox's financial risks and risk management are described on pages 120–123 of the 2017 Annual Report.

## Risk and uncertainty factors

Pandox defines risk as a factor of uncertainty that may affect the Company's ability to fulfil its objectives. It is therefore of utmost importance that Pandox is able to identify and assess these factors of uncertainty.

Pandox's strategy is to invest in hotel properties with revenue-based leases with the best hotel operators, and also to be able to operate hotels itself when necessary. Based on this strategy, Pandox has classified risk in five categories: strategy risk, operational risk, financial risk, external risk and sustainability risk.

Integration of the acquisition in the UK and Ireland is an operational risk with certain priority in the current year.

Pandox's risk management work is described on pages 80–84 in the section "Risk and risk management" in the 2017 Annual Report.

There has been no significant change to Pandox's risk assessment after the publication of the 2017 Annual Report.

## Seasonal variations

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

## Forward-looking statements

This report contains forward-looking statements. Such statements are subject to risks and uncertainties. Actual developments may differ materially from the expectations expressed, due to various factors, many of which are beyond the control of Pandox

## Governing text

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

## Stockholm, 25 October 2018

**Anders Nissen, CEO**

# Auditor's report

## Introduction

We have reviewed the condensed interim financial information (interim report) of Pandox AB 556030-7885 as of 30th September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 25 October 2018

PricewaterhouseCoopers AB

Patrik Adolfson  
Authorised Public Accountant  
Auditor in charge

Helena Ehrenborg  
Authorised Public Accountant



Radisson Blu Glasgow, 224 rooms



The Midland Manchester, 312 rooms



Hotel Hubert Brussels, 100 rooms

### Presentation of the interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 25 October at 08:30 CEST.

To follow the presentation online go to <https://edge.media-server.com/m6/p/rbn76gus>. 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](http://www.pandox.se) at approximately 08:00 CEST.

SE Tollfree: 0200 883 464  
 SE LocalCall: +46 (0)8 5065 3942  
 UK Tollfree: 0800 279 7204  
 UK LocalCall: +44 (0)330 336 9411  
 US LocalCall: +1 646-828-8144  
 Conference ID: 1337706

A recorded version of the presentation will be available at [www.pandox.se](http://www.pandox.se).

### Contact persons

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This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above 25 October 2018, 07:00 CEST.

### Financial calendar

Interim report Q1-3 2018	25 October 2018
Hotel Market Day 2018	20 November 2018
Year-end report 2018	14 February 2019
AGM 2019	10 April 2019
Interim report Q1 2019	26 April 2019

More information about Pandox is available at [www.pandox.se](http://www.pandox.se).

# Summary of financial reports

## Condensed consolidated statement of comprehensive income

Figures in MSEK	Note	Quarter 3		Jan-Sep		FY
		2018	2017	2018	2017	2017
Revenues Property Management						
Rental income	2	766	569	2,105	1,572	2,121
Other property income		44	20	117	59	81
Revenue Operator Activities	2	531	463	1,527	1,539	2,067
<b>Total revenues</b>		<b>1,341</b>	<b>1,052</b>	<b>3,749</b>	<b>3,170</b>	<b>4,269</b>
Costs Property Management	2	-112	-78	-332	-239	-321
Costs Operator Activities	2	-429	-373	-1,269	-1,314	-1,743
<b>Gross profit</b>		<b>800</b>	<b>601</b>	<b>2,148</b>	<b>1,617</b>	<b>2,206</b>
- whereof gross profit Property Management	2	698	511	1,890	1,392	1,882
- whereof gross profit Operator Activities	2	102	90	258	225	324
Central administration		-34	-30	-105	-88	-124
Financial income		2	0	3	1	15
Financial expenses		-207	-132	-592	-394	-534
<b>Profit before changes in value</b>		<b>561</b>	<b>439</b>	<b>1,454</b>	<b>1,136</b>	<b>1,563</b>
<i>Changes in value</i>						
Properties, unrealised	2	376	194	822	1,136	1,625
Properties, realised	2	13	—	40	—	289
Derivatives, unrealised		113	18	172	166	173
<b>Profit before tax</b>		<b>1,063</b>	<b>651</b>	<b>2,488</b>	<b>2,438</b>	<b>3,650</b>
Current tax		-64	-16	-161	-84	-73
Deferred tax		-166	-84	-278	-389	-429
<b>Profit for the period</b>		<b>833</b>	<b>551</b>	<b>2,049</b>	<b>1,965</b>	<b>3,148</b>
<b>Other comprehensive income</b>						
<i>Items that may not be classified to profit or loss</i>						
This year's revaluation of fixed assets <sup>1)</sup>		—	—	117	112	112
Tax attributable to items that may not be classified to profit or loss		—	—	-35	-25	-25
		—	—	82	87	87
<i>Items that may be classified to profit or loss</i>						
Translation differences realisation of foreign operations		-220	-1	559	-76	-272
		-220	-1	559	-76	-272
<b>Other comprehensive income for the period</b>		<b>-220</b>	<b>-1</b>	<b>641</b>	<b>11</b>	<b>-185</b>
<b>Total comprehensive income for the period</b>		<b>613</b>	<b>550</b>	<b>2,690</b>	<b>1,976</b>	<b>2,963</b>
Profit for the period attributable to the shareholders of the parent company		833	547	2,044	1,952	3,140
Profit for the period attributable to non-controlling interests		0	4	5	13	8
Total comprehensive income for the period attributable to the shareholders of the parent company		616	548	2,678	1,962	2,950
Total comprehensive income for the period attributable to non-controlling interests		-3	2	12	14	13
Earnings per share, before and after dilution, SEK		4.98	3.47	12.20	12.39	19.89

<sup>1)</sup> Change of fair value due to reclassification of hotel properties from Operator Activities to Property Management.

## Condensed consolidated statement of financial position

Figures in MSEK	Note	2018 30 Sep	2017 30 Sep	2017 31 Dec
<b>ASSETS</b>				
<b>Non-current assets</b>				
Operating properties		4,929	4,817	5,246
Equipment and interiors		402	347	423
Investment properties		45,524	34,038	42,548
Deferred tax assets		520	665	613
Derivatives <sup>1)</sup>		59	6	11
Other non-current receivables		32	45	26
<b>Total non-current assets</b>		<b>51,466</b>	<b>39,918</b>	<b>48,867</b>
<b>Current assets</b>				
Inventories		10	14	10
Current tax assets		47	14	40
Trade account receivables		218	218	167
Prepaid expenses and accrued income		350	330	395
Other current receivables		194	196	67
Cash and cash equivalents		923	484	999
Assets held for sale	3	286	—	1,367
<b>Total current assets</b>		<b>2,028</b>	<b>1,256</b>	<b>3,045</b>
<b>Total assets</b>		<b>53,494</b>	<b>41,174</b>	<b>51,912</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		419	394	419
Other paid-in capital		4,556	3,120	4,557
Reserves		391	-43	-243
Retained earnings, including profit for the period		15,412	12,924	14,112
<b>Equity attributable to the owners of the Parent Company</b>		<b>20,778</b>	<b>16,395</b>	<b>18,845</b>
Non-controlling interests		172	191	182
<b>Sum equity</b>		<b>20,950</b>	<b>16,586</b>	<b>19,027</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities <sup>2)3)</sup>		23,800	14,796	23,768
Other non-current liabilities		2	12	248
Derivatives <sup>1)</sup>		450	575	574
Provisions		91	109	134
Deferred tax liability		3,316	2,911	3,026
<b>Total non-current liabilities</b>		<b>27,659</b>	<b>18,403</b>	<b>27,750</b>
<b>Current liabilities</b>				
Provisions		14	14	2
Interest-bearing liabilities <sup>2)3)</sup>		3,661	5,238	2,705
Tax liabilities		256	96	83
Trade accounts payable		219	244	250
Other current liabilities		245	171	284
Accrued expenses and prepaid income		490	422	444
Debt related to assets held for sale	3	—	—	1,367
<b>Total current liabilities</b>		<b>4,885</b>	<b>6,185</b>	<b>5,135</b>
<b>Total liabilities</b>		<b>32,544</b>	<b>24,588</b>	<b>32,885</b>
<b>Total equity and liabilities</b>		<b>53,494</b>	<b>41,174</b>	<b>51,912</b>

<sup>1)</sup>The fair value measurement belongs to level 2 in the fair value hierarchy in IFRS, i.e., it is based on inputs that are observable, either directly or indirectly.

<sup>2)</sup>The carrying amounts of interest-bearing liabilities and other financial instruments constitute a reasonable approximation of their fair values.

<sup>3)</sup>Arrangement fees of approximately MSEK 52 have reduced interest-bearing liabilities.

## Condensed consolidated statement of changes in equity

Figures in MSEK	Attributable to the owners of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Other paid in capital	Translation reserves	Revaluation reserve	Retained earnings, incl profit for the period			
Opening balance equity January 1, 2017	394	3,122	-53	—	11,618	15,081	177	15,258
Profit for the period Q1-3 2017	—	—	—	—	1,952	1,952	13	1,965
Other comprehensive income Q1-3 2017	—	—	-77	87	—	10	1	11
New share issue <sup>1)</sup>	—	-2	—	—	—	-2	—	-2
Dividend March 2017	—	—	—	—	-646	-646	—	-646
Closing balance equity September 30, 2017	394	3,120	-130	87	12,924	16,395	191	16,586
Profit for the period Q4 2017	—	—	—	—	1,188	1,188	-5	1,183
Other comprehensive income Q4 2017	—	—	-200	—	—	-200	4	-196
New share issue <sup>1)</sup>	25	1,437	—	—	—	1,462	—	1,462
Dividend Q4 2017	—	—	—	—	—	—	-8	-8
Closing balance equity December 31, 2017	419	4,557	-330	87	14,112	18,845	182	19,027
Opening balance equity January 1, 2018	419	4,557	-330	87	14,112	18,845	182	19,027
Profit for the period Q1-3 2018	—	—	—	—	2,044	2,044	5	2,049
Other comprehensive income Q1-3 2018	—	—	552	82	—	634	7	641
New share issue <sup>2)</sup>	—	-1	—	—	—	-1	—	-1
Transactions regarding non-controlling interest <sup>3)</sup>	—	—	—	—	-7	-7	-22	-29
Dividend April 2018	—	—	—	—	-737	-737	—	-737
Closing balance equity September 30, 2018	419	4,556	222	169	15,412	20,778	172	20,950

<sup>1)</sup> Proceeds from directed share issue reported net of transaction costs of MSEK 18, 2017.

<sup>2)</sup> Proceeds from directed share issue refers to transaction costs of MSEK 1, 2018.

<sup>3)</sup> Acquisition and dissolution of non-controlling interest regarding Austria and Germany.

## Condensed consolidated statement of cash flow

Figures in MSEK	Quarter 3		Jan-Sep		FY
	2018	2017	2018	2017	2017
<b>OPERATING ACTIVITIES</b>					
Profit before tax	1,063	651	2,488	2,438	3,650
Reversal of depreciation	40	39	117	125	170
Changes in value, Investment properties, realised	-13	—	-40	—	-289
Changes in value, Investment properties, unrealised	-377	-194	-822	-1,136	-1,625
Changes in value, derivatives, unrealised	-114	-18	-173	-166	-173
Other items not included in the cash flow	-33	9	-12	20	33
Taxes paid	46	-16	5	-84	-73
Cash flow from operating activities before changes in working capital	612	471	1,563	1,197	1,693
Increase/decrease in operating assets	48	-88	-227	-214	-102
Increase/decrease in operating liabilities	-505	-36	-336	25	102
Change in working capital	-457	-124	-563	-189	0
Cash flow from operating activities	155	347	1,000	1,008	1,693
<b>INVESTING ACTIVITIES</b>					
Acquisition of non-controlling interest	-1	—	-29	—	—
Investments in properties and fixed assets	-167	-181	-460	-501	-714
Divestment of hotel properties, net effect on liquidity	—	—	—	16	356
Acquisitions of hotel properties, net effect on liquidity	-2	-824	-8	-1,148	-10,609
Acquisitions of financial assets	-11	-2	-11	-24	-24
Divestment of financial assets	0	0	4	1	21
Cash flow from investing activities	-181	-1,007	-504	-1,656	-10,970
<b>FINANCING ACTIVITIES</b>					
New share issue	—	—	—	—	1,480
Transaction cost	—	—	-1	-2	-20
New loans	1,274	1,717	2,814	2,413	13,138
Amortisation of debt	-1,005	-913	-2,650	-1,138	-4,188
Paid dividends	—	—	-737	-654	-654
Cash flow from financing activities	269	804	-573	619	9,756
Cash flow for the period	243	144	-78	-29	479
Cash and cash equivalents at beginning of period	678	344	999	517	517
Exchange differences in cash and cash equivalents	2	-4	2	-4	3
Cash and cash equivalents at end of period	923	484	923	484	999
<b>Information regarding interest payments</b>					
Interest received amounted to	0	0	1	1	2
Interest paid amounted to	-201	-122	-572	-374	-508
<b>Information regarding cash and cash equivalents end of period</b>	923	484	923	484	999
Cash and cash equivalents consist of bank deposits.					

## Condensed income statement for the parent company

Figures in MSEK	Quarter 3		Jan-Sep		FY
	2018	2017	2018	2017	2017
Net sales	11	9	54	52	101
Administration cost	-47	-41	-138	-118	-166
Operating profit	-36	-32	-84	-66	-65
Profit from participations in Group companies	2	0	758	200	200
Other interest income and similar profit/loss items <sup>1)</sup>	472	19	475	65	140
Other interest expense and similar profit/loss items	-425	-38	-377	-155	-609
Profit after financial items	13	-51	772	44	-334
Year-end appropriations	—	—	—	—	248
Profit before tax	13	-51	772	44	-86
Current tax <sup>2)</sup>	3	—	9	—	—
Deferred tax	-25	—	-34	—	116
Profit for the period	-9	-51	748	44	30

<sup>1)</sup> Of which MSEK 47 refers to unrealised value changes on derivatives.

<sup>2)</sup> Tax assets referring to tax carryforwards and valuation of interest rate swaps.

## Condensed balance sheet for the parent company

Figures in MSEK	2018	2017	2017
	30 Sep	30 Sep	31 Dec
<b>ASSETS</b>			
Non-current assets	17,489	12,698	17,596
Current assets	570	48	167
<b>Total assets</b>	<b>18,059</b>	<b>12,746</b>	<b>17,763</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,598	3,109	4,556
Provisions	93	75	82
Non-current liabilities	5,239	1,269	6,162
Current liabilities	8,129	8,293	6,963
<b>Total equity and liabilities</b>	<b>18,059</b>	<b>12,746</b>	<b>17,763</b>

## Reconciliation alternative performance measurements

Per share, figures in SEK <sup>1)</sup>	Quarter 3		Jan-Sep		FY
	2018	2017	2018	2017	2017
<b>Total comprehensive income per share, SEK</b>					
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	616	548	2,678	1,962	2,950
Weighted average number of share, before and after dilution	167,499,999	157,499,999	167,499,999	157,499,999	157,856,163
<b>Total comprehensive income per share, SEK</b>	<b>3.68</b>	<b>3.48</b>	<b>15.99</b>	<b>12.46</b>	<b>18.69</b>
<b>Cash earnings per share, SEK</b>					
Cash earnings attributable to the shareholders of the parent company, MSEK	537	458	1,405	1,164	1,652
Weighted average number of share, before and after dilution	167,499,999	157,499,999	167,499,999	157,499,999	157,856,163
<b>Cash earnings per share, SEK</b>	<b>3.20</b>	<b>2.91</b>	<b>8.39</b>	<b>7.39</b>	<b>10.46</b>
<b>Net asset value (EPRA NAV) per share, SEK</b>					
EPRA NAV (net asset value), MSEK	—	—	26,539	21,494	24,211
Number of shares at the end of the period	—	—	167,499,999	157,499,999	167,499,999
<b>Net asset value (EPRA NAV) per share, SEK</b>	<b>—</b>	<b>—</b>	<b>158.44</b>	<b>136.47</b>	<b>144.54</b>
<b>Dividend per share, SEK</b>					
Dividend, MSEK	—	—	—	—	737
Number of shares at dividend	167,499,999	157,499,999	167,499,999	157,499,999	167,499,999
<b>Dividend per share, SEK <sup>3)</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4.40</b>
Weighted average number of shares outstanding, before and after dilution	167,499,999	157,499,999	167,499,999	157,499,999	157,856,163
Number of shares at end of period	167,499,999	157,499,999	167,499,999	157,499,999	167,499,999
<b>PROPERTY RELATED KEY FIGURES</b>					
Number of hotels, end of period <sup>2)</sup>	—	—	143	122	143
Number of rooms, end of period <sup>2)</sup>	—	—	31,655	26,854	31,613
WAULT, years	—	—	15.3	13.8	15.6
Market value properties, MSEK	—	—	53,281	40,951	50,121
Market value Investment properties	—	—	45,810	34,038	42,548
Market value Operating properties	—	—	7,471	6,913	7,573
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	908	855	837	800	803

<sup>1)</sup> Total number of outstanding shares after dilution amounts to 167,499,999, of which 75,000,000 A shares and 92,499,999 B shares. For a fair comparison the total number of shares is used for the calculation of key ratios. <sup>2)</sup> Pandox's owned hotel properties. <sup>3)</sup> For 2017 actual dividend is indicated.

## Reconciliation alt. performance measurements

	Quarter 3		Jan-Sep		FY
	2018	2017	2018	2017	2017
<b>Numbers in MSEK</b>					
Equity to assets ratio, %					
Sum equity	—	—	20,950	16,586	19,027
Total assets	—	—	53,494	41,174	51,912
Equity to assets ratio, %	—	—	39.2	40.3	36.7
<b>Net interest-bearing debt</b>					
Non-current interest-bearing liabilities	—	—	23,800	14,796	23,768
Current interest-bearing liabilities	—	—	3,661	5,238	2,705
Arrangement fee for loans	—	—	52	—	—
Cash and cash equivalents	—	—	-923	-484	-999
Net interest-bearing debt	—	—	26,590	19,550	25,474
<b>Loan to value net, %</b>					
Net interest-bearing debt	—	—	26,590	19,550	25,474
Market value properties	—	—	53,281	40,951	50,121
Loan to value net, %	—	—	49.9	47.7	50.8
<b>Interest cover ratio, times</b>					
Profit before changes in value	561	439	1,454	1,136	1,563
Financial expenses	207	132	592	394	534
Depreciation	40	39	117	125	170
Interest cover ratio, times	3.9	4.6	3.7	4.2	4.2
<b>Average interest on debt end of period, %</b>					
Average interest expenses	—	—	741	497	688
Non-current interest-bearing liabilities	—	—	23,800	14,796	23,768
Arrangement fee for loans	—	—	52	—	—
Current interest-bearing liabilities	—	—	3,661	5,238	2,705
Average interest on debt, end of period, %	—	—	2.7	2.5	2.6
<i>See page 8-9 for a complete reconciliation</i>					
<b>Investments, excl. acquisitions</b>	167	181	460	501	714
<b>Net operating income, Property Management</b>					
Rental income	766	569	2,105	1,572	2,121
Other property income	44	20	117	59	81
Costs, excl. property administration	-48	-62	-241	-181	-228
Net operating income, before property administration	762	527	1,981	1,450	1,974
Property administration	-64	-16	-91	-58	-93
Net operating income, Property Management	698	511	1,890	1,392	1,882
<b>Net operating income, Operator Activities</b>					
Revenues Operator Activities	531	463	1,527	1,539	2,067
Costs Operator Activities	-429	-373	-1,269	-1,314	-1,743
Gross profit	102	90	258	225	324
Add: Depreciation included in costs	40	39	117	125	170
Net operating income, Operator Activities	142	129	375	350	494
<b>EBITDA</b>					
Gross profit from respective operating segment	800	601	2,148	1,617	2,206
Add: Depreciation included in costs Operator Activities	40	39	117	125	170
Less: Central administration, excluding depreciation	-34	-30	-105	-88	-124
EBITDA	806	610	2,160	1,654	2,252
<b>Cash earnings</b>					
EBITDA	806	610	2,160	1,654	2,252
Add: Financial income	2	0	3	1	15
Less: Financial cost	-207	-132	-592	-394	-534
Less: Current tax	-64	-16	-161	-84	-73
Cash earnings	537	462	1,410	1,177	1,660
<b>EPRA NAV</b>					
Equity attr. to the shareholders of the parent company	—	—	20,778	16,395	18,845
Add: Revaluation of Operating Properties	—	—	2,140	1,750	1,906
Add: Fair value of financial derivatives	—	—	391	569	563
Less: Deferred tax assets related to derivatives	—	—	-86	-131	-129
Add: Deferred tax liabilities related to properties	—	—	3,316	2,911	3,026
EPRA NAV	—	—	26,539	21,494	24,211
<b>Growth in EPRA NAV, annual rate, %</b>					
EPRA NAV attributable to the shareholders of the parent company, OB	—	—	21,494	18,079	19,883
EPRA NAV attributable to the shareholders of the parent company, EB	—	—	26,539	21,494	24,211
Dividend added back, current year	—	—	737	646	646
Excluding proceeds from new share issue	—	—	-1,461	-1,001	-1,460
Growth in EPRA NAV, annual rate, %	—	—	20.1	16.9	17.7

## 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 25.

## 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.

## EPRA NAV (net asset value) and equity

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

## Quarterly data

### Condensed consolidated statement of comprehensive income

Figures in MSEK	2018			2017			2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue Property Management								
Rental income	766	739	600	549	569	547	456	433
Other property income	44	52	21	22	20	21	18	25
Revenue Operator Activities	531	565	431	528	463	555	521	619
<b>Total revenues</b>	<b>1,341</b>	<b>1,356</b>	<b>1,052</b>	<b>1,099</b>	<b>1,052</b>	<b>1,123</b>	<b>995</b>	<b>1,077</b>
Costs Property Management	-112	-127	-93	-82	-78	-83	-78	-90
Costs Operator Activities	-429	-436	-404	-429	-373	-462	-479	-528
<b>Gross profit</b>	<b>800</b>	<b>793</b>	<b>555</b>	<b>589</b>	<b>601</b>	<b>578</b>	<b>438</b>	<b>459</b>
Central administration	-34	-37	-34	-37	-30	-30	-28	-34
Financial net	-205	-198	-186	-126	-132	-131	-130	-116
<b>Profit before value changes</b>	<b>561</b>	<b>558</b>	<b>335</b>	<b>426</b>	<b>439</b>	<b>417</b>	<b>280</b>	<b>309</b>
Changes in value								
Properties, unrealised	376	297	148	490	194	634	308	413
Properties, realised	13	13	14	289	—	—	—	—
Derivatives, unrealised	113	-24	83	7	18	71	77	116
<b>Profit before tax</b>	<b>1,063</b>	<b>844</b>	<b>580</b>	<b>1,212</b>	<b>651</b>	<b>1,122</b>	<b>665</b>	<b>838</b>
Current tax	-64	-60	-37	11	-16	-38	-30	-34
Deferred tax	-166	-21	-91	-40	-84	-197	-108	-32
<b>Profit for the period</b>	<b>833</b>	<b>763</b>	<b>452</b>	<b>1,183</b>	<b>551</b>	<b>887</b>	<b>527</b>	<b>772</b>
Other comprehensive income	-220	134	728	-196	-1	-82	94	18
<b>Total comprehensive income for the period</b>	<b>613</b>	<b>897</b>	<b>1,180</b>	<b>986</b>	<b>550</b>	<b>805</b>	<b>621</b>	<b>790</b>

### Condensed consolidated statement of financial position

Figures in MSEK	2018			2017			2016	
	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
<b>ASSETS</b>								
Properties incl equipment and interiors	50,855	50,789	49,944	48,217	39,202	38,216	37,098	36,578
Other non-current receivables	91	36	59	37	51	54	41	23
Deferred tax assets	520	561	469	613	665	685	722	748
Current assets	1,105	2,542	2,262	2,046	772	703	582	563
Cash and cash equivalents	923	678	708	999	484	344	625	517
<b>Total assets</b>	<b>53,494</b>	<b>54,606</b>	<b>53,442</b>	<b>51,912</b>	<b>41,174</b>	<b>40,002</b>	<b>39,068</b>	<b>38,429</b>
<b>EQUITY AND LIABILITIES</b>								
Equity	20,950	20,347	20,206	19,027	16,586	16,036	15,231	15,258
Deferred tax liability	3,316	3,237	3,153	3,026	2,911	2,924	2,705	2,582
Interest-bearing liabilities	27,461	27,451	26,792	26,473	20,034	19,359	18,709	18,841
Non interest-bearing liabilities	1,767	3,571	3,292	3,386	1,643	1,683	2,423	1,748
<b>Total equity and liabilities</b>	<b>53,494</b>	<b>54,606</b>	<b>53,442</b>	<b>51,912</b>	<b>41,174</b>	<b>40,002</b>	<b>39,068</b>	<b>38,429</b>

### Key ratios

Figures in MSEK	2018			2017			2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
NOI, Property Management	698	664	528	490	511	485	396	368
NOI, Operator Activities	142	167	66	144	129	139	82	130
EBITDA	806	794	560	597	610	594	450	464
Earnings per share before and after dilution, SEK	4.98	4.53	2.69	7.47	3.47	5.61	3.31	5.08
Cash earnings	537	536	336	482	462	425	290	314
Cash earnings per share before and after dilution, SEK	3.20	3.18	2.00	3.06	2.91	2.67	1.81	2.05
RevPAR growth (Operator Activities) for comparable units and constant currency, %	6	4	4	11	12	17	4	-4

	2018			2017			2016	
	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec
Net interest-bearing debt, MSEK	26,590	26,844	26,151	25,474	19,550	19,015	18,084	18,314
Equity to assets ratio, %	39.2	37.3	37.8	36.7	40.3	40.1	39.0	39.7
Loan to value, %	49.9	50.6	50.2	50.8	47.7	47.7	46.8	47.9
Interest coverage ratio, times	3.7	3.5	3.0	4.4	4.6	4.5	3.4	4.0
Market value properties, MSEK	53,281	53,064	52,120	50,121	40,951	39,868	38,630	38,233
EPRA NAV per share, SEK	158.44	153.97	151.81	144.54	136.47	132.55	125.67	126.24
WAULT (Property Management), yrs	15.3	15.3	15.6	15.6	13.8	13.9	13.6	13.9

# Portfolio overview

At the end of the period Pandox's property portfolio consisted of 143 (31 December, 2017: 143) hotel properties with 31,655 (31 December 2017: 31,613) hotel rooms in fifteen countries.

Pandox's main geographical focus is Northern Europe. Sweden (28 percent) is Pandox's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by Germany (18 percent), UK (15 percent), Belgium (8 percent) and Finland (7 percent).

128 of the hotel properties are leased to third parties, which means that approximately 86 percent of the portfolio market value is covered by external leases. Pandox's tenant base consists of highly reputable hotel operators with strong hotel brands.

On 30 September 2018 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.3 years (31 December 2017: 15.6).

## Portfolio overview by segment and geography

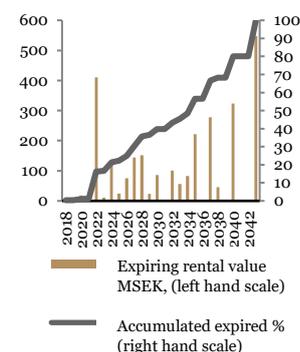
Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Sweden	44	9,030	15,005	28	1.7
Germany	22	4,332	7,120	13	1.6
UK	18	4,283	7,449	14	1.7
Finland	13	2,925	3,913	7	1.3
Norway	14	2,535	3,398	6	1.3
Denmark	8	1,844	3,555	7	1.9
Austria	2	639	1,389	3	2.2
Belgium	2	517	808	2	1.6
Ireland	3	445	1,455	3	3.3
Switzerland	1	206	699	1	3.4
Netherlands	1	189	1,019	2	5.4
<b>Sum Property Management</b>	<b>128</b>	<b>26,945</b>	<b>45,810</b>	<b>86</b>	<b>1.7</b>
<b>Operator Activities</b>					
Belgium	7	1,954	3,289	6	1.7
Germany	4	1,285	2,475	5	1.9
Canada	2	952	1,282	2	1.3
UK	1	364	404	1	1.1
Finland	1	155	21	0	0.1
<b>Sum Operator Activities</b>	<b>15</b>	<b>4,710</b>	<b>7,471</b>	<b>14</b>	<b>1.6</b>
<b>Sum total</b>	<b>143</b>	<b>31,655</b>	<b>53,281</b>	<b>100</b>	<b>1.7</b>

## Portfolio overview by brand

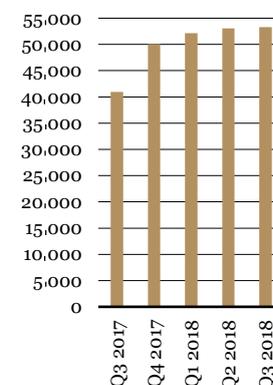
Brand	Number			Countries
	Hotels	Rooms	In % of total	
Scandic	51	11,001	35	SE, NO, FI, DK
Jurys Inn	20	4,330	14	UK, IE
Leonardo	18	3,416	11	GE
Hilton	7	1,987	6	SE, FI, UK, BE
Nordic Choice Hotels	12	1,965	6	SE, NO
Radisson Blu	7	1,783	6	CH, DE
NH	7	1,679	5	AT, BE
Crowne Plaza	2	616	2	BE
Hyatt	1	595	2	CA
Elite Hotels	2	484	2	SE
Holiday Inn	2	469	1	BE, GE
First Hotels	2	403	1	DK
InterContinental	1	357	1	CA
Meininger	1	227	1	DK
Best Western	1	103	0	SE
Independent brands	9	2,240	7	SE, FI, BE, DE, NL
<b>Total</b>	<b>143</b>	<b>31,655</b>	<b>100</b>	<b>15<sup>1)</sup></b>

<sup>1)</sup> Including the submarkets England, Scotland, Wales and Northern Ireland.

## Lease maturity profile (30 September 2018)



## Market value properties per quarter, MSEK



## Rooms per operator/brand (30 September 2018)



# Notes

## Note 1 Accounting principles

Pandox AB follows the International Financial Reporting Standards (IFRS) and interpretations (IFRIC), as adopted by the EU. This interim report has been prepared according to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The interim report for the Parent Company has been prepared in accordance with Chapter 9 Interim Reports of the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR2 Accounting principles for legal entities. Under RFR2 the parent company of a legal entity applies all EU approved IFRS principles and interpretations within the framework defined by the Swedish Annual Accounts Act and taking into consideration the connection between accounting and taxation.

The interim financial statements are included on pages 1–23 and pages 24–26 are thus an integrated part of this financial report.

The accounting principles applied are consistent with those described in Pandox's 2017 Annual Report, except that Pandox applies IFRS 9 Financial instruments and IFRS 15 Revenues from Contracts with Customers, as of 1 January 2018. As described in the 2017 Annual Report, the introduction of these standards has not resulted in the need to restate comparative figures or any other adjustment of the financial statements. There will however be increased disclosure requirements for the 2018 Annual Report.

### New IFRS not yet being applied

On 1 January 2019 IFRS 16 Leases will be introduced. The standard requires assets and liabilities attributable to all leases to be reported as a liability and an asset in the balance sheet, unless the lease term is 12 months or less, or the lease is of low value. This reporting principle is based on the approach that the lessee has a right to use an asset for a specific period of time and at the same time a liability to pay for this right. For the lessor, recognition will be essentially unchanged. The standard applies to financial years beginning on or after 1 January 2019. Early adoption is permitted. Pandox is not planning to early-adopt IFRS 16. At this time it is not possible to quantify the effects of the introduction of this IFRS, but the new lease standard will affect Pandox's financial statements as the Group has operating leases for premises and also site leaseholds. For an idea of the size of the Group's lease commitments see Note 8 Operating leases in the 2017 Annual Report. The detailed evaluation of the effects of IFRS 16 will be completed in 2018.

## Note 2 Operating segments

Pandox's operating segments consist of the Property Management and Operator Activities business streams. The Property Management segment owns, improves and manages hotel properties and provides external customers with premises for hotel operations, as well as other types of premises adjacent to hotel properties. The 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 Group and Leonardo Hotels are tenants who account for more than 10 percent of revenues each.

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017
<b>Figures in MSEK</b>								
Revenue Property Management	810	589	—	—	—	—	810	589
Rental and other property income	—	—	531	463	—	—	531	463
Revenue Operator Activities	—	—	—	—	—	—	—	—
<b>Total revenues</b>	<b>810</b>	<b>589</b>	<b>531</b>	<b>463</b>	<b>—</b>	<b>—</b>	<b>1,341</b>	<b>1,052</b>
Costs Property Management	-112	-78	—	—	—	—	-112	-78
Costs Operator Activities	—	—	-429	-373	—	—	-429	-373
<b>Gross profit</b>	<b>698</b>	<b>511</b>	<b>102</b>	<b>90</b>	<b>—</b>	<b>—</b>	<b>800</b>	<b>601</b>
Central administration	—	—	—	—	-34	-30	-34	-30
Financial income	—	—	—	—	2	0	2	0
Financial expenses	—	—	—	—	-207	-132	-207	-132
<b>Profit before changes in value</b>	<b>698</b>	<b>511</b>	<b>102</b>	<b>90</b>	<b>-239</b>	<b>-162</b>	<b>561</b>	<b>439</b>
<i>Changes in value</i>								
Properties, unrealised	376	194	—	—	—	—	376	194
Properties, realised	13	—	—	—	—	—	13	—
Derivatives, unrealised	—	—	—	—	113	18	113	18
<b>Profit before tax</b>	<b>1,087</b>	<b>705</b>	<b>102</b>	<b>90</b>	<b>-126</b>	<b>-144</b>	<b>1,063</b>	<b>651</b>
Current tax	—	—	—	—	-64	-16	-64	-16
Deferred tax	—	—	—	—	-166	-84	-166	-84
<b>Profit for the period</b>	<b>1,087</b>	<b>705</b>	<b>102</b>	<b>90</b>	<b>-356</b>	<b>-244</b>	<b>833</b>	<b>551</b>

### Q3 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	243	71	65	83	121	10	173	44	810
- Operator Activities	—	—	—	10	135	205	38	143	531
Market value properties <sup>1)</sup>	15,005	3,555	3,398	3,934	9,595	4,097	9,308	4,389	53,281
Investments in properties	51	4	7	5	25	39	—	36	167
Acquisitions of properties	—	—	—	—	4	—	—	—	4
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	27	1,502	2,418	398	986	5,331

<sup>1)</sup> Of which MSEK 286 attributable to Scandic Ferrum included in "Assets held for sale" in the balance sheet.

### Q3 2017

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	237	62	59	77	115	1	—	38	589
- Operator Activities	—	—	—	9	121	261	—	72	463
Market value properties	14,195	3,281	3,072	3,348	8,437	3,763	—	4,855	40,951
Investments in properties	43	2	14	3	54	41	—	24	181
Acquisitions of properties	—	—	—	—	—	—	—	823	823
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	49	1,353	2,834	—	928	5,164

## Operating segments

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
	Q1-3 2018	Q1-3 2017	Q1-3 2018	Q1-3 2017	Q1-3 2018	Q1-3 2017	Q1-3 2018	Q1-3 2017
<b>Figures in MSEK</b>								
Revenue Property Management	2,222	1,631	—	—	—	—	2,222	1,631
Rental and other property income	—	—	1,527	1,539	—	—	1,527	1,539
Revenue Operator Activities	—	—	—	—	—	—	—	—
<b>Total revenues</b>	<b>2,222</b>	<b>1,631</b>	<b>1,527</b>	<b>1,539</b>	<b>—</b>	<b>—</b>	<b>3,749</b>	<b>3,170</b>
Costs Property Management	-332	-239	—	—	—	—	-332	-239
Costs Operator Activities	—	—	-1,269	-1,314	—	—	-1,269	-1,314
<b>Gross profit</b>	<b>1,890</b>	<b>1,392</b>	<b>258</b>	<b>225</b>	<b>—</b>	<b>—</b>	<b>2,148</b>	<b>1,617</b>
Central administration	—	—	—	—	-105	-88	-105	-88
Financial income	—	—	—	—	3	1	3	1
Financial expenses	—	—	—	—	-592	-394	-592	-394
<b>Profit before changes in value</b>	<b>1,890</b>	<b>1,392</b>	<b>258</b>	<b>225</b>	<b>-694</b>	<b>-482</b>	<b>1,454</b>	<b>1,136</b>
<i>Changes in value</i>								
Properties, unrealised	822	1,136	—	—	—	—	822	1,136
Properties, realised	40	—	—	—	—	—	40	—
Derivatives, unrealised	—	—	—	—	172	166	172	166
<b>Profit before tax</b>	<b>2,752</b>	<b>2,528</b>	<b>258</b>	<b>225</b>	<b>-522</b>	<b>-316</b>	<b>2,488</b>	<b>2,438</b>
Current tax	—	—	—	—	-161	-84	-161	-84
Deferred tax	—	—	—	—	-278	-389	-278	-389
<b>Profit for the period</b>	<b>2,752</b>	<b>2,528</b>	<b>258</b>	<b>225</b>	<b>-961</b>	<b>-789</b>	<b>2,049</b>	<b>1,965</b>

## Q1-3 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	687	175	163	219	348	32	461	137	2,222
- Operator Activities	—	—	—	28	362	693	102	342	1,527
Market value properties <sup>1)</sup>	15,005	3,555	3,398	3,934	9,595	4,097	9,308	4,389	53,281
Investments in properties	139	25	40	20	60	85	—	91	460
Acquisitions of properties	—	—	—	—	6	—	2	—	8
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	27	1,502	2,418	398	986	5,331

<sup>1)</sup> Of which MSEK 286 attributable to Scandic Ferrum included in "Assets held for sale" in the balance sheet.

## Q1-3 2017

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	664	154	140	208	322	4	—	139	1,631
- Operator Activities	23	22	120	24	334	661	—	355	1,539
Market value properties	14,195	3,281	3,072	3,348	8,437	3,763	—	4,855	40,951
Investments in properties	153	17	82	12	113	53	—	71	501
Acquisitions of properties	—	—	—	—	—	324	—	823	1,147
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	49	1,353	2,834	—	928	5,164

### Note 3 Assets and liabilities classified as held for sale

In March 2018 Pandox signed an agreement of divestment of the hotel property Hovmästaren 1 (Scandic Ferrum) in Kiruna for MSEK 286. The buyer is the state-owned mining company Loussavaara-Kiirunavaara AB (LKAB). Date of transfer is planned to 1 December 2018.

Assets and liabilities held for sale	2018	2017
Figures in MSEK	30 Sep	31 Dec
<b>ASSETS</b>		
Investment properties	286	—
Operating Activities Vesway <sup>1)</sup>	—	1,326
Other operating assets <sup>1)</sup>	—	41
<b>Assets classified as held for sale</b>	<b>286</b>	<b>1,367</b>
<b>LIABILITIES</b>		
Other short term liabilities <sup>1)</sup>	—	1,367
<b>Liabilities classified as held for sale</b>	<b>—</b>	<b>1,367</b>

<sup>1)</sup> Refers to MGBP 120 paid by acquiring company in connection with completion of acquisition of Vesway attributable to Jurys Inn. Resolved during Q3 2018.

### Note 4 Reclassifications, acquisitions and divestments

Date	Hotel property	Event
1 February 2018	NH Brussels Bloom	Reclassification to Property Management
1 February 2018	NH Brussels EU Berlaymont	Reclassification to Property Management
29 December 2017	Retail property in Brussels	Divestment Operator Activities
20 December 2017	20 hotel properties in the UK and Ireland	Acquisition Property Management
20 December 2017	Hilton Garden Inn London Heathrow	Acquisition Operator Activities
1 December 2017	Former Scandic Grand Place	Reclassification to Operator Activities
31 August 2017	Hilton London Heathrow Airport	Acquisition Property Management
1 June 2017	Scandic Skärholmen	Reclassification to Property Management
1 June 2017	Scandic Hafjell	Reclassification to Property Management
29 May 2017	Hotel Berlaymont Brussels	Acquisition Operator Activities
1 May 2017	Scandic Lillehammer	Reclassification to Property Management
1 May 2017	Scandic Sluseholmen	Reclassification to Property Management
25 April 2017	Grand Hotel Oslo	Divestment Operator Activities
11 April 2017	Scandic Kista Stockholm	Reclassification to Property Management
4 April 2017	Scandic Valdres	Reclassification to Property Management
4 April 2017	Scandic Sørlandet	Reclassification to Property Management
1 January 2017	Urban House Copenhagen by Meininger	Reclassification to Property Management

### Note 5 Currency exchange rates

Currency exchange rates January-September	Average rate			Rate at end-of-period		
	2018	2017	Δ%	2018	2017	Δ%
SEK 1 = X foreign currency						
Euro (EUR)	10.235	9.580	7%	10.295	9.567	8%
British pound (GBP)	11.574	10.974	5%	11.575	10.867	7%
Danish krone (DKK)	1.374	1.288	7%	1.380	1.285	7%
Norwegian krone (NOK)	1.067	1.038	3%	1.086	1.020	6%
Canadian dollar (CAD)	6.660	6.590	1%	6.806	6.524	4%
Swiss franc (CHF)	8.818	8.751	1%	9.076	8.351	9%

# Pandox in short

Pandox is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. Pandox's hotel property portfolio comprises 143 hotels with approximately 31,600 hotel rooms in 15 countries. Pandox's business is organised into Property management, which comprises hotel properties leased on a long-term basis to market leading regional hotel operators and leading international hotel operators, and Operator activities, which comprises hotel operations executed by Pandox in its owner-occupied hotel properties. Pandox was founded in 1995 and the company's B shares are listed on Nasdaq Stockholm.

## Vision and business concept

Pandox's vision is to be a world-leading hotel property company with specialist expertise in active ownership, hotel property management and development, as well as hotel operation. Pandox's business concept is to own hotel properties and lease them to strong hotel operators under long-term revenue-based lease agreements.

## Strategy and business model

Pandox's strategy and business model is founded on:

- (1) Focus on hotel properties
- (2) Large hotel properties in good locations in larger markets
- (3) Long-term revenue-based lease agreements with the best hotel operators
- (4) Property portfolio of high quality with a sustainable footprint
- (5) Geographical diversification with limits fluctuations
- (6) Specialist expertise for active ownership with the ability to act throughout the complete hotel value-chain, which reduces risk and creates business opportunities

## Overall goals

Pandox's overall goal is to make positive contribution to the Company's stakeholders through profitable and responsible growth:

- (1) To increase the value for Pandox's shareholders through higher cash flow and net asset value
- (2) To create attractive hotel products in cooperation with Pandox's business partners
- (3) To contribute to positive growth for Pandox employees

## Organisation and execution

Pandox has two business segments. One is Property Management in which Pandox owns and leases out hotel properties to external operators under long-term revenue-based lease agreements. The other is Operator Activities in which Pandox owns hotel property and operates hotels under external brands or its own brands. Pandox also manages a small number of hotel properties on behalf of other owners.



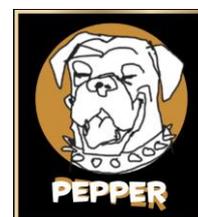
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Corp. reg. no. 556030-7885



# Definitions

## FINANCIAL INFORMATION

Average interest on debt, %

Average interest expense based on interest maturity in respective currencies as a percentage of interest-bearing liabilities.

Cash earnings, MSEK

EBITDA plus financial income less financial expense less current tax.

EBITDA, MSEK

Total gross profit less central administration (excluding depreciation).

Equity/assets ratio, %

Recognised equity as a percentage of total assets.

Growth adjusted for currency effects and comparable units

Growth measure that excludes effects of acquisitions, divestments and reclassifications, as well as exchange rate changes.

Growth in EPRA NAV (net asset value growth), annual rate, %

Accumulated percentage change in EPRA NAV, with dividends added back and issue proceeds deducted, for the immediately preceding 12-month period.

Gross profit, Operator Activities, MSEK

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

Gross profit, Property Management, MSEK

Revenue less directly related costs for Property Management.

Interest-bearing net debt, MSEK

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

Interest cover ratio, multiple

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 less cash and cash equivalents as a percentage of the properties' market value at the end of the period.

Net operating income Operator Activities, MSEK

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

Net operating income, Property Management, MSEK

Net operating income corresponds to gross profit for Property Management.

Net operating margin, Operator Activities, %

Net operating income for Operator Activities as a percentage of total revenue from Operator Activities.

Rounding off

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

## PER SHARE

Cash earnings per share, SEK

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

Comprehensive income per share SEK

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

Dividend per share, SEK

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

Earnings per share, SEK

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

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 properties, and revaluation of Operating Properties, divided by the total number of shares outstanding after dilution at the end of the period.

Weighted average number of shares after dilution, thousands

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

Weighted average number of shares before dilution, thousands

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

## PROPERTY INFORMATION

Market value properties, MSEK

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

Number of hotels

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

Number of rooms

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

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

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

WAULT (Investment Properties)

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



NH Vienna Airport



Intercontinental Montreal



The Hotel Brussels

A selection from Pandox's hotel property portfolio.



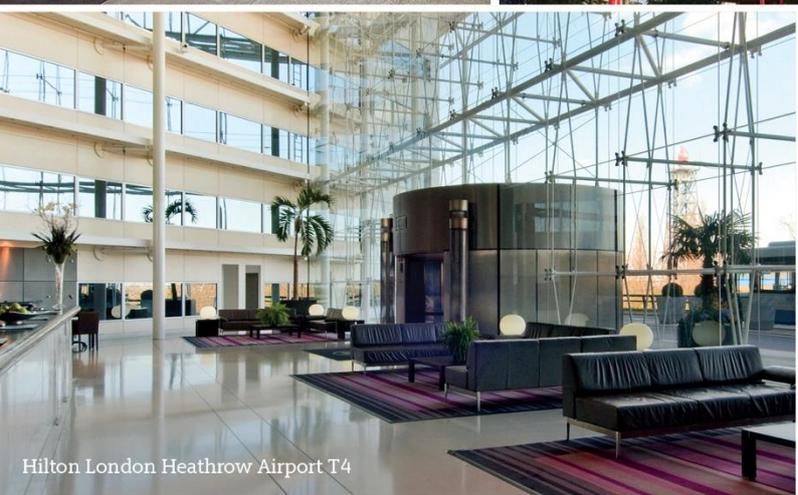
Park Hotel Amsterdam



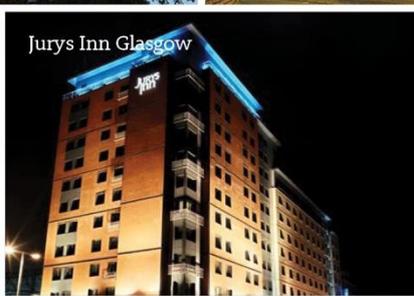
Leonardo Royal Frankfurt



Jurys Inn Manchester



Hilton London Heathrow Airport T4



Jurys Inn Glasgow



Urban House Copenhagen by Meininger



Radisson Blu Cologne



Scandic Park Helsinki