

Restarting from a strong position

April-June 2020

- Revenue from Property Management amounted to MSEK 527 (783). For comparable units the decrease was 42 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 448 (704). For comparable units the decrease was 43 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK -85 (212)
- EBITDA amounted to MSEK 327 (872)
- Cash earnings amounted to MSEK 75 (570)
- Cash earnings per share amounted to SEK 0.42 (3.39)
- Profit for the period amounted to MSEK -332 (760), including unrealised changes in value Investment Properties of MSEK -320
- Earnings per share amounted to SEK -1.79 (4.53)
- Per 30 June, liquid funds and unutilised credit facilities amounted to MSEK 5,516, compared with MSEK 4,309 per 31 March 2020

January-June 2020

- Revenue from Property Management amounted to MSEK 1,199 (1,468). For comparable units, the decrease was 28 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 1,009 (1,287). For comparable units the decrease was 29 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK -65 (307)
- EBITDA amounted to MSEK 865 (1,511)
- Cash earnings amounted to MSEK 337 (937)
- Cash earnings per share amounted to SEK 1.85 (5.59)
- Profit for the period amounted to MSEK -1,000 (1,167), including unrealised changes in value Investment Properties of MSEK -931
- Earnings per share amounted to SEK -5.42 (6.96)

Financial summary

Figures in MSEK	Apr-Jun			Jan-Jun			FY
	2020	2019	Δ%	2020	2019	Δ%	2019
Revenue Property Management	527	783	-33	1,199	1,468	-18	3,129
Net operating income Property Management	448	704	-36	1,009	1,287	-22	2,764
Net operating income Operator Activities	-85	212	n.a.	-65	307	n.a.	625
EBITDA	327	872	-63	865	1,511	-43	3,231
Profit for the period	-332	760	n.a.	-1,000	1,167	n.a.	2,700
Earnings per share, SEK ¹⁾	-1.79	4.53	n.a.	-5.42	6.96	n.a.	15.91
Cash earnings	75	570	-87	337	937	-64	2,177
Cash earnings per share, SEK ¹⁾	0.42	3.39	-88	1.85	5.59	-67	12.84
Key data							
Market value properties, MSEK	—	—	—	62,259	57,618	8	63,469
Net interest-bearing debt, MSEK	—	—	—	29,878	28,248	6	29,191
Loan to value net, %	—	—	—	48.0	49.0	n.a.	46.0
Interest cover ratio, times	1.4	4.4	n.a.	1.9	3.8	n.a.	4.0
EPRA NAV per share, SEK ¹⁾	—	—	—	177.32	173.83	2	186.40
WAULT (Investment Properties), years	—	—	—	15.2	15.5	n.a.	15.6
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	84	1,050	-92	309	905	-66	924

¹⁾ Based on total number of shares for balance sheet items and weighted number for shares for profit and loss items. For information about number of shares see page 17. See note 3 on page 24 for a summary of reclassifications, acquisitions and divestments. For complete definitions see page 26.

CEO comment

The recovery has started

A historically weak quarter, but recovery has begun

As expected, the second quarter was a very weak one for the hotel market, with April reaching a historic low. The hotel market then started to recover in line with Pandox's expectations.

Most of Pandox's revenue during the quarter consisted of contractual minimum rent and fixed rent, while the Group's costs were on a par with these revenues. Revenue from revenue-based leases and own operations increased gradually from April onwards. Pandox's total revenue and net operating income decreased in the second quarter by 59 and 60 percent respectively compared with the corresponding period the previous year.

As of 30 June, around 77 percent of the hotels in Pandox's portfolio were open and additional hotels have opened thereafter, including in the UK.

A clear game plan in a difficult situation

As we have explained earlier, Pandox is focusing on three areas in response to the difficult situation created by COVID-19:

Respond – Steps to help alleviate the acute crisis

Restart – Plan for recovery

Reinvent – Create insights into how the hotel market will change

Pandox's focus is still mainly on the acute crisis, i.e. the *Respond* stage, with the following priorities:

- **Cash is king!** Pandox's liquidity was strengthened further in the second quarter. As of 30 June, we had MSEK 5,516 in cash and cash equivalents and unutilised credit facilities
- **Cut the losses!** Pandox's costs are in line with contracted minimum rents and fixed rents, which amount to around MSEK 2,000 per year. Meanwhile a growing number of revenue-based leases are now making a positive contribution to both revenue and earnings
- **Stay alive, stay open!** Pandox has kept as many hotels as possible open throughout the crisis. As of 30 June, around 77 percent of hotels were open and additional hotels have opened thereafter
- **Protect the assets!** Pandox is prepared to protect the value of the hotel properties and take over hotel operations if necessary
- **Active leadership!** Leadership that is open, active and present is more important than ever in the difficult situation presented by COVID-19

Market development well in line with expectations

Within the framework of *Restart*, we started early on to create different scenarios to see what a possible recovery of the hotel market might look like. The hotel market's development is very much in line with the outlook we provided in our first quarter report. Domestic demand from the leisure segment has even exceeded Pandox's expectations, and occupancy in the European hotel market in the second half of the year could potentially be somewhat stronger than our previous assessment.

The hotel market's continued recovery is contingent upon the continued lifting of restrictions, reduced spread of infection, increased economic activity and reopening of closed hotels.

At this early stage demand is to 90 – 95 percent driven by domestic leisure and business travel. Stage two will see more international travel and stage three, groups and conferences.

Economy, midscale and resort hotels in regional hubs and attractive leisure destinations – easy to reach by car or train – as well as holiday apartments, are the winners. Premium hotels and large meeting hotels with an international profile are the losers.

Prices are relatively stable per segment, but average prices are falling due to mix effects, mainly explained by a lower percentage of international travel and conferences.

Three-phase recovery is expected

Pandox expects a recovery in three phases. The first phase has already passed, but it is still important to describe it because it represents the bottom from which the hotel market is now recovering.

Phase 1 – Bottom (April – May)

- Total lockdown in most countries
- Demand bottom at the end of April
- Weak recovery starting in May
- Occupancy in Europe around 5 – 25 percent

Phase 2 – Summer (May – August)

- The easing of restrictions starting in May – June opened the door for domestic travel and in certain cases international travel as well
- Domestic leisure travel increased more or less right away
- Hotels in reopening phase, but many still closed in large cities
- Some domestic business travel and international leisure travel, although limited due to restrictions and airline capacity
- Hotels gradually opening, but certain hotels in large cities remain closed
- Indicative occupancy in Europe around 10 – 45 percent
- No compression nights* and limited airline capacity

Phase 3 – Autumn and winter (September – December)

- Continued easing of restrictions, reduced spread of infection and increased economic activity
- Most hotels are open
- Continued increase in demand from domestic leisure travellers supported by extended holiday season
- Increased demand from business travellers, first from smaller companies and then larger ones
- Conferences and international travel increase slowly from a low level
- Increased F&B activity from a low level
- Indicative occupancy in Europe around 25 – 55 percent
- Few compression nights and increased airline capacity

In the first quarter of 2021 occupancy in Europe should be able to rise by a few more percentage points to around 30 – 60 percent, supported by increased international demand and a cautious increase in the conference segment.

Restrictions determine more than changed behaviour

In *Reinvent*, the analysis and evaluation of the effects of possible structural changes in the hotel market are in progress. The fact that people are travelling less right now is mainly an effect of restrictions imposed by the authorities. Of course, certain behavioural changes cannot be excluded, but when restrictions are eased and activity levels in society are normalised, it is highly likely that travel will follow as well. In China, which is about two months ahead of Europe, many large regional markets already have occupancy of more than 50 percent, which reflects the willingness and need to travel among individuals and businesses.

Continued improvement in the second half of the year

The hotel market's recovery so far has been somewhat stronger than Pandox expected, further strengthening the market outlook for the second half of the year. The recovery is, however, fragile and a second wave of increasing infection rates is still the biggest risk factor. Pandox believes that contractual minimum rents and fixed rents will constitute the majority of revenue in the third quarter as well. There will also be a certain increase in contributions from revenue-based leases without contractual minimum rent, as well as revenue from Pandox's own operations.

Anders Nissen, CEO

* When occupancy rate in a market is above 90 percent

Summary of COVID-19 effects for Pandox

Business segment Property Management

Pandox is monitoring and evaluating the business situation on an ongoing basis and is in close dialogue with business partners in the business segment Property Management regarding earnings development and liquidity for the respective party.

Some restrictions, with effect on the hotel market, were lifted in some of Pandox key markets in the end of the quarter. However, in the UK, restrictions of greater importance for the hotel market were not lifted until 4 July, i.e., after the end of the second quarter. Per 30 June approximately 75 percent of the hotel properties in the business segment were open and additional hotels have opened after this date.

Contractual minimum guaranteed rent and fixed rent, combined, amount to the equivalent of approximately MSEK 2,000 on an annualised basis, which is also expected to constitute the major part of Pandox's total revenues in the third quarter.

Agreements on temporary changes to payment terms are made where this is possible and appropriate. During the second quarter, rent collection has progressed in line with new and temporary payment terms. No reductions in hotel rents have been given.

Tenants have taken advantage of government relief regulations relating to COVID-19 that make it possible to defer rent payment for a certain period of time (see the section "Government relief programmes" below). Changed payment terms have temporarily resulted in increased trade account receivables.

On 1 April 2020 Pandox took over the operation of two hotels in central Copenhagen in line with the Company's strategy to secure the value of the hotel properties and ensure their long-term development potential. The hotels were reclassified from the business segment Property Management to the business segment Operator Activities on the same date.

For more information, see pages 5, 6, 7, 22 and 23.

Business segment Operator Activities

The cost reductions implemented in the business segment Operator Activities in the end of the first quarter, in form of staff reductions and increased coordination of operations between hotels, have had full effect throughout the second quarter. Pandox has taken advantage of relief programmes in each respective market.

For more information, see pages 5, 6, 7, 22 and 23.

Current earnings

At the end of the second quarter, Pandox's total costs were on a par with revenues from contractual minimum rent and fixed rent. Revenues from revenue-based rent agreements without minimum rent, in the Nordics, have gradually increased in the second quarter and are expected to increase further in the third quarter. As demand and occupancy increase in the business segment Operator Activities, costs will also increase as the hotels are gradually increasing their staff levels.

For more information, see pages 5, 6 and 7.

Investments

Planned investments in 2020 have been increased to the equivalent of approximately MSEK 850, to which will be added approximately MSEK 50 for maintenance. Possible practical limitations due to COVID-19 in most of Pandox's markets still constitute a risk that planned investment volumes may not be fully reached in 2020.

For more information, see page 8.

Hotel property valuations

At the end of the second quarter of 2020, Pandox has valued the hotel properties according to the same method and model used since the IPO in 2015. The valuation model is an established and accepted model where the future cash flows the hotel properties are expected to generate are discounted by a valuation yield obtained from external property appraisers.

Due to material uncertainty about the long-term effects of COVID-19 on the economy in general, it is more difficult to assess future cash flows and valuation yields for Pandox's hotel properties.

In the second quarter, due to insufficient evidence in the transaction market for hotel properties, it has not been possible to establish the effects on valuation yields. In the second quarter, Pandox has performed an internal valuation of the total hotel property portfolio. Due to COVID-19 no confirming external valuations have been carried out. Pandox has

determined that, at this stage, a general assessment of the effects of COVID-19 on individual hotel properties can best be done by the company itself based on many years of experience, deep knowledge and a strong network in the European hotel property market.

In the second quarter, unrealised changes in value amounted to MSEK -320 for Investment Properties and MSEK -282 for Operating Properties, reflecting lower anticipated future cash flows in 2020 and 2021 due to COVID-19. According to IFRS, unrealised changes in value for Operating Properties are only reported for information purposes and is included in EPRA NAV.

The valuation effects will continue to be monitored closely as the COVID-19 situation becomes clearer and as valuation yields and future cash flows are expected to be able to be estimated with greater precision.

For more information, see pages 8 and 20.

Financing

Pandox has a strong financial position. Per 30 June 2020, the loan-to-value ratio net was 48.0 percent and cash and cash equivalents plus unutilised credit facilities amounted to MSEK 5,516.

In addition, there are other credit facilities that fully cover the issued volume under Pandox's commercial paper programme in which MSEK 210 had been issued as of 30 June 2020.

Pandox's debt financing consists exclusively of credit facilities from eleven Nordic and international banks secured mainly by mortgage collateral. Credit facilities with a maturity of less than one year amount to MSEK 4,724, of which the majority will mature in the end of 2020.

In the second quarter, the liquidity position was further strengthened by new financing in the corresponding amount of approximately MSEK 1,665, with a tenor of 4 years, for previously completed acquisitions. Furthermore, a credit facility of approximately MSEK 1,500 maturing in 2020 was extended by one year. Refinancing of the remaining loans maturing 2020 is expected to be completed during the third quarter 2020.

On group level, Pandox's financial covenants are:

1. Loan to value, at a level where Pandox's financial target for loan to value offers comfortable headroom
2. Interest cover ratio, at a level, where also revenues from contractual minimum rent and fixed rent only, offers satisfactory headroom

Pandox has a positive and close dialogue with its lenders on new financing, refinancing as well as adjustment of terms and covenants in existing credit agreements with consideration to COVID-19. In the second quarter, lenders have given waivers in individual credit agreements.

For more information, see pages 9 and 10.

Government relief programmes

Pandox has operations in 15 countries, including the sub-markets England, Scotland, Wales and Northern Ireland. The government relief programmes that have been launched vary significantly from country to country. The programmes are mainly focused towards lay-off/furlough support and business loans with varying degrees of state guarantees.

In certain countries, there are programmes that cover a specific percentage of companies' fixed costs. There is in general no rent support for property owners. On the other hand, tenants in Germany and the UK can opt to delay rent payment during the second quarter and capitalise and pay the rent in arrears over an extended period.

Pandox has taken advantage of relief programmes in Operator Activities in Belgium, Germany, the Netherlands, Denmark and Canada.

The relief programmes are limited in time and it is unclear how many of them that will be extended, and how the potentially extended programmes will be designed.

Tax actions

To address the financial impact for Pandox due to COVID-19, certain tax actions have been taken, for example re-assessment of advance corporate tax payments, deferral of VAT payments and property tax. Pandox has taken a cautious approach regarding certain relief support which entails additional cost e.g. interest and deferral of tax payments, to lower the one-time impact when the COVID-19 crisis is over and the support packages expire. Pandox is continuously monitoring all new tax incentives that are presented in all jurisdictions and will act when appropriate.

Hotel market development April-June 2020

As complete market data has not yet been published for the second quarter of 2020, the RevPAR growth for international markets is for April-May 2020, i.e. a portion of the report period. RevPAR growth for the Nordic markets is for April-June, i.e. the full report period.

Restrictions introduced in the first quarter...

When the WHO confirmed on 11 March that COVID-19 was a pandemic, a long list of restrictions were introduced in many countries. They covered for example domestic and international travel, guidelines for certain business and conference activities as well as social distancing aimed at preventing the rapid spread of the virus and avoiding overloading health care systems.

Certain countries, such as Spain, Germany, Belgium, Norway and Finland chose to relatively quickly introduce harsh restrictions with lockdowns, while the UK (initially) and Sweden chose another route with more individual responsibility. Regardless of the level of restrictions, all hotel markets have been significantly affected by COVID-19 and its consequences.

...led to historically low demand in the second quarter

Based on extensive restrictions in all Pandox's key markets, the second quarter started with historically low demand in all sub-markets. From an occupancy rate* of around 10 percent in April, the hotel market in Europe has gradually recovered to just over 25 percent occupancy in the last week in June. The recovery is explained by eased restrictions, increased economic activity and increased demand, mainly from leisure travellers.

Countries that started easing restrictions early are now in a phase of increased demand and reopening of hotels. Examples of countries with positive development are Germany, the Netherlands and Austria. In certain important markets however, such as the UK and Ireland, all hotel activity remained at a standstill throughout the quarter. Reopening did not start until 4 July.

Development in the Nordic countries** largely followed the same pattern as the rest of Europe in the second quarter. Occupancy bottomed out in mid-April at just over 12 percent, before gradually improving in the second part of the quarter. Occupancy in the Nordic region amounted to around 40 percent in the last week in June (around 30 percent for the total market including closed hotels), mainly driven by local and regional demand with a focus on economy and midscale hotels in regional hubs and leisure destinations.

Recovery in line with the trajectory after past crises

Development in Europe up to now is following the pattern we have witnessed in China quite well. China is some two months ahead of Europe in its recovery. Certain parallels can also be drawn from past crises and virus outbreaks which show that domestic leisure demand normally recovers first, followed by domestic business demand. Markets that are more dependent on international incoming flights normally see a longer recovery period. Demand in the group and conference segments is not expected to recover until restrictions on gatherings are eased and economic activity increases further.

Pandox's trendspotting

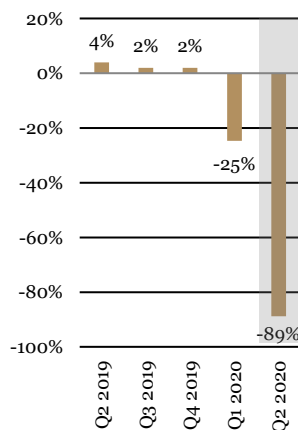
- Markets with clear local and/or regional demand recover the fastest
- Hotels that are easy to reach by car and train have historically recovered faster
- Destinations with a strong leisure offering are most attractive in earlier phases, such as coastal towns in Germany and the Netherlands
- Hotels in the economy and midscale segments have shown the most resilience and are the first out in the reopening phase
- Premium hotels and hotels with significant conference activity and international demand will have a longer recovery period
- Markets with significant supply increases are especially vulnerable in the recovery phase

* STR based on open hotels

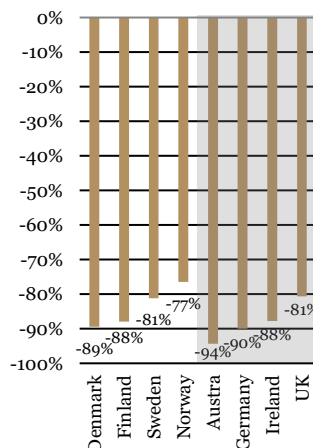
** Benchmarking Alliance based on open hotels

April-June 2020

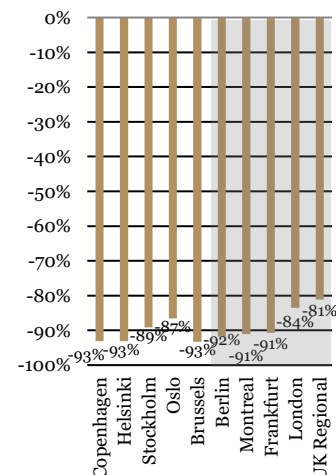
Europe
RevPAR growth y/y



Countries
RevPAR growth y/y



Key markets
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance. Rounded numbers.

Average growth rates for open hotels for the period April and May 2020

Financial development April-June 2020

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2019 for balance sheet items, unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 527 (783), a decrease of 33 percent. The decrease was offset by contractual minimum rent and fixed rent. For comparable units, revenue decreased by 42 percent, adjusted for currency effects. The decrease is explained by low demand due to COVID-19 and extensive government restrictions, which reduced the possibilities to conduct hotel operations. For example, the UK was largely closed during the second quarter.

The hotel market in Europe bottomed out in April/May and thereafter recovered somewhat as restrictions were eased.

Revenue from Operator Activities amounted to MSEK 74 (673), a decrease of 89 percent. For comparable units, revenue and RevPAR decreased by 92 percent respectively, adjusted for currency effects.

Here too, the decrease is a consequence of low demand due to COVID-19. The relatively large loss of revenue compared with Property Management is partly explained by that Pandox in Operator Activities has full exposure to the hotel's revenue, and partly by a higher percentage of large conference hotels in international markets, in particular Brussels. The decline was, however, offset by some temporary short-term contracts which provided good occupancy for Pandox's two hotels in Montreal.

The Group's net sales amounted to MSEK 601 (1,456). For comparable units, net sales decreased by 66 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 448 (704), a decrease of 36 percent. For comparable units net operating income decreased by 43 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -85 (212), all of which is explained by extensive steps taken by the authorities in response to COVID-19. The cost reduction measures taken by Pandox in the end of the first quarter – in the form of staff reductions and increased coordination of operations between hotels – had their full effect throughout the second quarter. Pandox has during the quarter taken advantage of government relief programmes in each of its markets, corresponding to approximately MSEK 60, mainly in the form of salary support for furloughed personnel.

Total net operating income amounted to MSEK 363 (916), a decrease of 60 percent.

Administration costs

Central administration costs amounted to MSEK -42 (-48).

EBITDA

EBITDA amounted to MSEK 327 (872), a decrease of 63 percent.

Financial income and expense

Financial expenses amounted to MSEK -219 (-206), of which MSEK -16 (-13) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK -1 (4).

Financial expenses associated with right-of-use assets amounted to MSEK -22 (-21).

Profit before changes in value

Profit before changes in value amounted to MSEK 22 (598), a decrease of 73 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK -320 (509) and is explained by lower anticipated future cash flows in 2020 and 2021.

Unrealised changes in value of derivatives amounted to MSEK -22 (-133).

Current and deferred tax

Current tax amounted to MSEK -11 (-75), which is mainly explained by intra-Group equalisation. That current tax is charged despite a negative result is explained by full intra-Group equalisation, for example across countries, not being possible. The deferred tax expense amounted to MSEK -1 (-140). See also page 10 and the section "Deferred tax".

Profit for the period

Profit for the period amounted to MSEK -332 (760) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK -330 (759), which is equivalent to SEK -1.79 (4.53) per share.

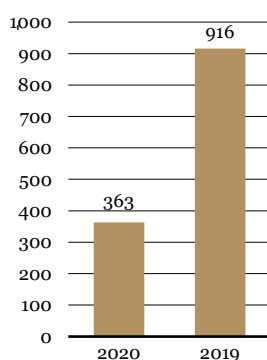
Cash earnings

Total cash earnings amounted to MSEK 75 (570), a decrease of 94 percent.

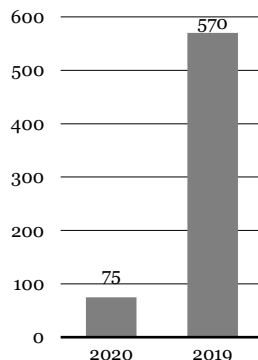
See page 24 for summary of reclassifications, acquisitions and divestments.

April-June 2020

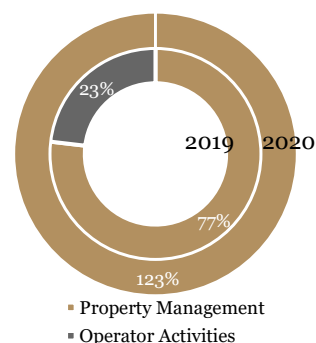
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Financial development January-June 2020

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2019 for balance sheet items, unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 1,199 (1,468), a decrease of 18 percent. For comparable units, revenue decreased by 28 percent, adjusted for currency effects. The decrease is explained – from March onwards – by low demand due to COVID-19 and extensive government restrictions, which reduced the possibilities to conduct hotel operations. Certain markets, such as the UK, were largely closed during the second quarter. The negative effects of COVID-19 during the period were offset to some extent by stable positive market development in January and February, as well as contractual minimum rents and fixed rents.

Revenue from Operator Activities amounted to MSEK 493 (1,179), a decrease of 58 percent. For comparable units, revenue and RevPAR fell by 63 and 66 percent respectively, adjusted for currency effects.

Here too, the decrease is a consequence of low demand due to COVID-19. The relatively large loss of revenue compared with Property Management is partly explained by that Pandox in Operator Activities has full exposure to the hotel's revenue, and partly by a higher percentage of large conference hotels in international markets, in particular Brussels. The decline was, however, offset by some temporary short-term contracts which provided good occupancy for Pandox's two hotels in Montreal in the second quarter.

The Group's net sales amounted to MSEK 1,692 (2,647). For comparable units, net sales decreased by 44 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 1,009 (1,287), a decrease of 22 percent. For comparable units, net operating income decreased by 29 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -65 (307), all of which is explained by COVID-19. Implemented cost reduction measures, in the form of staff reductions and increased coordination of operations between hotels, had full effect throughout the second quarter.

Pandox has taken advantage of government relief programmes in each of its markets, corresponding to around MSEK 65 during the period, mainly in the form of salary support for furloughed personnel.

Total net operating income amounted to MSEK 944 (1,594), a decrease of 41 percent.

Administration costs

Central administration costs amounted to MSEK -89 (-91).

EBITDA

EBITDA amounted to MSEK 865 (1,511), a decrease of 43 percent.

Financial income and expense

Financial expenses amounted to MSEK -447 (-413), of which MSEK -33 (-27) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK 1 (6).

Financial expenses associated with right-of-use assets amounted to MSEK -44 (-40).

Profit before changes in value

Profit before changes in value amounted to MSEK 251 (962), a decrease of 74 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK -931 (640) and is explained by lower anticipated future cash flows in 2020 and 2021.

Unrealised changes in value of derivatives amounted to MSEK -381 (-272).

Current and deferred tax

Current tax amounted to MSEK -38 (-121), which is mainly explained by intra-Group equalisation. That current tax is charged despite a negative result is explained by full intra-Group equalisation, for example across countries, not being possible. The deferred tax expense amounted to MSEK 99 (-43). See also page 10 and the section "Deferred tax".

Profit for the period

Profit for the period amounted to MSEK -1,000 (1,167) and profit for the period attributable to the Parent Company's shareholders amounted to MSEK -997 (1,166), which is equivalent to SEK -5.42 (6.96) per share.

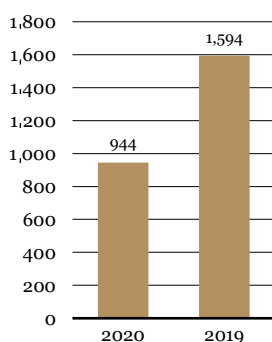
Cash earnings

Total cash earnings amounted to MSEK 337 (937), a decrease of 66 percent.

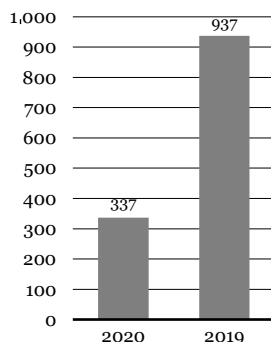
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January-June 2020

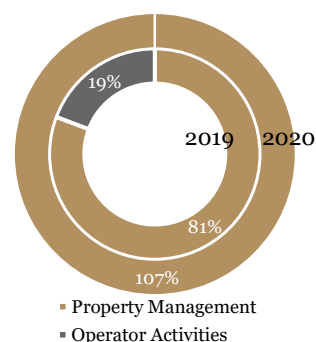
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Segment reporting April-June 2020

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2019 for balance sheet items, unless otherwise stated.

Property Management

Figures in MSEK	Apr-Jun		Jan-Jun		FY
	2020	2019	2020	2019	2019
Rental income	502	772	1,142	1,413	3,017
Other property income	25	11	57	55	112
Costs, excluding prop admin	-47	-46	-115	-121	-247
Net operating income, before property admin	480	737	1,084	1,347	2,882
Property administration	-32	-33	-75	-60	-118
Gross profit	448	704	1,009	1,287	2,764
Net operating income, after property admin	448	704	1,009	1,287	2,764

April-June 2020

Rental income and other property income amounted to MSEK 527 (783). The decline is a consequence of low demand and closed hotels due to COVID-19. The market bottomed out in April/May and thereafter recovered somewhat as restrictions were eased. The decline in rental income was limited to some extent by the fact that many of Pandox's leases have contractual minimum rent and fixed rent. Overall occupancy has been low but with large variations between markets and segments. The occupancy rate in Pandox's hotel property portfolio varied between 0 – 40 percent during the quarter.

In the end of June, a clear improvement in occupancy was noted, driven by eased restrictions and increased economic activity, with increased demand particularly from domestic leisure travel in several markets.

Net operating income amounted to MSEK 448 (704), a decrease of 36 percent.

For comparable units, revenue decreased by 42 percent while net operating income decreased by 43 percent, adjusted for currency effects.

Individual hotel markets with relatively stronger rental income development were regional cities in Finland, Norway, Sweden and Germany.

Hotels in city centre locations in large cities saw very weak development.

Operator Activities

Figures in MSEK	Apr-Jun		Jan-Jun		FY
	2020	2019	2020	2019	2019
Revenues	74	673	493	1,179	2,424
Costs	-216	-508	-672	-966	-1,993
Gross profit	-142	165	-179	213	431
Add: Depreciation included in costs	57	47	114	94	194
Net operating income	-85	212	-65	307	625

April-June 2020

Revenue from Operator Activities amounted to MSEK 74 (673), a decrease of 89 percent. The decrease is a consequence of low demand and closed hotels due to COVID-19. The relatively large loss of revenue compared with Property Management is partly explained by that Pandox in Operator Activities has full exposure to the hotels' revenue, and partly by a higher percentage of large meeting hotels in international markets, in particular Brussels. The decline was, however, offset by some temporary short-term contracts in Montreal.

Hotel Twentyseven and Hotel Mayfair in Copenhagen were reclassified to Operator Activities from Property Management on 1 April 2020.

For comparable units, revenue and RevPAR decreased by 92 percent respectively, adjusted for currency effects.

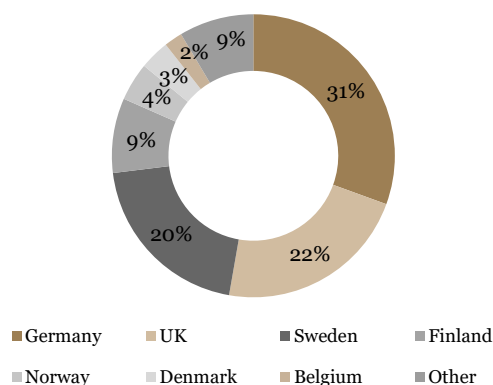
Net operating income amounted to MSEK -85 (212).

The cost reduction measures – in the form of staff reductions and increased coordination of operations between hotels – which were implemented at the end of the first quarter had their full effect throughout the second quarter.

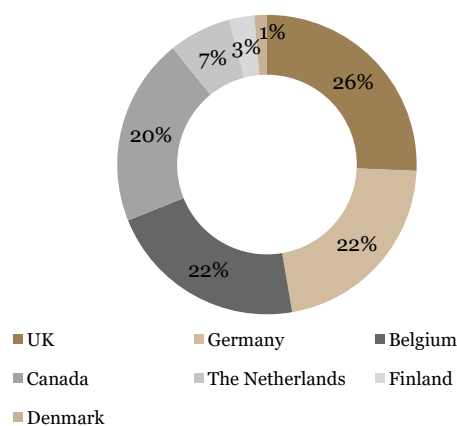
Pandox has taken advantage of government relief programmes in each of its markets, corresponding to around MSEK 60 during the April – June period, mainly in the form of salary support for furloughed personnel.

April-June 2020

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 2019 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 62,259 (63,469), of which Investment Properties accounted for MSEK 52,287 (53,697) and Operating Properties for MSEK 9,972 (9,772). As of the same date the carrying amount of the Operating Properties portfolio was MSEK 7,584 (6,857).

At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 15.2 years (15.6).

On 1 April, 2020, Pandox took over the operation of Hotel Mayfair and Hotel Twentyseven in Copenhagen, which were simultaneously reclassified from Property Management to Operator Activities.

Change in value Investment Properties

	Figures in MSEK
Investment Properties, opening balance (1 January, 2020)	53,697
+ Acquisitions ¹⁾	704
+ Investments in current portfolio	329
- Divestments	—
+/- Reclassifications ²⁾	-739
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-931
+/- Realised changes in value	—
+/- Change in currency exchange rates	-773
Investment Properties, closing balance (30 June, 2020)	52,287

Change in value Operating Properties, reported for information purposes only

	Figures in MSEK
Operating Properties, market value (1 January, 2020)	9,772
+ Acquisitions ³⁾	-11
+ Investments in current portfolio	183
- Divestments	—
+/- Reclassifications ²⁾	739
+/- Unrealised changes in value	-629
+/- Realised changes in value	—
+/- Change in currency exchange rates	-82
Operating Properties, market value (30 June, 2020)	9,972

¹⁾ Refers to acquisition of a hotel property in Germany of MSEK 649, of complementing premises to Jurys Inn Cardiff and adjustments of previously completed acquisitions.

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

³⁾ Refers to adjustment of Novotel Hannover (MSEK -9) and Novotel Den Haag World Forum (MSEK -2).

Investments

During the January-June 2020 period, investments in properties and fixed assets, excluding acquisitions, amounted to MSEK 515 (318), of which MSEK 329 (225) was for Investment Properties, MSEK 183 (89) was for Operating Properties and MSEK 3 (4) was for the head office.

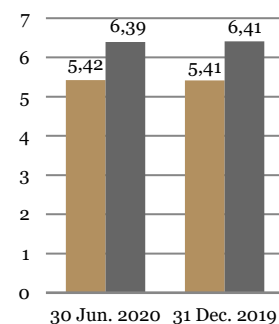
At the end of the second quarter of 2020, approved investments for ongoing and future projects amounted to approximately MSEK 950. Further investments of approximately MSEK 350 is expected to be completed during the second half of 2020. In addition, approximately MSEK 50 will be maintenance.

Larger projects are Crowne Plaza Brussels Le Palace, Scandic Luleå, Hotel Berlin Berlin, Airport Bonus Inn Vantaa, Hotel Pullman Stuttgart Fontana, Dorint Parkhotel Bad Neuenahr, Jurys Inn Oxford, Jurys Inn Inverness, The Midland Manchester, Quality Park Södertälje, Hilton Garden Inn Heathrow Airport, NH Brussels Bloom, and the investment programme for green investments.

Financial effects of changes in certain key valuation parameters as of 30 June, 2020

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-4,418 / +5,316
Change in currency exchange rates	+/- 1%	+/- 376
Net operating income	+/- 1%	+/- 548
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 26
Operating properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 23
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates	+/- 1%	-/+ 115
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 322
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 997

Average valuation yield, % (30 June 2020)



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.

At the end of Q2 2020, Pandox performed valuations of the hotel properties according to the same method and model used since the IPO in 2015. Due to material uncertainty about the long-term effects of COVID-19 on the economy in general, it is more difficult to assess future cash flows and valuation yields for Pandox's hotel properties. Due to insufficient evidence in the transaction markets for hotel properties, it has not been possible to establish the effects on valuation yields. In the second quarter Pandox performed an internal valuation of its total hotel property portfolio. Due to COVID-19 no confirming external valuations have been carried out. Pandox has determined that, at this stage, a general assessment of the effects of COVID-19 on individual hotel properties can best be done by the company itself based on many years of experience, deep knowledge and a strong network in the European hotel property market. In the second quarter the market value of the hotel properties was adjusted downwards as a result of lower anticipated future cash flows in 2020 and 2021 as a result of COVID-19. The valuation effects will continue to be monitored closely as the COVID-19 situation becomes clearer and as valuation yields and future cash flows are expected to be able to be estimated with greater precision.

Financing

Figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2019 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 48.0 (46.0) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 25,001 (26,350). EPRA NAV (net asset value) amounted to MSEK 32,600 (34,270), equivalent to SEK 177.32 (186.40) per share. Liquid funds plus unutilised credit facilities amounted to MSEK 5,516 (4,215). In addition, there are additional credit facilities that, at any given time, fully cover the issued volume under the Pandox commercial paper programme.

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 32,175 (29,824), excluding loan arrangement fees. Unutilised credit facilities amounted to MSEK 3,218 (3,583).

At the end of the period the volume issued under the commercial paper programme amounted to MSEK 210 (1,688) in various tenors ranging from 1 to 12 months.

In the second quarter, liquidity has been further strengthened by new financing of previously completed acquisitions in the corresponding amount of approximately MSEK 1,665, with a tenor of 4 years. Also, a credit facility of approximately MSEK 1,500 maturing in 2020 has been extended by one year. Refinancing of the remaining loans maturing 2020 is expected to be completed during the third quarter 2020.

On group level, Pandox's financial covenants are:

- Loan to value, at a level where Pandox's financial target for loan to value offers comfortable headroom
- Interest cover ratio, at a level, where also revenues from contractual minimum guaranteed rent and fixed rent only, offers satisfactory headroom

Pandox has a positive and close dialogue with its lenders on new financing, refinancing as well as adjustment of terms and covenants in existing credit agreements with consideration to COVID-19. In the second quarter, lenders have given waivers in individual credit agreements.

The average fixed rate period was 3.1 (3.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.4 (2.6) percent, including effects from interest-rate derivatives, but excluding accrued arrangement fees. The average repayment period was 2.9 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Maturity structure credit facilities 30 June 2020

Year due (MSEK)	Credit facilities ¹⁾
<1 year	4,724
1-2 years	1,993
2-3 years	9,769
3-4 years	15,611
4-5 years	1,107
>5 years	2,189
Total	35,394

¹⁾ Excluding contractual amortisation.

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.

Loans by currency 30 June 2020

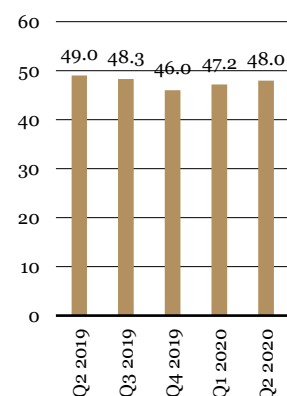
	SEK	DKK	EUR ³⁾	CHF	CAD	NOK	GBP	Total
Sum credit facilities ¹⁾	10,366	1,993	15,591	482	524	1,173	5,265	35,394
Sum interest bearing debt, MSEK ¹⁾	6,983	1,993	15,777	482	502	1,173	5,265	32,175
Share of debt in currency, %	21.7	6.2	49.0	1.5	1.6	3.6	16.4	100
Average interest rate, % ²⁾	2.8	2.1	2.1	0.8	2.8	2.0	3.1	2.4
Average interest rate period, years	3.4	0.7	3.4	0.2	0.1	2.3	3.6	3.1
Market value Properties ¹⁾	14,730	3,548	28,951	812	1,243	3,115	9,860	62,259

¹⁾ Converted to MSEK.

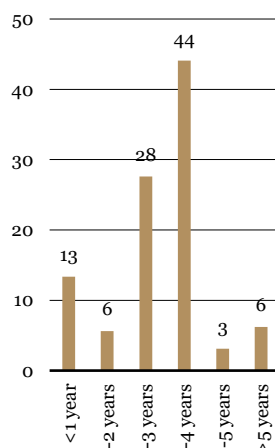
²⁾ Average interest rate including bank margin.

³⁾ Part of the interest bearing debt is part of credit facilities in SEK, which can be drawn in multiple currencies, including EUR.

Loan to value per quarter, %



Maturity of credit facilities per year, %



In order to manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives are used, mainly in the form of interest rate swaps. At the end of the period interest rate derivatives amounted to MSEK 24,690 gross and MSEK 19,731 net, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Approximately 56 percent of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

Interest maturity profile 30 June, 2020

Tenor (MSEK)	Total interest maturity		Interest maturity derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, %
< 1 year	14,154	44	1,709	9	1.2
1-2 year	3,704	12	3,704	19	1.5
2-3 year	5,607	17	5,607	28	1.2
3-4 year	-2,480	-8	-2,480	-13	0.7
4-5 year	300	1	431	2	-0.1
> 5 year	10,891	34	10,760	55	0.6
Sum	32,175	100	19,731	100	1.0

¹⁾ Share of loans with an interest rate reset during the period.

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 -958 (-577).

Deferred tax

At the end of the period, the deferred tax assets amounted to MSEK 570 (383). These represent mainly 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 4,458 (4,552) and relate mainly to temporary differences between fair value and the taxable value of Investment Properties, as well as temporary differences between the book value and the taxable value of Operating Properties.

Other information

Important events during and after the period

29 April 2020	Interim report January-March 2020
3 April 2020	Pandox annual shareholders' meeting 2020
1 April 2020	Pandox takes over operations of two hotels in Copenhagen

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

Employees

At the end of the period, Pandox had the equivalent of 802 (1,308) fulltime employees, based on number of worked hours translated to full-time employees. Of the total number of employees, 754 (1,269) are employed in the Operator Activities segment and 48 (39) in the Property Management segment and in central administration.

Green investments

Pandox's green investment programme of MEUR 8 remains in place but the time frame for completion has been extended from 2023 to 2024 due to practical conditions relating to COVID-19. The investment programme focuses on projects to reduce energy and water consumption and on technical installations. The programme is expected to generate an average return of around 20 percent.

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-June 2020 period totalled MSEK 78 (66), and profit for the period amounted to MSEK -457 (1,694).

At the end of the period the Parent Company's equity amounted to MSEK 8,633 (9,089) and the interest-bearing debt was MSEK 6,034 (6,305), of which MSEK 4,650 (3,427) 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 22 hotel properties in Germany and 9.9 percent of another hotel property in Germany. The acquisitions were made by Pandox in 2015, 2016 and 2019.

Pandox has management agreement regarding Pelican Bay Lucaya Resort in the Bahamas owned by affiliates of Helene Sundt AS and CGS Holding AS. During the first half year 2020, revenue from Pelican Bay Lucaya amounted to MSEK 0.4 (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 17-18.

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 108,849,999 B shares. For the second quarter 2020 the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 108,849,999 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 130-133 of the 2019 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.

Pandox's risk management work is described on pages 84-88 in the section "Risk and risk management" in the 2019 Annual Report.

Considering the extraordinary situation created by COVID-19, a situation cannot be excluded where for example representations and covenants in the Company's credit agreements may not be met. In such cases, there are several actions that can be taken to, should there be a need, to cure non-compliance, such as payment of interest to an escrow account, adjustment of covenants, covenant holidays or certain repayments.

Besides the effects of COVID-19 described on page 3, there has been no significant change to Pandox's risk assessment after the publication of the 2019 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.



Lobby, Scandic Kramer, Malmö, 113 rooms

Presentation of the interim report

Pandox will present the interim report for investors, analysts and media via a webcasted telephone conference, 15 July at 09:00 CEST. The presentation also includes an external update of the hotel market.

- Interim report and business update
Anders Nissen CEO, Liia Nõu CFO
- The hotel market
Robin Rossmann, Managing Director International STR, Johan Johander, Partner and Head of Research, Benchmarking Alliance

The presentation material will be available at www.pandox.se at approximately 08:00 CEST.

To follow the telephone conference online, go to <https://edge.media-server.com/mmc/p/iduduai4>. Here you can also ask written questions.

To participate in the conference via telephone, please call in using any number indicated below well before the start of the conference.

Standard International: +44 (0) 2071 928338
SE LocalCall: +46 (0) 856 618 467
SE Tollfree: 200125160
UK LocalCall: +44 (0) 8444819752
UK Tollfree: 8002796619
US LocalCall: +1 6467413167
Conference ID: 9443567

A recorded version of the presentation will be available at 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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above 15 July 2020, 07:00 CEST.

Financial calendar

Interim report Q3 2020	23 October 2020
Year-end report 2020	11 February 2021
Annual General Meeting 2021	12 April 2021
Interim report Q1 2021	27 April 2021
Interim report Q2 2021	16 July 2021

More information about Pandox is available at www.pandox.se.

Board of Directors' Assurance

The Board of Directors and the CEO confirms that this report provides a fair overview of the Company's business, position and results and describes the significant risks and uncertainties facing the Company and its subsidiaries.

Stockholm, 15 July 2020

Christian Ringnes
Chairman

Bengt Kjell
Board member

Jakob Iqbal
Board member

Jon Rasmus Aurdal
Board member

Ann-Sofi Danielsson
Board member

Jeanette Dyhre Kvisvik
Board member

Anders Nissen
CEO

This report has not been examined by the Company's auditor.

Summary of financial reports

Condensed consolidated statement of comprehensive income

Figures in MSEK	Note	Apr-Jun		Jan-Jun		FY
		2020	2019	2020	2019	2019
Revenues Property Management						
Rental income	2	502	772	1,142	1,413	3,017
Other property income		25	11	57	55	112
Revenue Operator Activities	2	74	673	493	1,179	2,424
Total revenues		601	1,456	1,692	2,647	5,553
Costs Property Management	2	-79	-79	-190	-181	-365
Costs Operator Activities	2	-216	-508	-672	-966	-1,993
Gross profit		306	869	830	1,500	3,195
- whereof gross profit Property Management	2	448	704	1,009	1,287	2,764
- whereof gross profit Operator Activities	2	-142	165	-179	213	431
Central administration		-42	-48	-89	-91	-175
Financial income		-1	4	1	6	1
Financial expenses		-219	-206	-447	-413	-866
Financial cost right of use assets	2	-22	-21	-44	-40	-81
Profit before changes in value		22	598	251	962	2,074
<i>Changes in value</i>						
Properties, unrealised	2	-320	509	-931	640	1,389
Properties, realised	2	—	1	—	1	70
Derivatives, unrealised		-22	-133	-381	-272	-39
Profit before tax		-320	975	-1,061	1,331	3,494
Current tax		-11	-75	-38	-121	-122
Deferred tax		-1	-140	99	-43	-672
Profit for the period		-332	760	-1,000	1,167	2,700
<i>Items that may be classified to profit or loss</i>						
Net investment hedge of foreign operations		-386	-216	-408	179	520
Translation differences realisation of foreign operations		-534	351	148	316	-474
		-920	135	-260	495	46
Other comprehensive income for the period		-920	135	-260	495	46
Total comprehensive income for the period		-1,252	895	-1,260	1,662	2,746
Profit for the period attributable to the shareholders of the parent company		-330	759	-997	1,166	2,706
Profit for the period attributable to non-controlling interests		-2	1	-3	1	-6
Total comprehensive income for the period attributable to the shareholders of the parent company		-1,236	892	-1,258	1,657	2,749
Total comprehensive income for the period attributable to non-controlling interests		-16	3	-2	5	-3
Earnings per share, before and after dilution, SEK		-1.79	4.53	-5.42	6.96	15.91

Condensed consolidated statement of financial position

Figures in MSEK	Note	2020 30 Jun	2019 30 Jun	2019 31 Dec
ASSETS				
Non-current assets				
Operating properties		7,065	5,492	6,307
Equipment and interiors		525	505	554
Investment properties		52,287	48,546	53,697
Right-of-use assets		2,980	2,886	2,994
Deferred tax assets		570	540	383
Derivatives ¹⁾		49	41	117
Other non-current receivables		36	34	34
Total non-current assets		63,512	58,044	64,086
Current assets				
Inventories		13	11	14
Current tax assets		82	50	106
Trade account receivables		533	332	367
Prepaid expenses and accrued income		219	229	288
Other current receivables		161	90	250
Cash and cash equivalents		2,298	450	632
Assets held for sale	4	—	480	—
Total current assets		3,306	1,642	1,657
Total assets		66,818	59,686	65,743
EQUITY AND LIABILITIES				
Equity				
Share capital		460	419	460
Other paid-in capital		7,525	4,556	7,525
Reserves		5	706	258
Retained earnings, including profit for the period		17,011	16,567	18,107
Equity attributable to the owners of the Parent Company		25,001	22,248	26,350
Non-controlling interests		245	165	156
Sum equity		25,246	22,413	26,506
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities ²⁾³⁾		26,945	21,021	23,587
Other non-current liabilities		17	18	18
Long-term lease liability		2,951	2,867	2,964
Derivatives ¹⁾		1,007	851	694
Provisions		51	119	41
Deferred tax liability		4,458	3,633	4,552
Total non-current liabilities		35,429	28,509	31,856
Current liabilities				
Provisions		106	0	97
Interest-bearing liabilities ²⁾³⁾		5,036	7,520	6,034
Short-term lease liability		30	19	30
Tax liabilities		51	169	109
Trade accounts payable		232	260	304
Other current liabilities		209	182	226
Accrued expenses and prepaid income		479	614	581
Debt related to assets held for sale	4	—	0	—
Total current liabilities		6,143	8,764	7,381
Total liabilities		41,572	37,273	39,237
Total equity and liabilities		66,818	59,686	65,743

¹⁾ 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.

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

³⁾ Arrangement fees of MSEK 195 have reduced interest-bearing liabilities in the period, compared to MSEK 157 same period 2019.

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 ³⁾	Retained earnings, incl profit for the period			
Opening balance equity January 1, 2019	419	4,556	46	169	16,188	21,378	160	21,538
Profit for the period	—	—	—	—	2,706	2,706	-6	2,700
Other comprehensive income	—	—	43	—	—	43	3	46
New share issue ¹⁾	41	2,969	—	—	—	3,010	—	3,010
Transactions regarding non-controlling interest	—	—	—	—	—	—	-1	-1
Dividend	—	—	—	—	-787	-787	—	-787
Closing balance equity December 31, 2019	460	7,525	89	169	18,107	26,350	156	26,506
Opening balance equity January 1, 2020	460	7,525	89	169	18,107	26,350	156	26,506
Profit for the period	—	—	—	—	-997	-997	-3	-1,000
Other comprehensive income	—	—	-261	—	—	-261	1	-260
Transfer holding with non-controlling interest ²⁾	—	—	8	—	-99	-91	91	—
Closing balance equity June 30, 2020	460	7,525	-164	169	17,011	25,001	245	25,246

¹⁾ The new issue amount is reported net after deduction of transaction costs of MSEK -39.

²⁾ Transfer from the Parent Company's shareholders to non-controlling interests.

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

Condensed consolidated statement of cash flow

Figures in MSEK	Apr-Jun		Jan-Jun		FY
	2020	2019	2020	2019	2019
OPERATING ACTIVITIES					
Profit before tax	-320	975	-1,061	1,331	3,494
Reversal of depreciation	57	46	115	92	195
Changes in value, Investment properties, realised	—	—	—	—	-96
Changes in value, Investment properties, unrealised	320	-509	931	-640	-1,389
Changes in value, derivatives, unrealised	22	133	381	272	39
Other items not included in the cash flow	25	-12	-102	-14	84
Taxes paid	-5	-43	-66	-86	-208
Cash flow from operating activities before changes in working capital	99	590	198	955	2,119
Increase/decrease in operating assets	-204	-34	-28	222	-23
Increase/decrease in operating liabilities	-83	-272	-130	-154	-162
Change in working capital	-287	-306	-158	68	-185
Cash flow from operating activities	-188	284	40	1,023	1,934
INVESTING ACTIVITIES					
Investments in properties and fixed assets	-277	-175	-515	-318	-674
Divestment of hotel properties, net effect on liquidity	—	—	—	—	390
Acquisitions of hotel properties, net effect on liquidity	-4	-8	-693	—	-4,901
Acquisitions of financial assets	0	0	-1	-24	-3
Cash flow from investing activities	-281	-183	-1,209	-343	-5,188
FINANCING ACTIVITIES					
New share issue	—	—	—	—	3,049
Transaction cost	—	—	—	—	-39
New loans	5,238	2,987	7,508	4,885	12,565
Amortisation of debt	-3,645	-2,764	-4,779	-4,980	-11,584
Guaranteed minority dividend	—	—	—	—	-11
Paid dividends	—	-787	—	-787	-787
Cash flow from financing	1,593	-564	2,729	-882	3,193
Cash flow for the period	1,124	-463	1,560	-202	-61
Cash and cash equivalents at beginning of period	1,220	923	632	674	674
Exchange differences in cash and cash equivalents	-46	-10	106	-22	19
Liquid funds end of period	2,298	450	2,298	450	632
Information regarding interest payments					
Interest received amounted to	1	0	1	0	1
Interest paid amounted to	-231	-191	-437	-383	-782
Financial costs related to rights of use	-22	-21	-44	-40	-81
Information regarding cash and cash equivalents end of period	2,298	450	2,298	450	632
Cash and cash equivalents consist of bank deposits.					

Condensed income statement for the parent company

	Apr-Jun		Jan-Jun		FY
Figures in MSEK	2020	2019	2020	2019	2019
Net sales	48	39	78	66	122
Administration cost	-55	-59	-115	-113	-226
Operating profit	-7	-20	-37	-47	-104
Profit from participations in Group companies	—	1,797	—	1,797	2,337
Other interest income and similar profit/loss items	-248	-186	-281	118	376
Derivates, unrealised	-82	-46	-239	-201	-58
Profit after financial items	-337	1,545	-557	1,667	2,551
Year-end appropriations	—	—	—	—	-252
Profit before tax	-337	1,545	-557	1,667	2,299
Current tax	7	34	—	—	—
Deferred tax	48	20	100	27	14
Profit for the period	-282	1,599	-457	1,694	2,313

Condensed balance sheet for the parent company

	2020	2019	2019
Figures in MSEK	30 Jun	30 Jun	31 Dec
ASSETS			
Non-current assets	19,772	17,642	21,702
Current assets	2,433	32	119
Total assets	22,205	17,674	21,821
EQUITY AND LIABILITIES			
Equity	8,633	5,458	9,089
Provisions	155	119	137
Non-current liabilities	7,678	5,598	3,945
Current liabilities	5,739	6,499	8,650
Total equity and liabilities	22,205	17,674	21,821

Reconciliation alternative performance measurements

	Apr-Jun		Jan-Jun		FY
Per share, figures in SEK ¹⁾	2020	2019	2020	2019	2019
Total comprehensive income per share, SEK					
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	-1,236	892	-1,258	1,657	2,749
Weighted average number of share, before and after dilution	183,849,999	167,499,999	183,849,999	167,499,999	170,053,287
Total comprehensive income per share, SEK	-6.72	5.32	-6.84	9.89	16.17
Cash earnings per share, SEK					
Cash earnings attr.to the shareholders of the parent company, MSEK	77	569	340	936	2,183
Weighted average number of share, before and after dilution	183,849,999	167,499,999	183,849,999	167,499,999	170,053,287
Cash earnings per share, SEK	0.42	3.39	1.85	5.59	12.84
Net asset value (EPRA NAV) per share, SEK					
EPRA NAV (net asset value), MSEK	—	—	32,600	29,117	34,270
Number of shares at the end of the period	—	—	183,849,999	167,499,999	183,849,999
Net asset value (EPRA NAV) per share, SEK	—	—	177.32	173.83	186.40
Dividend per share, SEK					
Dividend, MSEK	—	—	—	—	—
Number of shares at dividend	—	—	183,849,999	167,499,999	183,849,999
Dividend per share, SEK ³⁾	—	—	—	—	—
Weighted average number of shares outstanding, before and after dilution	183,849,999	167,499,999	183,849,999	167,499,999	170,053,287
Number of shares at end of period	183,849,999	167,499,999	183,849,999	167,499,999	183,849,999
PROPERTY RELATED KEY FIGURES					
Number of hotels, end of period ²⁾	—	—	156	144	155
Number of rooms, end of period ²⁾	—	—	35,022	32,281	34,685
WAULT, years	—	—	15.2	15.5	15.6
Market value properties, MSEK	—	—	62,259	57,618	63,469
Market value Investment properties, MSEK	—	—	52,287	49,026	53,697
Market value Operating properties, MSEK	—	—	9,972	8,592	9,772
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	84	1,050	309	905	924

¹⁾ Total number of outstanding shares after dilution amounts to 183,849,999, of which 75,000,000 A shares and 108,849,999 B shares. Based on total number of shares for balance sheet items and weighted number for shares for profit and loss items. ²⁾ Pandox's owned hotel properties. ³⁾ For 2019 actual dividend is indicated.

Reconciliation alt. performance measurements

Figures in MSEK	Apr-Jun		Jan-Jun		FY
	2020	2019	2020	2019	2019
Net interest-bearing debt					
Non-current interest-bearing liabilities	—	—	26,945	21,021	23,587
Current interest-bearing liabilities	—	—	5,036	7,520	6,034
Arrangement fee for loans	—	—	195	157	202
Cash and cash equivalents	—	—	-2,298	-450	-632
Net interest-bearing debt	—	—	29,878	28,248	29,191
Loan to value net, %					
Net interest-bearing debt	—	—	29,878	28,248	29,191
Market value properties	—	—	62,259	57,618	63,469
Loan to value net, %	—	—	48.0	49.0	46.0
Interest cover ratio, times					
Profit before changes in value	22	598	251	962	2,074
Interest expenses	194	190	398	371	765
Depreciation	57	47	114	94	194
Interest cover ratio, times	1.4	4.4	1.9	3.8	4.0
Average interest on debt end of period, %					
Average interest expenses	—	—	758	742	782
Non-current interest-bearing liabilities	—	—	26,945	21,021	23,587
Arrangement fee for loans	—	—	195	157	202
Current interest-bearing liabilities	—	—	5,036	7,520	6,034
Average interest on debt, end of period, %	—	—	2.4	2.6	2.6
<i>See page 9-10 for a complete reconciliation</i>					
Investments, incl. parent company excl. acquisitions	277	175	515	318	674
Net operating income, Property Management					
Rental income	502	772	1,142	1,413	3,017
Other property income	25	11	57	55	112
Costs, excl. property administration	-47	-46	-115	-121	-247
Net operating income, before property administration	480	737	1,084	1,347	2,882
Property administration	-32	-33	-75	-60	-118
Net operating income, Property Management	448	704	1,009	1,287	2,764
Net operating income, Operator Activities					
Revenues Operator Activities	74	673	493	1,179	2,424
Costs Operator Activities	-216	-508	-672	-966	-1,993
Gross profit	-142	165	-179	213	431
Plus: Depreciation included in costs	57	47	114	94	194
Net operating income, Operator Activities	-85	212	-65	307	625
EBITDA					
Gross profit from respective operating segment	306	869	830	1,500	3,195
Plus: Depreciation included in costs Operator Activities	57	47	114	94	194
Less: Central administration, excluding depreciation	-36	-44	-79	-83	-158
EBITDA	327	872	865	1,511	3,231
Cash earnings					
EBITDA	327	872	865	1,511	3,231
Plus: Financial income	-1	4	1	6	1
Less: Financial expense	-219	-206	-447	-413	-866
Less: Financial cost for right-of-use assets	-22	-21	-44	-40	-81
Plus/Less: Translation gain on bank deposits	1	-4	0	-6	14
Less: Current tax	-11	-75	-38	-121	-122
Cash earnings	75	570	337	937	2,177
EPRA NAV					
Equity attr. to the shareholders of the parent company	—	—	25,001	22,248	26,350
Plus: Revaluation of Operating Properties	—	—	2,388	2,599	2,915
Plus: Fair value of financial derivatives	—	—	958	810	577
Less: Deferred tax assets related to derivatives	—	—	-205	-173	-123
Plus: Deferred tax liabilities	—	—	4,458	3,633	4,552
EPRA NAV	—	—	32,600	29,117	34,270
Growth in EPRA NAV, annual rate, %					
EPRA NAV attributable to the shareholders of the parent company, OB	—	—	29,117	25,789	27,476
EPRA NAV attributable to the shareholders of the parent company, CB	—	—	32,600	29,117	34,270
Dividend added back, current year	—	—	—	787	787
Excluding proceeds from new share issue	—	—	-3,010	—	-3,010
Growth in EPRA NAV, annual rate, %	—	—	1.6	16.0	16.6

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 26.

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, 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. 30-50 percent of cash earnings with an average payout ratio of approximately 40 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	2020		2019				2018	
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
Revenue Property Management								
Rental income	502	640	784	820	772	641	704	766
Other property income	25	32	26	31	11	44	45	44
Revenue Operator Activities	74	419	645	600	673	506	626	531
Total revenues	601	1,091	1,455	1,451	1,456	1,191	1,375	1,341
Costs Property Management	-79	-111	-94	-90	-79	-102	-122	-112
Costs Operator Activities	-216	-456	-536	-491	-508	-458	-507	-429
Gross profit	306	524	825	870	869	631	746	800
Central administration	-42	-47	-44	-40	-48	-43	-43	-34
Financial net	-220	-226	-234	-224	-202	-205	-214	-205
Financial cost for right-of-use assets	-22	-22	-21	-20	-21	-19	—	—
Profit before value changes	22	229	526	586	598	364	489	561
Changes in value								
Properties, unrealised	-320	-611	396	353	509	131	607	376
Properties, realised	—	—	-41	110	1	—	27	13
Derivatives, unrealised	-22	-359	444	-211	-133	-139	-147	113
Profit before tax	-320	-741	1,325	838	975	356	976	1,063
Current tax	-11	-27	59	-60	-75	-46	-55	-64
Deferred tax	-1	100	-93	-536	-140	97	-146	-166
Profit for the period	-332	-668	1,291	242	760	407	775	833
Other comprehensive income	-920	660	-199	-250	135	360	-177	-220
Total comprehensive income for the period	-1,252	-8	1,092	-8	895	767	598	613
Condensed consolidated statement of financial position								
Figures in MSEK	2020		2019				2018	
	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep
ASSETS								
Properties incl equipment and interiors	59,877	62,570	60,558	56,759	54,543	54,371	52,949	50,855
Right of use assets	2,980	3,101	2,994	2,868	2,886	2,838	—	—
Other non-current receivables	85	108	151	78	75	50	43	91
Deferred tax assets	570	546	383	765	540	539	465	520
Current assets	1,008	893	1,025	832	1,192	657	885	1,105
Cash and cash equivalents	2,298	1,220	632	530	450	923	674	923
Total assets	66,818	68,438	65,743	61,832	59,686	59,378	55,016	53,494
EQUITY AND LIABILITIES								
Equity	25,246	26,498	26,506	22,405	22,413	22,305	21,538	20,950
Deferred tax liability	4,458	4,623	4,552	4,879	3,633	3,544	3,430	3,316
Interest-bearing liabilities	31,981	31,882	29,621	29,158	28,541	28,266	27,917	27,461
Leasing liabilities	2,981	3,102	2,994	2,869	2,886	2,838	—	—
Non interest-bearing liabilities	2,152	2,333	2,070	2,521	2,213	2,425	2,131	1,767
Total equity and liabilities	66,818	68,438	65,743	61,832	59,686	59,378	55,016	53,494
Key ratios								
Figures in MSEK	2020		2019				2018	
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
NOI, Property Management	448	561	716	761	704	583	627	698
NOI, Operator Activities	-85	20	159	160	212	95	165	142
EBITDA	327	538	831	881	868	634	749	806
Earnings per share before and after dilution, SEK	-1.79	-3.63	7.30	1.45	4.53	2.43	4.63	4.98
Cash earnings	75	262	651	581	565	362	480	537
Cash earnings per share before and after dilution, SEK	0.42	1.43	3.70	3.47	3.37	2.16	2.88	3.20
RevPAR growth (Operator Activities) for comparable units and constant currency, %	-92	-30	-4	4	12	9	12	6
	2020		2019				2018	
	30 Jun	31 Mar	31 Dec	30 Sep	30 Jun	31 Mar	31 Dec	30 Sep
Net interest-bearing debt, MSEK	29,878	30,862	29,191	28,806	28,248	27,513	27,421	26,590
Loan to value, %	48.0	47.2	46.0	48.3	49.0	48.5	49.7	49.9
Interest coverage ratio, times	1.9	2.4	3.9	4.2	4.4	3.3	3.8	4.1
Market value properties, MSEK	62,259	65,345	63,469	59,661	57,618	56,713	55,197	53,281
EPRA NAV per share, SEK	177.32	186.97	186.40	184.03	173.83	170.52	164.04	158.44
WAULT (Property Management), yrs	15.2	15.3	15.6	15.5	15.5	15.8	15.7	15.3

Portfolio overview

At the end of the period Pandox's property portfolio consisted of 156 (144) hotel properties with 35,022 (32,273) hotel rooms in fifteen countries, including the sub-markets England, Scotland, Wales and Northern Ireland.

Pandox's main geographical focus is Northern Europe. Germany (25 percent) is Pandox's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by Sweden (24 percent), UK (15 percent), Belgium (8 percent) and Finland (6 percent).

136 of the hotel properties are leased to third parties, which means that approximately 84 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 June 2020 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.2 years (15.6).

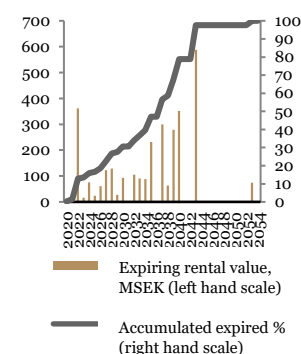
Portfolio overview by segment and geography

Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Sweden	42	8 787	14 730	24	1,7
Germany	33	6 876	12 692	20	1,8
UK	19	4 675	9 002	14	1,9
Finland	13	2 921	4 017	6	1,4
Norway	14	2 536	3 115	5	1,2
Denmark	6	1 442	2 804	5	1,9
Austria	2	639	1 509	2	2,4
Belgium	2	519	934	2	1,8
Ireland	3	445	1 441	2	3,2
Switzerland	1	206	812	1	3,9
The Netherlands	1	189	1 231	2	6,5
Sum Property Management	136	29 235	52 287	84	1,8
Operator Activities					
Belgium	7	1 955	3 560	6	1,8
Germany	5	1 490	3 188	5	2,1
Canada	2	952	1 243	2	1,3
The Netherlands	1	216	356	1	1,6
UK	2	611	858	1	1,4
Denmark	2	403	744	1	1,8
Finland	1	160	23	0	0,1
Sum Operator Activities	20	5 787	9 972	16	1,7
Sum total	156	35 022	62 259	100	1,8

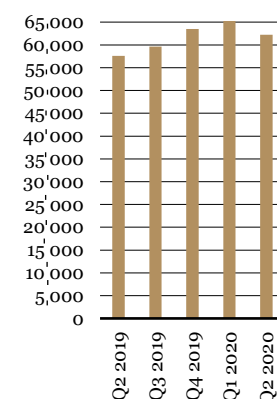
Portfolio overview by brand

Brand	Number		In % of total
	Hotels	Rooms	
Scandic	50	10,907	31
Jurys Inn	20	4,410	13
Leonardo	18	3,547	10
Hilton	7	2,298	7
Radisson Blu	8	2,033	6
Nordic Choice Hotels	11	1,800	5
NH	7	1,681	5
Mercure	4	760	2
Crowne Plaza	2	616	2
Dorint	5	1,085	3
Elite Hotels	2	493	1
Novotel	2	421	1
Holiday Inn	2	469	1
InterContinental	1	357	1
Maritim	1	316	1
Indigo	1	284	1
Pullman	1	252	1
Meininger	1	228	1
Best Western	1	103	0
Independent brands	12	2,962	8
Total	156	35,022	100

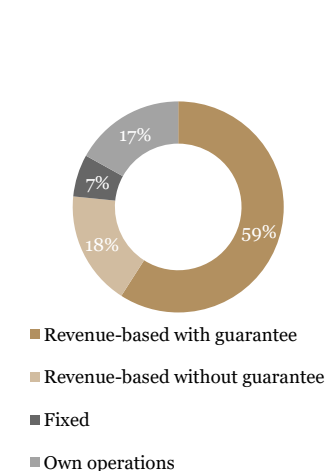
Lease maturity profile
(30 June 2020)



Market value properties per quarter, MSEK



Distribution of lease and operating models
(30 June 2020)



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 1–24 and pages 25–27 are thus an integrated part of this financial report.

The accounting principles applied are consistent with those described in Pandox's 2019 Annual Report.

Pandox is applying IFRS 16 prospectively as of 1 January 2019.

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 Operator Activities segment owns hotel properties and operates hotels in such owned properties. The Operator Activities segment also includes 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, and financial cost for right-of-use assets according to IFRS 16. The segments have been established based on the reporting that takes place internally to executive management on financial outcomes and position. 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 Fattal Hotels Group are tenants who account for more than 10 percent of revenues each.

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Revenue Property Management	527	783	—	—	—	—	527	783
Rental and other property income	—	—	74	673	—	—	74	673
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	527	783	74	673	—	—	601	1,456
Costs Property Management	-79	-79	—	—	—	—	-79	-79
Costs Operator Activities	—	—	-216	-508	—	—	-216	-508
Gross profit	448	704	-142	165	—	—	306	869
Central administration	—	—	—	—	-42	-48	-42	-48
Financial income	—	—	—	—	-1	4	-1	4
Financial expenses	—	—	—	—	-219	-206	-219	-206
Financial cost right-of-use assets	—	—	—	—	-22	-21	-22	-21
Profit before changes in value	448	704	-142	165	-284	-271	22	598
Changes in value	—	—	—	—	—	—	—	—
Properties, unrealised	-320	509	—	—	—	—	-320	509
Properties, realised	—	1	—	—	—	—	—	1
Derivatives, unrealised	—	—	—	—	-22	-133	-22	-133
Profit before tax	128	1,214	-142	165	-306	-404	-320	975
Current tax	—	—	—	—	-11	-75	-11	-75
Deferred tax	—	—	—	—	-1	-140	-1	-140
Profit for the period	128	1,214	-142	165	-318	-619	-332	760

April-June 2020

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	107	18	23	45	161	11	117	45	527
- Operator Activities	—	1	—	2	16	16	19	20	74
Market value properties	14,730	3,548	3,115	4,041	15,879	4,494	11,301	5,151	62,259
Investments in properties	54	8	13	46	28	62	30	33	274
Acquisitions of properties	—	—	—	—	0	—	1	3	4
Book value Operating Properties	—	744	—	26	1,979	2,575	899	1,361	7,584
Total non-current assets at book value, less deferred tax assets	15,326	3,562	3,118	4,749	15,304	3,627	12,127	5,129	62,942

April-June 2019

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	236	62	58	79	126	15	155	52	783
- Operator Activities	—	—	—	12	143	288	73	157	673
Market value properties	15,151	3,707	3,481	4,086	10,323	4,507	11,666	4,697	57,618
Investments in properties	58	4	10	19	5	30	16	29	171
Acquisitions of properties	—	—	—	—	0	—	-106	—	-106
Book value Operating Properties	—	—	—	27	1,524	2,528	890	1,025	5,994
Total non-current assets at book value, less deferred tax assets	22,021	2,094	2,138	3,572	8,086	3,228	11,927	4,335	57,402

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q1-Q2 2020	Q1-Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q2 2020	Q1-Q2 2019	Q1-Q2 2020	Q1-Q2 2019
Revenue Property Management	1,199	1,468	—	—	—	—	1,199	1,468
Rental and other property income	—	—	493	1,179	—	—	493	1,179
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	1,199	1,468	493	1,179	—	—	1,692	2,647
Costs Property Management	-190	-181	—	—	—	—	-190	-181
Costs Operator Activities	—	—	-672	-966	—	—	-672	-966
Gross profit	1,009	1,287	-179	213	—	—	830	1,500
Central administration	—	—	—	—	-89	-91	-89	-91
Financial income	—	—	—	—	1	6	1	6
Financial expenses	—	—	—	—	-447	-413	-447	-413
Financial expenses right-of-use assets	—	—	—	—	-44	-40	-44	-40
Profit before changes in value	1,009	1,287	-179	213	-579	-538	251	962
<i>Changes in value</i>								
Properties, unrealised	-931	640	—	—	—	—	-931	640
Properties, realised	—	1	—	—	—	—	—	1
Derivatives, unrealised	—	—	—	—	-381	-272	-381	-272
Profit before tax	78	1,928	-179	213	-960	-810	-1,061	1,331
Current tax	—	—	—	—	-38	-121	-38	-121
Deferred tax	—	—	—	—	99	-43	99	-43
Profit for the period	78	1,928	-179	213	-899	-974	-1,000	1,167

January-June 2020

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	279	56	61	102	338	23	250	90	1,199
- Operator Activities	—	1	—	9	127	196	68	92	493
Market value properties	14,730	3,548	3,115	4,041	15,879	4,494	11,301	5,151	62,259
Investments in properties	105	20	23	86	48	110	62	58	512
Acquisitions of properties	—	—	—	—	643	—	50	—	693
Book value Operating Properties	—	744	—	26	1,979	2,575	899	1,361	7,584
Total non-current assets at book value, less deferred tax assets	15,326	3,562	3,118	4,749	15,304	3,627	12,127	5,129	62,942

January-June 2019

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK Ireland	Other	Total
Total revenues									
- Property Management	436	111	104	137	243	27	316	94	1,468
- Operator Activities	—	—	—	21	256	538	135	229	1,179
Market value properties	15,151	3,707	3,481	4,086	10,323	4,507	11,666	4,697	57,618
Investments in properties	98	17	24	38	11	62	21	43	314
Acquisitions of properties	—	—	—	—	—	7	-97	—	-90
Book value Operating Properties	—	—	—	27	1,524	2,528	890	1,025	5,994
Total non-current assets at book value, less deferred tax assets	22,021	2,094	2,138	3,572	8,086	3,228	11,927	4,335	57,402

Note 3 Reclassifications, acquisitions and divestments with date of consolidation or deconsolidation

Reclassifications, acquisitions and divestments

Date	Hotel property	Event
1 April 2020	Hotel Twentyseven	Reclassification to Operator Activities
1 April 2020	Hotel Mayfair	Reclassification to Operator Activities
31 March 2020	Office property belonging to Jurys Inn Cardiff	Acquisition Property Management
31 January 2020	Maritim Hotel Nürnberg	Acquisition Property Management
11 December 2019	Seven hotel properties in Germany	Acquisition Property Management
3 December 2019	Two hotels in Germany and the Netherlands	Acquisition Operator Activities
2 September 2019	Hotell Hasselbacken	Divestment Property Management
1 July 2019	Three hotel properties in Germany	Acquisition Property Management

Note 4 Assets and liabilities held for sale

Assets and liabilities held for sale

Figures in MSEK	2020 30 Jun	2019 30 Jun	2019 31 Dec
ASSETS			
Investment properties ¹⁾	—	480	—
Assets classified as held for sale	—	480	—
LIABILITIES			
Other short term liabilities ¹⁾	—	0	—
Liabilities classified as held for sale	—	0	—

¹⁾ Refers to Hotell Hasselbacken which was divested during 2019.

Note 5 Currency exchange rates

Currency exchange rates January-June

1 foreign currency = X SEK	Average rate			Rate at end-of-period		
	2020	2019	Δ%	2020	2019	Δ%
Euro (EUR)	10.660	10.515	1%	10.480	10.558	-1%
British pound (GBP)	12.198	12.044	1%	11.469	11.755	-2%
Danish krone (DKK)	1.428	1.408	1%	1.406	1.415	-1%
Norwegian krone (NOK)	0.995	1.080	-9%	0.960	1.089	-14%
Canadian dollar (CAD)	7.095	6.978	2%	6.830	7.085	-3%
Swiss franc (CHF)	10.017	9.308	7%	9.811	9.510	4%

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 156 hotels with approximately 35,000 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 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. Pandox's business concept is to own hotel properties and lease them to strong hotel operators under long-term revenue-based lease agreements. Pandox's ability to act throughout the complete hotel value-chain both reduces risk and creates business opportunities.

Strategy and business model

Pandox's strategy and business model is founded on:

- (1) Focus on hotel properties
- (2) Large hotel properties in strategic locations
- (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 which limits fluctuations
- (6) Own operations reduce risk

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.



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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 financial cost for right-of-use assets according to IFRS 16 less current tax, adjusted any unrealised translation effect on bank balances.

EBITDA, MSEK

Total gross profit less central administration (excluding depreciation).

Growth for comparable units adjusted for currency effects

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

Growth in EPRA 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

Current and non-current interest-bearing liabilities plus arrangement fee for loans less cash and cash equivalents and short-term investments that are equivalent to cash and cash equivalents. Long-term and short-term lease liabilities according to IFRS 16 are not included.

Interest cover ratio, multiple

Profit before changes in value plus interest expense and depreciation, divided by interest expense. Financial cost for right-of-use assets according to IFRS 16 is not included.

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

Loan-to-value ratio net, %

Interest-bearing liabilities, including arrangement fee for loans, less cash and cash equivalents as a percentage of the properties' market value at the end of the period.

Net operating income Operator Activities, MSEK

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

Net operating income, Property Management, MSEK

Net operating income corresponds to gross profit for Property Management.

Net operating margin, Operator Activities, %

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

Rounding off

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

PER SHARE

Cash earnings per share, SEK

EBITDA plus financial income less financial expense less current tax, after non-controlling interests, less financial expense for right-of-use assets according to IFRS 16 adjusted any unrealised translation effect on bank balances 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.

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

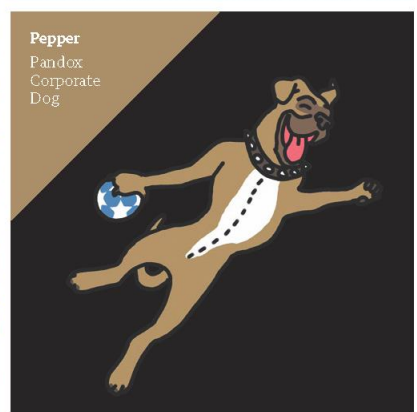
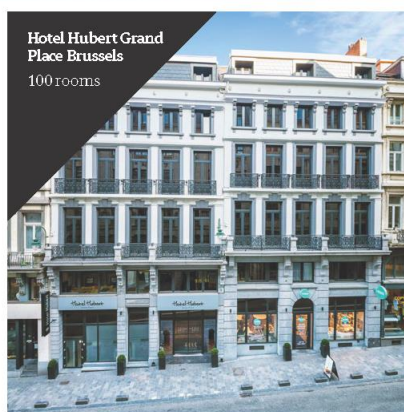
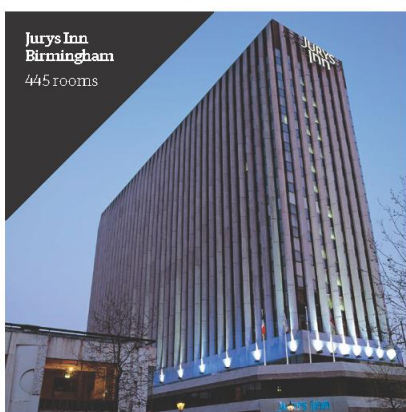
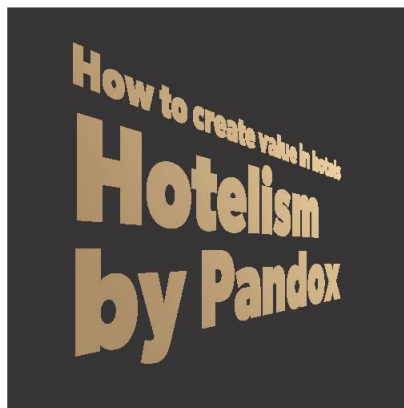
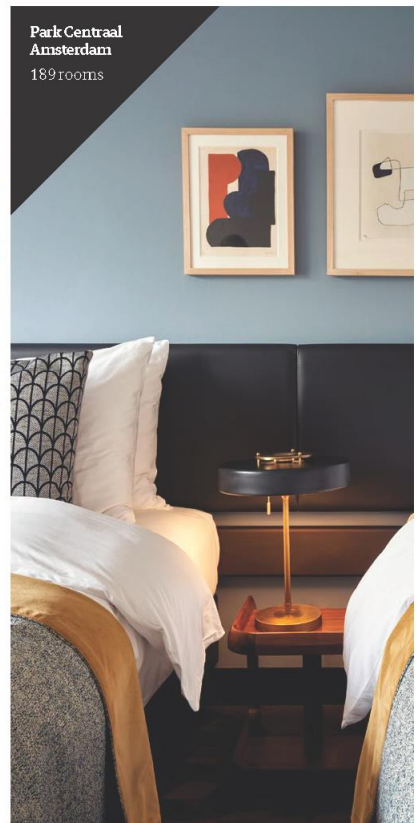
Number of rooms in owned hotel properties at the end of the period.

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.



A selection from Pandox's hotel properties