

A stable earnings development

January-March 2018

- Revenue from Property Management amounted to MSEK 621 (474). Adjusted for currency effects and comparable units, the increase was 0.5 percent
- Net operating income from Property Management amounted to MSEK 528 (396). Adjusted for currency effects and comparable units, the increase was 0.1 percent
- Net operating income from Operator Activities amounted to MSEK 66 (82). Adjusted for currency effects and comparable units, the increase was 21 percent
- Calendar effects are estimated to have affected revenue growth negatively by 3-4 percent in the comparable portfolio
- EBITDA amounted to MSEK 560 (450)
- Profit for the period amounted to MSEK 452 (527)
- Cash earnings amounted to MSEK 336 (290)
- Earnings per share amounted to SEK 2.69 (3.31)
- EPRA NAV per share amounted to SEK 151.81 (125.67)

Financial summary

Figures in MSEK	Quarter 1			FY
	2018	2017	Δ%	2017
Revenue Property Management	621	474	31	2,202
Net operating income Property Management	528	396	33	1,882
Net operating income Operator Activities	66	82	-20	494
EBITDA	560	450	24	2,252
Profit for the period	452	527	-14	3,148
Earnings per share, SEK ¹⁾	2.69	3.31	-19	19.89
Cash earnings	336	290	16	1,660
Cash earnings per share, SEK ¹⁾	2.00	1.81	10	10.46
Key data				
Market value properties, MSEK	52,120	38,630	—	50,121
Net interest-bearing debt, MSEK	26,151	18,084	—	25,474
Loan to value net, %	50.2	46.8	—	50.8
Interest cover ratio, times	3.0	3.4	n.m.	4.2
EPRA NAV per share, SEK ¹⁾	151.81	125.67	—	144.54
WAULT (Investment Properties), years	15.60	13.60	—	15.6
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	657	565	16	731

¹⁾ Based on total and weighted number of shares 167,499,999 Q1 2018. For information about previous years see page 14.

²⁾ See page 20 for a summary of reclassifications, acquisitions and divestments.

*For complete definitions see page 22.

CEO comment

A stable earnings development

Geographical diversification reduces volatility

Pandox is reporting an increase in total net operating income and net asset value of 24 and 21 percent respectively for the first quarter. The drivers of this increase were completed and profitable acquisitions made in more and larger hotel markets, as well as positive effects from product development together with hotel operators in a stable hotel market.

Adjusted for currency effects and comparable units, Property Management experienced a marginal increase in revenue and net operating income. For Operator Activities the growth rates remained good.

The underlying demand in the hotel market was positive during the quarter but RevPAR growth was negatively affected by a calendar effect relating to Easter, with fewer premium-price business and conference days compared to the previous year, as well as new hotel capacity in some of Pandox's markets. The first quarter is also seasonally the weakest.

Growth in the portfolio of revenue-based leases was somewhat uneven although the variations were relatively small.

Growth was positive in Finland, Ireland, Austria, Denmark and Sweden, and negative in Switzerland, Norway, Germany and the Netherlands. Individual destinations with particularly strong development were Gothenburg, Helsinki, Oslo, Frankfurt, Manchester, Oxford and Dublin, which compensated for weaker markets in line with Pandox's strategy on geographical diversification.

Existing portfolio in focus

Pandox's acquisition in the UK and Ireland has developed well. Reorganisation of the acquisition is ongoing and the goal is to complete this in 2018. Pandox sees good potential for increasing the market share of the hotels in the acquired portfolio in their respective markets as and when renovations already completed have their full effect. An increased focus on revenue management is also expected to have a positive effect. There is also good potential to further develop the hotels through smart investments to, for example, add more beds or more rooms.

Pandox will increase its focus during the year to identify additional cash-flow driving investments in existing portfolios. This is of interest in particular in a phase where the valuation yield on the hotel market is under pressure.

Examples of such investments are:

- (1) Infill; more beds in existing rooms
- (2) Conversion of unproductive spaces into new rooms
- (3) Expansion by adding new floors and new buildings

Diversification creates opportunities

Over the past few years Pandox has expanded its lease portfolios in Europe through a combination of acquisitions and leasing out hotels within Operator Activities. Overall the quality of Pandox's hotel property portfolio has improved and the Company has become more diversified, while retaining the same business model.

Increased geographical diversification has reduced dependence on individual hotel markets and this, combined with having more brands active in different segments, has helped reduce the risks.

The combination of a high-quality hotel property portfolio, an international presence and a strong brand portfolio makes Pandox an attractive partner. A good example is the leasing out of Hotel Bloom and Hotel Berlaymont to NH Hotels Group, both of which were reclassified from Operator Activities to Property Management in the quarter according to previous agreement.

A more efficient Pandox

Having a larger property portfolio, operations in several countries and more business partners requires Pandox to further develop its organisational structure to improve efficiency, quality and competitiveness. Pandox currently has a number of digital improvement projects underway. This work is a priority that encompasses the entire company and is focusing on leadership, business processes and business systems, for the purpose of consolidating progress made, and to prepare Pandox for the next growth phase, Pandox 4.0.

Development in line with expectations

Growth in the hotel market is in line with Pandox's expectations and the hotel properties are in general developing well in their respective submarkets. Underlying demand is positive and is supported by good economic growth and increased international travel. In certain markets growth is adversely affected in the short term by new hotel capacity. Growth in the first quarter was also negatively affected by calendar effects, but this effect will be neutralised in the second quarter.

"Pandox is reporting growth in total net operating income and net asset value of 24 and 21 percent respectively for the first quarter, driven by profitable acquisitions, as well as positive effects from product development in a stable hotel market."

Anders Nissen, CEO



January-March 2018

24%

Growth in total NOI

21%

Growth in net asset value

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

16%

Growth in total cash earnings

EBITDA plus financial income less financial expense less current tax

Hotel market development January-March 2018

Strong growth supports the hotel market

The hotel markets in Pandox's portfolio benefitted in general from a sustained and broad economic growth globally and from good demand in the travel and hotel industries in the quarter.

A negative calendar effect due to the dates of Easter (split between March and April this year instead of only April the previous year) slowed market growth.

The international outlook for travel is positive and the United Nations World Tourism Organization UNWTO predicts a high global growth rate for the current year, with growth in Europe of 3.5–4.5 percent measured as the number of international arrivals.

Mixed development in the Nordics

The Nordic countries saw a healthy underlying growth in demand for hotel nights during the quarter, but RevPAR growth was dampened by a negative calendar effect.

In Sweden the number of hotel rooms have increased by just over 3 percent over the past 12 months, which has reduced RevPAR growth. In Stockholm RevPAR decreased by 6 percent in the quarter due to a combination of new capacity and a negative Easter effect. RevPAR in Oslo fell by 3 percent for similar reasons.

Copenhagen once again had a strong comparative quarter and RevPAR decreased by 4 percent. New capacity is expected to be added gradually in Copenhagen starting from the second quarter this year.

Finland and Helsinki continued to develop well, driven by a strong Finnish economy and increased demand from, for example, the Russian market. The number of arrivals at Helsinki airport show high growth, which is driving hotel demand, particularly from the international segment.

Weaker trade fair calendar in Germany

Sustained strong economic development in Germany contributed to good underlying hotel demand, but a weaker trade fair calendar for instance in Hannover, Cologne and Düsseldorf, as well as fewer business days due to Easter, dampened growth. For Germany as a whole RevPAR increased by 1 percent in the quarter.

Stable development in the UK

The UK economy benefitted from strong global growth and a weaker pound, compensating for the uncertainty caused by Brexit. The hotel market in the UK consists of two segments. One is London which has a higher share of international demand and the other is the regional hotel market (UK Regional), with a higher share of domestic demand, where Pandox has its focus.

According to external analysis, RevPAR is expected to increase by 1–2 percent in the UK Regional in 2018.

In the first quarter RevPAR increased by 2 percent in UK Regional and decreased by 1 percent in London.

The overall supply situation is well-balanced, but more new capacity is expected in cities such as Manchester, Glasgow and Belfast, which may limit RevPAR growth in these markets in a short-term perspective.

Good growth in Brussels

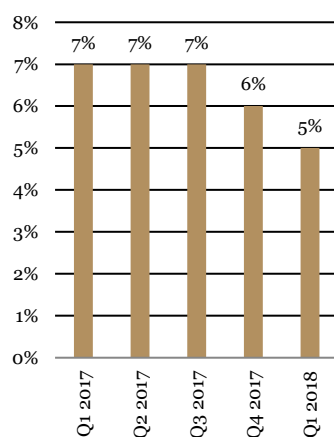
In Brussels RevPAR increased by 9 percent in the quarter and the market therefore further approached the levels before the terror events in November 2015 and March 2016.

Marginal decline in Montreal

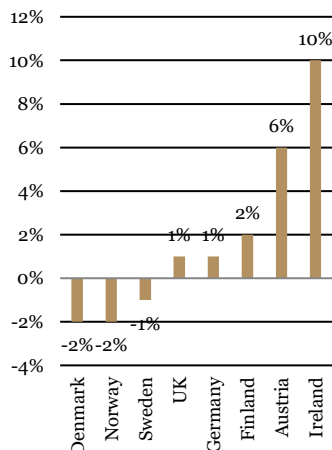
RevPAR in Montreal decreased marginally in the first quarter, which is mainly explained by a very strong comparison quarter the previous year, and that both new and renovated hotels have increased hotel supply in the city.

January-March 2018

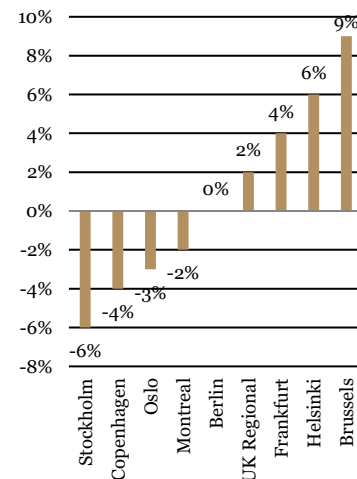
Europe
RevPAR growth y/y



Countries
RevPAR growth y/y



Key markets
RevPAR growth y/y



Source: STR Global, Benchmarking Alliance

Financial development January-March 2018

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

Revenue and net sales

Revenue from Property Management amounted to MSEK 621 (474), an increase of 31 percent, mainly explained by acquired growth in the lease portfolio and contribution from reclassifications. Adjusted for currency effects and comparable units, revenue increased by 0.5 percent.

Revenue from Operator Activities amounted to MSEK 431 (521), a decrease of 17 percent, which reflects reclassifications made and negative Easter effects. Adjusted for currency effects and comparable units, revenue and RevPAR increased by 4 percent each.

The Group's net sales amounted to MSEK 1,052 (995). Adjusted for currency effects and comparable units, net sales increased by 2 percent.

Pandox estimates that the negative calendar effect due to the timing of Easter affected the revenue growth for the comparable portfolio by 3-4 percent.

Net operating income

Net operating income from Property Management amounted to MSEK 528 (396), an increase of 33 percent. Adjusted for currency effects and comparable units, net operating income increased by 0.1 percent.

Net operating income from Operator Activities amounted to MSEK 66 (82), a decrease of 20 percent. Adjusted for currency effects and comparable units, net operating income increased by 21 percent.

Total net operating income amounted to MSEK 594 (478), an increase of 24 percent.

Administration costs

Central administration costs amounted to MSEK -34 (-28).

EBITDA

EBITDA amounted to MSEK 560 (450), an increase of 24 percent.

Financial income and expense

Financial expense amounted to MSEK -187 (-131), which is mainly explained by increased interest-bearing liabilities after implemented acquisitions, where debt denominated in foreign currencies have increased, as well as older credit facilities being replaced by new facilities at current market conditions. Furthermore, Pandox has decided to hedge a larger share of its loan portfolio than previously, which has resulted in higher costs for interest rate derivatives.

Financial income amounted to MSEK 1 (1).

Profit before changes in value

Profit before changes in value amounted to MSEK 335 (280), an increase of 20 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK 148 (308). This is mainly explained by lower valuation yields in comparable portfolios.

Unrealised changes in value of derivatives amounted to MSEK 83 (77).

Current and deferred tax

Current tax amounted to MSEK -37 (-30).

Deferred tax expense amounted to MSEK -91 (-108).

Profit for the period

Profit for the period amounted to MSEK 452 (527) and profit for the period attributable to Parent Company shareholders amounted to MSEK 450 (522), which is equivalent to SEK 2.69 (3.31) per share.

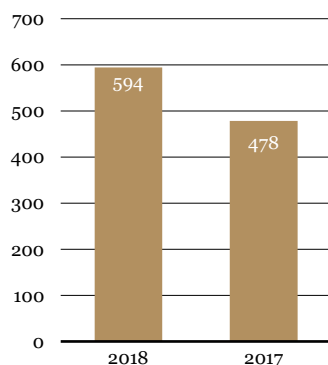
Cash earnings

Cash earnings amounted to MSEK 336 (290), an increase of 16 percent.

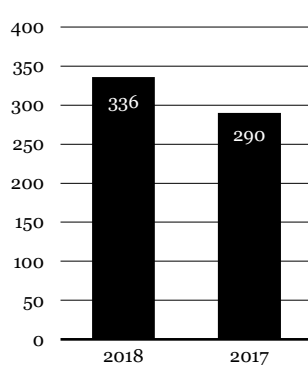
See page 20 for summary of reclassifications, acquisitions and divestments.

January-March 2018

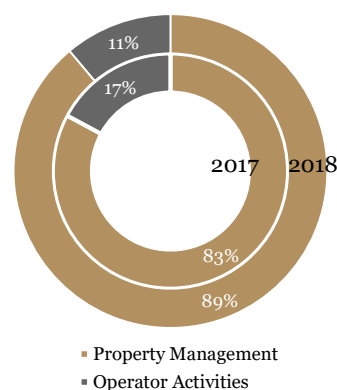
Total net operating income, MSEK



Total cash earnings, MSEK



Net operating income by business segment, %



Segment reporting January-March 2018

Property Management

MSEK	Quarter 1		FY
	2018	2017	2017
Rental income	600	456	2,121
Other property income	21	18	81
Costs, excluding property administration	-66	-55	-228
Net operating income, before property admin	555	419	1,974
Property administration	-27	-23	-93
Gross profit	528	396	1,882
Net operating income, after property admin	528	396	1,882

Rental income and other property income amounted to MSEK 621 (474) and net operating income to MSEK 528 (396), an increase of 31 and 33 percent respectively.

NH Brussels Bloom and NH Brussels EU Berlaymont in Brussels are included as of 1 February 2018 after reclassification from Operator Activities.

Adjusted for currency effects and comparable units, total rental income and net operating income increased by 0.5 and 0.1 percent respectively, after taking into account a negative calendar effect.

Growth in the comparable revenue-based lease portfolio was positive in Finland, Austria, Denmark and Sweden, and negative in Switzerland, Norway, Germany and the Netherlands. Individual cities with a particularly strong rental income development were Gothenburg, Helsinki, Oslo and Frankfurt.

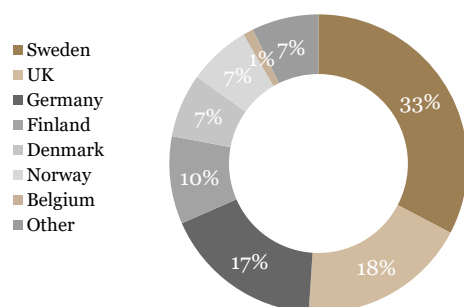
Rental income decreased by 7 percent in Stockholm, mainly as a consequence of weak development in Stockholm City due to a combination of new capacity and a negative calendar effect.

Rental income in Copenhagen increased despite another strong comparison quarter in 2017.

Growth in regional cities in the Nordic region was positive.

The properties acquired recently in the UK and Ireland developed well, with very good growth in Cork, Galway, Dublin, Oxford and Manchester.

Income by country Property Management



Operator Activities

Figures in MSEK	Quarter 1		FY
	2017	2016	2017
Revenues	431	521	2,067
Costs	-404	-479	-1,743
Gross profit	27	42	324
Add: Depreciation included in costs	39	40	170
Net operating income	66	82	494

Revenue from Operator Activities amounted to MSEK 431 (521), a decrease of 17 percent, mainly explained by reclassifications in both current and comparison periods, as well as negative calendar effects.

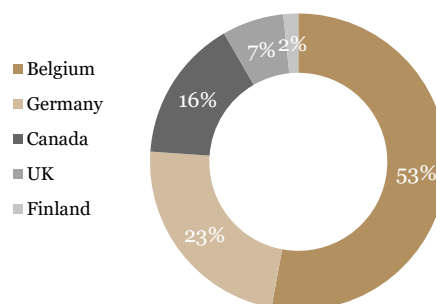
Net operating income amounted to MSEK 66 (82), a decrease of 20 percent. Apart from reclassifications and negative calendar effects, the business segment's profitability was negatively affected by some costs relating to leasing out NH Brussels Bloom and NH Brussels EU Berlaymont in Brussels.

The operating margin was 15.3 (15.7) percent. The net operating margin for comparable units did, however, improve by more than two percentage points compared with the previous year.

Adjusted for currency effects and comparable units, revenue and net operating income increased by 4 and 21 percent respectively, supported by continued good growth in Brussels and Germany. Montreal faced a strong comparison quarter from the anniversary year, 2017, and was also affected by competing hotel capacity – previously closed for renovation – being reintroduced into the market.

Adjusted for currency effects and comparable units, RevPAR increased by 4 percent.

Revenue by country Operator Activities



Summary of segments

MSEK	Quarter 1		FY
	2018	2017	2017
Total gross profit	555	438	2,206
– whereof gross profit Property Management	528	396	1,882
– whereof gross profit Operator Activities	27	42	324
Net operating income Property Management			
– Net operating income equals gross profit	528	396	1,882
Net operating income Operator Activities			
– Gross profit	27	42	324
– Add: Depreciation included in costs, Operator Activities	39	40	170
– Net operating income Operator Activities	66	82	494
Total net operating income	594	478	2,376
Central administration, excluding depreciation	-34	-28	-124
EBITDA	560	450	2,252

Property portfolio

Change in property value

At the end of the period, Pandox's property portfolio had a total market value of MSEK 52,120 (50,121), of which MSEK 44,999 (42,548) was for Investment Properties and MSEK 7,121 (7,573) for Operating Properties. At the same point in time, the carrying amount of the Operating Properties portfolio was MSEK 5,231 (5,668).

On 31 March, 2018, the Investment Properties had a weighted average unexpired lease term (WAULT) of 15.6 years (31 December 2017: 15.6).

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

Change in value Investment Properties

	Figures in MSEK
Investment Properties, beginning of the period (January 1, 2018)	42,548
+ Acquisitions ²⁾	3
+ Investments in current portfolio	90
- Divestments	—
+/- Reclassifications ¹⁾	657
+/- Revaluation of fixed assets to the profit for the year ¹⁾	117
+/- Unrealised changes in value	148
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,437
Investment Properties, end of period (March 31, 2018)	44,999

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

	Figures in MSEK
Operating Properties, market value (January 1, 2018)	7,573
+ Acquisitions	—
+ Investments in current portfolio	80
- Divestments	—
+/- Reclassifications ¹⁾	-773
+/- Unrealised changes in value	0
+/- Realised changes in value	—
+/- Change in currency exchange rates	240
Operating Properties, market value (March 31, 2018)	7,121

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

²⁾ Refers to acquisition of Hilton London Heathrow Airport T4.

Investments

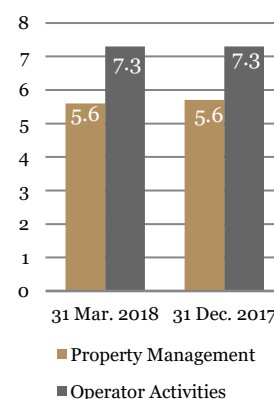
During the period January-March 2018, investments in the existing portfolio, excluding acquisitions, amounted to MSEK 171 (157), of which MSEK 90 (92) in Investment Properties and MSEK 80 (65) in Operating Properties and MSEK 1 (0) for the head office.

At the end of the period, committed investments for future projects equivalent to around MSEK 700 were approved, of which larger projects are Hyatt Regency Montreal, Hotel Berlin Berlin, Jurys Inn Belfast, NH Brussels Bloom, NH Vienna Airport, Leonardo Wolfsburg City and Scandic Park Stockholm as well as the joint investment programme with Scandic Hotels Group for 19 hotel properties in the Nordic region.

Financial effects of changes in certain key valuation parameters as of March 31, 2018

Investment properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-3,705 / +4,435
Change in currency exchange rates	+/- 1%	+/- 303
Net operating income	+/- 1%	+/- 420
Investment properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 23
Operating properties, effect on revenues	Change	Effect on revenue
RevPAR (assuming 50/50 split between occupancy and rate)	+/- 1%	+/- 17
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates	+/- 1%	-/+ 101
Interest expenses with a change in the average interest rate level	+/- 1%	-/+ 269
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	-/+ 727

Average valuation yield, % (31 March 2018)



Property valuation

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

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

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

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

For an overview of the property portfolio by segment, geography and brand, please see page 17.

Financing

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

Financial position and net asset value

At the end of the period loan-to-value net was 50.2 (50.8) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 20,014 (18,845). EPRA NAV (net asset value) was MSEK 25,428 (24,211), corresponding to SEK 151,81 (144,54) per share. Liquid funds plus unutilised long-term credit facilities amounted to MSEK 3,431 (3,319).

Interest-bearing liabilities

At the end of the period the loan portfolio amounted to MSEK 26,858 (26,473). Unutilised long-term credit facilities amounted to MSEK 2,723 (2,320).

The average fixed rate period was 2.9 (2.6) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.7 (2.6) percent including effects of interest-rate swaps. The average repayment period was 3.1 (3.3) years. The loans are secured by a combination of mortgage collateral and pledged shares.

To manage interest rate risk and increase the predictability of Pandox's earnings, interest rate derivatives, mainly interest rate swaps, are used. At the end of the period Pandox had interest rate swaps amounting to MSEK 17,224 and around 61 percent of Pandox's loan portfolio was hedged against interest rate movements for periods longer than one year.

Interest maturity profile

Tenor (MSEK)	Interest maturity				Interest rate swaps			Average interest swaps, % ¹⁾
	Loans	Interest swaps	Amount	Share, %	Volume	Share, %		
< 1 year	26,858	-16,375	10,483	39	849	5		3.3
1-2 year	—	1,505	1,505	6	1,505	9		1.3
2-3 year	—	2,721	2,721	10	2,721	16		1.9
3-4 year	—	3,250	3,250	12	3,250	19		1.5
4-5 year	—	5,206	5,206	19	5,206	30		1.0
> 5 year	—	3,694	3,694	14	3,694	21		1.3
Total/net/average	26,858	0	26,858	100	17,224	100		1.4

¹⁾ Excluding bank margin on loans.

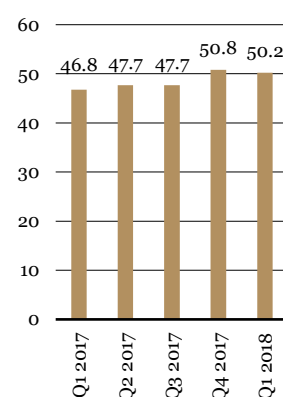
To reduce the currency exposure in foreign investment Pandox's aim is to finance the applicable portion of the investment in local currency. Equity is normally not hedged as Pandox's strategy is to have a long investment perspective. Currency exposures are largely in form of currency translation effects.

Interest maturity profile by currency

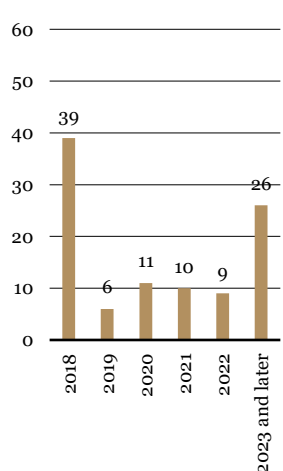
Year due (MSEK) ¹⁾	Currency								Share %	Interest % ²⁾
	SEK	DKK	EUR	CHF	CAD	NOK	GBP	Total		
2018	3,077	716	2,921	450	495	719	1,976	10,354	39	4.9
2019	125	—	746	—	—	638	—	1,509	6	0.9
2020	1,400	525	921	—	—	—	—	2,846	11	1.9
2021	1,250	—	1,493	—	—	—	—	2,743	10	1.4
2022	250	553	1,719	—	—	—	—	2,521	9	1.0
2023 and later	1,200	—	2,748	—	—	—	2,938	6,885	26	1.3
Total	7,302	1,793	10,548	450	495	1,357	4,914	26,858	100	2.7
Share maturity in currency, %	27.2	6.7	39.3	1.7	1.8	5.1	18.3	100	—	—
Average interest rate, %	3.1	2.1	2.4	0.8	3.7	3.0	3.1	2.7	—	—
Average interest rate period, years	2.1	2.1	3.5	0.2	0.1	0.8	3.9	2.9	—	—
Market value Properties	14,662	3,506	20,835	721	1,230	3,247	7,920	52,120	—	—

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

Loan to value per quarter, %



Interest maturity per year, %



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

At the end of the period, the net market value of Pandox's financial derivatives amounted to MSEK -480 (-563). The change in the quarter is mainly explained by an increase in the market interest rate.

Maturity structure interest-bearing debt

Year due (MSEK)	Loan maturity ²⁾	Interest, loans ¹⁾	Net interest, interest swaps, negative value ¹⁾	Subtotal interest	Net interest, interest swaps, positive value ¹⁾	Total interest
2018	2,054	22	25	47	0	47
2019	5,910	81	8	89	2	91
2020	5,525	84	61	144	0	144
2021	4,870	78	36	115	4	119
2022	7,920	183	25	208	8	215
2023 and later	579	15	46	61	37	98
Total	26,858	462	201	663	51	714

¹⁾ Calculation based on ending balance as of March 31, 2018 and actual interest rates as of the same date and implied yearly interest expense for the different maturity periods.

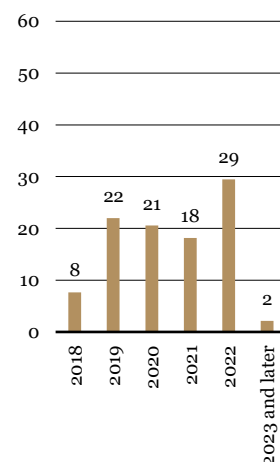
²⁾ Including arrangement fee of approximately MSEK 67. Excluding current amortisation.

Deferred tax

At the end of the period deferred tax assets amounted to MSEK 469 (613). These represent the book value of tax loss carry forwards which the Company expects to be able to use in upcoming fiscal years, and temporary measurement differences for interest rate derivatives.

Deferred tax liabilities amounted to MSEK 3,153 (3,026) and relate to temporary differences between fair value and the taxable value of Investment Properties, as well as temporary differences between the book value and the taxable value of Operating Properties.

Debt maturity per year, %



Other information

Important press releases during and after the period

15 February 2018	Year-end report January-December 2017
5 March 2018	Notice to AGM 2018
16 March 2018	Publication of annual report 2017
28 March 2018	Divestment of hotel property in Kiruna
9 April 2018	Press release from AGM 2018

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

Significant events after the period

No significant events have occurred after the period.

Employees

At the end of the period, Pandox had the equivalent of 1,037 (1,435) full-time employees. Of the total number of employees, 1,000 (1,398) are employed in the Operator Activities segment and 37 (37) in the Property Management segment and in central administration.

Parent company

Activities in the Pandox's property owning companies are administered by staff employed by the Parent Company, Pandox AB (publ). The costs of these services are invoiced to Pandox's subsidiaries. Invoicing during the period January-March 2018 amounted to MSEK 12 (17), and the profit for the period amounted to MSEK 379 (-47).

At the end of the period the Parent Company shareholders' equity amounted to MSEK 4,904 (4,556) and interest-bearing debt of MSEK 6,688 (6,638), of which MSEK 5,856 (5,803) in the form of long-term debt.

Transactions with related parties

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

Eiendomsspar AS owns 5.1 percent of 21 hotel properties in Germany and 9.9 percent of another hotel property in Germany, which were acquired by Pandox in 2015 and 2016. The dissolution of the temporary minority holding of 5.1 percent for the two hotel properties in Austria is expected to be completed during the first half of 2018.

Pandox has asset management agreements regarding nine hotels located in Oslo as well as for the Pelican Bay Lucaya Resort in the Grand Bahama Island, which are owned by Eiendomsspar AS or subsidiaries of Eiendomsspar AS and affiliates of Helene Sundt AS and CGS Holding AS respectively. During the first quarter revenue from the nine asset management agreements amounted to MSEK 0.9 (0.7), and revenue from Pelican Bay Lucaya amounted to MSEK 0.3 (0.2).

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 14-15.

Information on portfolio acquisition in the UK and Ireland

During the reorganisation period Leonardo will operate all Jurys Inn hotels, of which 20 Pandox investment properties through management agreements. Pandox's compensation will be equivalent to that of revenue-based leases including a guaranteed minimum rent and property obligations. The intention is to replace the management agreements with revenue-based leases no later than upon conclusion of the reorganisation.

Number of shares

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

Financial risk management

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

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

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

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

Risk and uncertainty factors

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

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

Integration and reorganisation of the acquisition in the UK and Ireland are operational risks with certain priority in the current year.

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

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

Seasonal variations

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

Forward-looking statements

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

Governing text

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

Change in group management

Helge Krogsbøl, Senior Vice President Operations Scandinavia and Germany and member of group management, has decided to leave his position to take up another assignment outside Pandox. Helge will remain in his position until September 2018. Helge's responsibilities will be allocated within the existing organisation.

AGM 2018

At Pandox's Annual General Meeting on 9 April 2018 the following was resolved:

- A dividend of SEK 4.40 per share with the record date on 11 April and payment date on 16 April
- Re-election of board members: Christian Ringnes, Leiv Askvig, Helene Sundt, Bengt Kjell, Jeanette Dyhre Kvisvik, Ann-Sofi Danielsson and election of Jon Rasmus Aurdal as a new board member
- Board fees to be paid of a total of SEK 3,670,000
- Re-election of the accounting firm of PwC
- Principles for appointing the Nominating Committee in advance of the 2019 Annual General Meeting
- Renewed authority for the Board of Directors to decide on new share issues

Audit examination

The interim report has not been examined by the Company's auditors.

Stockholm 24 April, 2018.

Anders Nissen, CEO

Presentation of the interim report

Pandox will present the interim report for institutional investors, analysts and media via a webcasted telephone conference, 24 April 09:00 CEST.

To follow the presentation online go to <https://edge.media-server.com/m6/p/vm4273uf>. To participate in the conference call and ask questions, please call one of the telephone numbers indicated below about 10 minutes before the start of the presentation. The presentation material will be available at www.pandox.se at approximately 08:00 CEST.

SE Tollfree: 0200 880 389
SE LocalCall: +46 (0)8 5033 6574
UK Tollfree: 0800 358 6377
UK LocalCall: +44 (0)330 336 9105
US LocalCall: +1 646-828-8156
Conference ID: 3270671

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

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This information is information that Pandox AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above 24 april 2018 kl. 07:00 CEST.

Financial calendar

Interim report Q1-2 2018	13 July 2018
Interim report Q1-3 2018	25 October 2018
Year-end report 2018	14 February 2019

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

Summary of financial reports

Condensed consolidated statement of comprehensive income

Figures in MSEK	Note	Quarter 1		FY
		2018	2017	2017
Revenues Property Management				
Rental income	2	600	456	2,121
Other property income		21	18	81
Revenue Operator Activities	2	431	521	2,067
Total revenues		1,052	995	4,269
Costs Property Management	2	-93	-78	-321
Costs Operator Activities	2	-404	-479	-1,743
Gross profit		555	438	2,206
- whereof gross profit Property Management	2	528	396	1,882
- whereof gross profit Operator Activities	2	27	42	324
Central administration		-34	-28	-124
Financial income		1	1	15
Financial expenses		-187	-131	-534
Profit before changes in value		335	280	1,563
<i>Changes in value</i>				
Properties, unrealised	2	148	308	1,625
Properties, realised	2	14	—	289
Derivatives, unrealised		83	77	173
Profit before tax		580	665	3,650
Current tax		-37	-30	-73
Deferred tax		-91	-108	-429
Profit for the period		452	527	3,148
Other comprehensive income				
<i>Items that may not be classified to profit or loss</i>				
This year's revaluation of fixed assets ¹⁾		117	176	112
Tax attributable to items that may not be classified to profit or loss		-35	-39	-25
		82	137	87
<i>Items that may be classified to profit or loss</i>				
Translation differences realisation of foreign operations		646	-43	-272
		646	-43	-272
Other comprehensive income for the period		728	94	-185
Total comprehensive income for the period		1,180	621	2,963
Profit for the period attributable to the shareholders of the parent company		450	522	3,140
Profit for the period attributable to non-controlling interests		2	5	8
Total comprehensive income for the period attributable to the shareholders of the parent company		1,170	616	2,950
Total comprehensive income for the period attributable to non-controlling interests		10	5	13
Earnings per share, before and after dilution, SEK		2.69	3.31	19.89

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

Condensed consolidated statement of financial position

Figures in MSEK	Note	2018 31 Mar	2017 31 Mar	2017 31 Dec
ASSETS				
Non-current assets				
Operating properties		4,868	5,704	5,246
Equipment and interiors		363	440	423
Investment properties		44,713	30,954	42,548
Deferred tax assets		469	722	613
Derivatives ¹⁾		39	2	11
Other non-current receivables		20	39	26
Total non-current assets		50,472	37,861	48,867
Current assets				
Inventories		10	16	10
Current tax assets		42	11	40
Trade account receivables		213	201	167
Prepaid expenses and accrued income		187	206	395
Other current receivables		76	148	67
Cash and cash equivalents		708	625	999
Assets held for sale	3	1,734	—	1,367
Total current assets		2,970	1,207	3,045
Total assets		53,442	39,068	51,912
EQUITY AND LIABILITIES				
Equity				
Share capital		419	394	419
Other paid-in capital		4,556	3,120	4,557
Reserves		477	41	-243
Retained earnings, including profit for the period		14,562	11,494	14,112
Equity attributable to the owners of the Parent Company		20,014	15,049	18,845
Non-controlling interests		192	182	182
Sum equity		20,206	15,231	19,027
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities ²⁾³⁾		23,429	18,168	23,768
Other non-current liabilities		262	—	248
Derivatives ¹⁾		519	660	574
Provisions		128	89	134
Deferred tax liability		3,153	2,705	3,026
Total non-current liabilities		27,491	21,622	27,750
Current liabilities				
Provisions		14	15	2
Interest-bearing liabilities ²⁾³⁾		3,363	541	2,705
Tax liabilities		101	69	83
Current liabilities		196	263	250
Other current liabilities		150	859	284
Accrued expenses and prepaid income		473	468	444
Debt related to assets held for sale	3	1,448	—	1,367
Total current liabilities		5,745	2,215	5,135
Total liabilities		33,236	23,837	32,885
Total equity and liabilities		53,442	39,068	51,912

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 approximately MSEK 67 have reduced interest-bearing liabilities.

Condensed consolidated statement of changes in equity

Figures in MSEK	Attributable to the owners of the parent company					Total	Non-controlling interests	Total equity
	Share capital	Other paid in capital	Translation reserves	Revaluation reserve	Retained earnings, incl profit for the period			
Opening balance equity January 1, 2017	394	3,122	-53	—	11,618	15,081	177	15,258
Profit for the period 2017	—	—	—	—	3,140	3,140	8	3,148
Other comprehensive income 2017	—	—	-277	87	—	-190	5	-185
New share issue ¹⁾	25	1,435	—	—	—	1,460	—	1,460
Dividend	—	—	—	—	-646	-646	-8	-654
Closing balance equity December 31, 2017	419	4,557	-330	87	14,112	18,845	182	19,027
Opening balance equity January 1, 2018	419	4,557	-330	87	14,112	18,845	182	19,027
Profit for the period 2018	—	—	—	—	450	450	2	452
Other comprehensive income 2018	—	—	638	82	—	720	8	728
New share issue ²⁾	—	-1	—	—	—	-1	—	-1
Dividend ¹⁾	—	—	—	—	—	—	—	—
Closing balance equity 31 March 2018	419	4,556	308	169	14,562	20,014	192	20,206

¹ Proceeds from directed share issue reported net of transaction costs of MSEK 18, 2017.

² Proceeds from directed share issue reported net of transaction costs of MSEK 1, 2018.

Condensed consolidated statement of cash flow

Figures in MSEK	Quarter 1		FY
	2017	2016	2017
OPERATING ACTIVITIES			
Profit before tax	580	663	3,650
Reversal of depreciation	39	40	170
Changes in value, Investment properties, realised	14	—	-289
Changes in value, Investment properties, unrealised	-148	-308	-1,625
Changes in value, derivatives, unrealised	-83	-77	-173
Other items not included in the cash flow	32	6	33
Taxes paid	-22	-30	-73
Cash flow from operating activities before changes in working capital	412	294	1,693
Increase/decrease in operating assets	-1	-21	-102
Increase/decrease in operating liabilities	-37	116	102
Change in working capital	-38	95	
Cash flow from operating activities	374	389	1,693
INVESTING ACTIVITIES			
Investments in properties and fixed assets	-171	-157	-714
Divestment of hotel properties, net effect on liquidity	—	—	356
Acquisitions of hotel properties, net effect on liquidity	-3	—	-10,609
Acquisitions of financial assets	—	-18	-24
Divestment of financial assets	5	1	21
Cash flow from investing activities	-169	-174	-10,970
FINANCING ACTIVITIES			
New share issue	—	—	1,480
Transaction cost	-1	-2	-20
New loans	—	—	13,138
Amortisation of debt	-496	-96	-4,188
Approved/Paid dividends	—	-8	-654
Cash flow from financing activities	-497	-106	9,756
Cash flow for the period	-292	109	479
Cash and cash equivalents at beginning of period	999	517	517
Exchange differences in cash and cash equivalents	1	-1	3
Cash and cash equivalents at end of period	708	625	999
Information regarding interest payments			
Interest received	0	1	2
Interest paid	-145	-124	-508
Information regarding cash and cash equivalents end of period	708	625	999
Cash and cash equivalents consist of bank deposits.			

Condensed income statement for the parent company

	Quarter 1		FY
Figures in MSEK	2018	2017	2017
Net sales	12	17	101
Administration cost	-44	-38	-166
Operating profit	-32	-21	-65
Profit from participations in Group companies	254	—	200
Other interest income and similar profit/loss items	67	23	140
Other interest expense and similar profit/loss items ¹⁾	121	-49	-609
Profit after financial items	410	-47	-334
Year-end appropriations	—	—	248
Profit before tax	410	-47	-86
Current tax ²⁾	-7	—	—
Deferred tax	-24	—	116
Profit for the period	379	-47	30

¹⁾ Of which MSEK 22 refers to unrealised value changes on derivatives.

²⁾ Tax assets referring to tax carryforwards and valuation of interest rate swaps.

Condensed balance sheet for the parent company

	2018	2017	2017
Figures in MSEK	31 Mar	31 Mar	31 Dec
ASSETS			
Non-current assets	17,439	12,716	17,596
Financial assets	64	269	167
Total assets	17,503	12,985	17,763
EQUITY AND LIABILITIES			
Equity	4,904	3,018	4,556
Provisions	88	56	82
Non-current liabilities	6,192	5,017	6,162
Current liabilities	6,319	4,894	6,963
Total equity and liabilities	17,503	12,985	17,763

Reconciliation alternative performance measurements

	Quarter 1		FY
Per share, figures in SEK ¹⁾	2018	2017	2017
Total comprehensive income per share, SEK			
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	1,170	616	2,950
Weighted average number of share, before and after dilution	167,499,999	157,499,999	157,856,163
Total comprehensive income per share, SEK	6.98	3.91	18.69
Cash earnings per share, SEK			
Cash earnings attributable to the shareholders of the parent company, MSEK	335	285	1,652
Weighted average number of share, before and after dilution	167,499,999	157,499,999	157,856,163
Cash earnings per share, SEK	2.00	1.81	10.46
Net asset value (EPRA NAV) per share, SEK			
EPRA NAV with dividend deducted, MSEK	25,428	19,793	24,211
Number of shares at the end of the period	167,499,999	157,499,999	167,499,999
Net asset value (EPRA NAV) per share, SEK	151.81	125.67	144.54
Dividend per share, SEK			
Dividend, MSEK	—	—	737
Number of shares at dividend	167,499,999	157,499,999	167,499,999
Dividend per share, SEK ³⁾	—	—	4.40
Weighted average number of shares outstanding, before and after dilution	167,499,999	157,499,999	157,856,163
Number of shares at end of period	167,499,999	157,499,999	167,499,999
PROPERTY RELATED KEY FIGURES			
Number of hotels, end of period ²⁾	143	120	143
Number of rooms, end of period ²⁾	31,628	26,238	31,613
WAULT, years	15.6	13.6	15.6
Market value properties, MSEK	52,120	38,630	50,121
Market value Investment properties	44,999	30,954	42,548
Market value Operating properties	7,121	7,676	7,573
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	657	565	731

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

Reconciliation alternative performance measurements

Numbers in MSEK	Quarter 1		FY
	2017	2016	2017
Equity to assets ratio, %			
Sum equity	20,206	15,231	19,027
Total assets	53,442	39,068	51,912
Equity to assets ratio, %	37.8	39.0	36.7
Net interest-bearing debt			
Non-current interest-bearing liabilities	23,429	18,168	23,768
Current interest-bearing liabilities	3,363	541	2,705
Arrangement fee for loans	67	—	—
Cash and cash equivalents	-708	-625	-999
Net interest-bearing debt	26,151	18,084	25,474
Loan to value net, %			
Net interest-bearing debt	26,151	18,084	25,474
Market value properties	52,120	38,630	50,121
Loan to value net, %	50.2	46.8	50.8
Interest cover ratio, times			
Profit before changes in value	335	280	1,563
Financial expenses	187	131	534
Depreciation	39	40	170
Interest cover ratio, times	3.0	3.4	4.2
Average interest on debt end of period, %			
Average interest expenses	714	485	688
Non-current interest-bearing liabilities	23,429	18,168	23,768
Arrangement fee for loans	67	—	—
Current interest-bearing liabilities	3,363	541	2,705
Average interest on debt, end of period, %	2.7	2.6	2.6
<i>See page 7-8 for a complete reconciliation</i>			
Investments, excl. acquisitions	171	157	714
Net operating income, Property Management			
Rental income	600	456	2,121
Other property income	21	18	81
Costs, excl. property administration	-66	-56	-228
Net operating income, before property administration	555	418	1,974
Property administration	-27	-22	-93
Net operating income, Property Management	528	396	1,882
Net operating income, Operator Activities			
Revenues Operator Activities	431	521	2,067
Costs Operator Activities	-404	-479	-1,743
Gross profit	27	42	324
Add: Depreciation included in costs	39	40	170
Net operating income, Operator Activities	66	82	494
EBITDA			
Gross profit from respective operating segment	555	438	2,206
Add: Depreciation included in costs Operator Activities	39	40	170
Less: Central administration, excluding depreciation	-34	-28	-124
EBITDA	560	450	2,252
Cash earnings			
EBITDA	560	450	2,252
Add: Financial income	1	1	15
Less: Financial cost	-187	-131	-534
Add: Translation differences in bank deposits	-1	—	—
Less: Current tax	-37	-30	-73
Cash earnings	336	290	1,660
EPRA NAV			
Equity attributable to the shareholders of the parent company	20,014	15,049	18,845
Add: Revaluation of Operating Properties	1,891	1,532	1,906
Add: Fair value of financial derivatives	480	658	563
Less: Deferred tax assets related to derivatives	-110	-151	-129
Add: Deferred tax liabilities related to properties	3,153	2,705	3,026
EPRA NAV	25,428	19,793	24,211
Growth in EPRA NAV, annual rate, %			
EPRA NAV attributable to the shareholders of the parent company, OB	19,793	16,825	19,883
EPRA NAV attributable to the shareholders of the parent company, EB	25,428	19,793	24,211
Dividend added back, current year	—	646	646
Excluding proceeds from new share issue	-1,462	-1,001	-1,460
Growth in EPRA NAV, annual rate, %	21.1	15.5	17.7

Key figures not defined according to IFRS

A number of the financial descriptions and measures in this interim report provide information about development and status of financial and per share measurements that are not defined in accordance with the IFRS (International Financial Reporting Standards). Adjoining alternative financial measurements provides useful supplementary information to investors and management, as they facilitate evaluation of company performance. Since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Hence, these financial measures should not be seen as a substitute for measures defined according to the IFRS. Unless otherwise stated, the table to the left presents measures, along with their reconciliation, which are not defined according to the IFRS. The definitions of these measures appear on page 22.

Financial risk

Pandox owns, manages and develops hotel properties and operates hotels. The level of risk-taking is expressed in a loan-to-value ratio of between 45 and 60 percent, depending on market development and the opportunities that exist. In addition to the loan-to-value ratio, equity/assets ratio, interest cover ratio, average cost of debt and interest-bearing net debt are other relevant measurements of Pandox's financial risk.

Growth and profitability

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

EPRA NAV (net asset value) and equity

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

Quarterly data

Condensed consolidated statement of comprehensive income

	2018	2017				2016		
Figures in MSEK	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue Property Management								
Rental income	600	549	569	547	456	433	459	451
Other property income	21	22	20	21	18	25	20	13
Revenue Operator Activities	431	528	463	555	521	619	561	536
Total revenues	1,052	1,099	1,052	1,123	995	1,077	1,040	1,000
Costs Property Management	-93	-82	-78	-83	-78	-90	-70	-66
Costs Operator Activities	-404	-429	-373	-462	-479	-528	-466	-448
Gross profit	555	589	601	578	438	459	504	486
Central administration	-34	-37	-30	-30	-28	-34	-27	-32
Financial net	-186	-126	-132	-131	-130	-116	-114	-112
Profit before value changes	335	426	439	417	280	309	363	342
Changes in value								
Properties, unrealised	148	490	194	634	308	413	369	319
Properties, realised	14	289	—	—	—	—	—	—
Derivatives, unrealised	83	7	18	71	77	116	24	-55
Profit before tax	580	1,212	651	1,122	665	838	756	606
Current tax	-37	11	-16	-38	-30	-34	-12	-25
Deferred tax	-91	-40	-84	-197	-108	-32	-152	-107
Profit for the period	452	1,183	551	887	527	772	592	474
Other comprehensive income	728	-196	-1	-82	94	18	108	103
Total comprehensive income for the period	1,180	986	550	805	621	790	700	577

Condensed consolidated statement of financial position

	2018	2017				2016		
Figures in MSEK	31 mar	31 dec	30 sep	30 jun	31 mar	31 dec	30 sep	31 mar
ASSETS								
Properties incl equipment and interiors	49,944	48,217	39,202	38,216	37,098	36,578	31,623	30,710
Other non-current receivables	59	37	51	54	41	23	21	20
Deferred tax assets	469	613	665	685	722	748	772	802
Current assets	2,262	2,046	772	703	582	563	531	428
Cash and cash equivalents	708	999	484	344	625	517	500	365
Total assets	53,442	51,912	41,174	40,002	39,068	38,429	33,447	32,325
EQUITY AND LIABILITIES								
Equity	20,206	19,027	16,586	16,036	15,231	15,258	13,428	12,728
Deferred tax liability	3,153	3,026	2,911	2,924	2,705	2,582	2,660	2,421
Interest-bearing liabilities	26,792	26,473	20,034	19,359	18,709	18,841	15,547	15,387
Non interest-bearing liabilities	3,292	3,386	1,643	1,683	2,423	1,748	1,812	1,789
Total equity and liabilities	53,442	51,912	41,174	40,002	39,068	38,429	33,447	32,325

Key ratios

	2018	2017				2016		
Figures in MSEK	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
NOI, Property Management	528	490	511	485	396	368	409	398
NOI, Operator Activities	66	144	129	139	82	130	130	125
EBITDA, MSEK	560	597	610	594	450	464	512	491
Earnings per share before and after dilution, SEK	2.69	7.47	3.47	5.61	3.31	5.08	3.93	3.14
Cash earnings	336	482	462	425	290	314	386	354
Cash earnings per share before and after dilution, SEK	2.00	3.06	2.91	2.67	1.81	2.05	2.55	2.34
RevPAR growth (Operator Activities) for comparable units and constant currency, %	4	11	12	17	4	-4	-2	-12

	2018	2017				2016		
	31 mar	31 dec	30 sep	30 jun	31 mar	31 dec	30 sep	31 mar
Net interest-bearing debt, MSEK	26,084	25,474	19,550	19,015	18,084	18,314	15,047	15,022
Equity to assets ratio, %	37.8	36.7	40.3	40.1	39.0	39.7	40.1	39.4
Loan to value, %	50.0	50.8	47.7	47.7	46.8	47.9	45.5	46.8
Interest coverage ratio, times	3.0	4.4	4.6	4.5	3.4	4.0	4.0	3.7
Market value properties, MSEK	52,120	50,121	40,951	39,868	38,630	38,233	33,098	32,124
EPRA NAV per share, SEK	151.81	144.54	136.47	132.55	125.67	126.24	120.53	114.03
WAULT (Property Management), yrs	15.6	15.6	13.8	13.9	13.6	13.9	13.4	13.3

Portfolio overview

At the end of the period Pandox's property portfolio consisted of 143 (31 December, 2017: 143) hotel properties with 31,628 (31 December 2017: 31,613) hotel rooms in fifteen countries.

Pandox's main geographical focus is Northern Europe. Sweden (28 percent) is Pandox's single largest geographical market, measured as a percentage of the property portfolio's total market value, followed by Germany (17 percent), UK (15 percent), Belgium (8 percent) and Finland (7 percent.).

128 of the hotel properties are leased to third parties, which means that approximately 85 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 31 March 2018 Investment Properties had a weighted average unexpired lease term (WAULT) of 15.6 years (31 December 2017: 15.6).

Portfolio overview by segment and geography

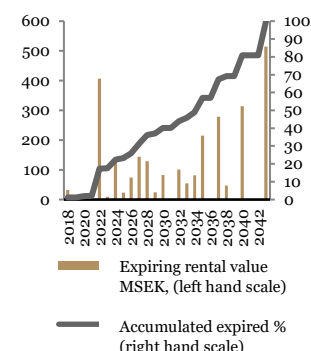
	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Property Management					
Sweden	44	9,012	14,662	28	1.6
Germany	22	4,332	6,972	13	1.6
UK	18	4,283	7,510	14	1.8
Finland	13	2,925	3,738	7	1.3
Norway	14	2,535	3,247	6	1.3
Denmark	8	1,835	3,506	7	1.9
Austria	2	639	1,378	3	2.2
Belgium	2	517	808	2	1.6
Ireland	3	445	1,440	3	3.2
Switzerland	1	206	721	1	3.5
Netherlands	1	189	1,019	2	5.4
Sum Property Management	128	26,918	44,999	86	1.7
Operator Activities					
Belgium	7	1,954	3,173	6	1.6
Germany	4	1,285	2,287	4	1.8
Canada	2	952	1,230	2	1.3
UK	1	364	410	1	1.1
Finland	1	155	21	0	0.1
Sum Operator Activities	15	4,710	7,121	14	1.5
Sum total	143	31,628	52,120	100	1.6

Portfolio overview by brand

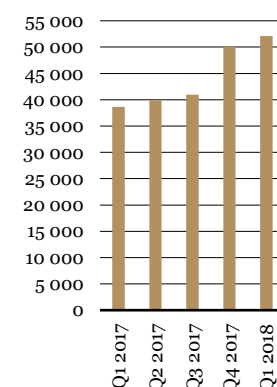
Brand	Number		In % of total	Countries
	Hotels	Rooms		
Scandic	50	10,850	34	SE, NO, FI, DK
Jurys Inn	20	4,330	14	GB, IE
Leonardo	16	2,922	9	TY
Hilton	7	1,987	6	SE, FI, UK, BE
Nordic Choice Hotels	12	1,965	6	SE, NO
Radisson Blu	7	1,783	6	CH, DE
NH	7	1,679	5	AT, BE
Holiday Inn	4	963	3	BE, GE
Crowne Plaza	2	616	2	BE
Hyatt	1	595	2	CA
Elite Hotels	2	480	2	SE
First Hotels	2	403	1	DK
InterContinental	1	357	1	CA
Meininger	1	218	1	DK
Cumulus	1	137	0	FI
Best Western	1	103	0	SE
Independent brands	9	2,240	7	SE, FI, BE, DE, NL
Total	143	31,628	100	15¹⁾

¹⁾ Including the submarkets England, Scotland, Wales and Northern Ireland.

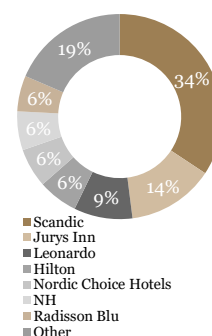
Lease maturity profile (31 March 2018)



Market value properties per quarter, MSEK



Rooms per operator/brand (31 March 2018)



Notes

Note 1 Accounting principles

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

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

The interim financial statements are included on pages 1–20 and pages 21–23 are thus an integrated part of this financial report.

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

New IFRS not yet being applied

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

Note 2 Operating segments

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

Operating segments	Property Management		Operator Activities		Group and non-allocated items		Total	
Figures in MSEK	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
Revenue Property Management	621	474	—	—	—	—	621	474
Rental and other property income	—	—	431	521	—	—	431	521
Revenue Operator Activities	—	—	—	—	—	—	—	—
Total revenues	621	474	431	521	—	—	1,052	995
Costs Property Management	-93	-78	—	—	—	—	-93	-78
Costs Operator Activities	—	—	-404	-479	—	—	-404	-479
Gross profit	528	396	27	42	—	—	555	438
Central administration	—	—	—	—	-34	-28	-34	-28
Financial income	—	—	—	—	1	1	1	1
Financial expenses	—	—	—	—	-187	-131	-187	-131
Profit before changes in value	528	396	27	42	-220	-158	335	280
<i>Changes in value</i>								
Properties, unrealised	148	308	—	—	—	—	148	308
Properties, realised	14	-283	—	283	—	—	14	0
Derivatives, unrealised	—	—	—	—	83	77	83	77
Profit before tax	690	421	27	325	-137	-81	580	665
Current tax	—	—	—	—	-37	-30	-37	-30
Deferred tax	—	—	—	—	-91	-108	-91	-108
Profit for the period	690	421	27	325	-265	-219	452	527

Q1 2018

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	203	43	42	59	108	7	114	45	621
- Operator Activities	0	—	—	7	100	228	29	67	431
Market value properties ¹⁾	14,662	3,506	3,247	3,759	9,259	3,981	9,360	4,346	52,120
Investments in properties	39	15	23	10	16	25	0	43	171
Acquisitions of properties	—	—	—	—	1	—	2	—	3
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	—	—	26	1,479	2,395	409	922	5,231

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

Q1 2017

Figures in MSEK	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK	Other	Total
Total revenues									
- Property Management	198	34	32	60	99	1	—	50	474
- Operator Activities	14	16	103	6	93	185	—	104	521
Market value properties	13,808	3,207	3,027	3,319	7,894	3,347	—	4,028	38,630
Investments in properties	49	10	30	3	39	4	—	22	157
Acquisitions of properties	—	—	—	—	—	—	—	—	—
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	369	390	583	48	1,331	2,508	—	916	6,145

Note 3 Assets and liabilities classified as held for sale

In december 2017 Pandox made an agreement with Lone Star for the acquisition of a portfolio with 37 hotel businesses. The transaction is made with Fattal Hotels Group as operating partner, whereby Pandox, following a reorganisation of the portfolio, will retain 20 investment properties and one operating property in the UK and Ireland, and Fattal will acquire the operational platform with 36 hotel operations. The total acquisition price amounts to MGBP 800 on a debt free basis, corresponding to approximately MSEK 9,030. The acquisition includes a loan from Leonardo of MGBP 120 to be set-off after the reorganisation, after which Pandox's share of the total acquisition price will amount to MGBP 680, corresponding to approximately MSEK 7,680. The transaction will be completed in 2018. Assets held for sale are not allocated to any segment.

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

Assets and liabilities held for sale	2018	2017
Figures in MSEK	31 Mar	31 Dec
ASSETS		
Investment properties	286	—
Operating Activities Vesway ¹⁾	1,406	1,326
Other operating assets ¹⁾	42	41
Assets classified as held for sale	1,734	1,367
LIABILITIES		
Other short term liabilities ¹⁾	1,448	1,367
Liabilities classified as held for sale	1,448	1,367

¹⁾ Refers to MGBP 120 paid for by acquiring company in connection with completion of acquisition of Vesway attributable to Jurys Inn.

Note 4 Reclassifications, acquisitions and divestments

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

Padox in short

Padox is a leading owner of hotel properties in Northern Europe with a focus on sizeable hotels in key leisure and corporate destinations. Padox's hotel property portfolio comprises 143 hotels with approximately 31,500 hotel rooms in 15 countries. Padox's business is organised into Property management, which comprises hotel properties leased on a long-term basis to market leading regional hotel operators and leading international hotel operators, and Operator activities, which comprises hotel operations executed by Padox in its owner-occupied hotel properties. Padox was founded in 1995 and the company's B shares are listed on Nasdaq Stockholm.

Vision and business concept

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

Strategy and business model

Padox's strategy and business model is founded on:

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

Overall goals

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

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

Organisation and execution

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



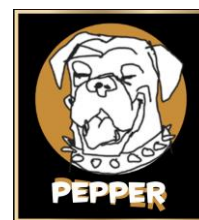
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Definitions

FINANCIAL INFORMATION

Average interest on debt, %

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

Cash earnings, MSEK

EBITDA plus financial income less financial cost less current tax.

EBITDA, MSEK

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

Equity/assets ratio, %

Recognised equity as a percentage of total assets.

Gross profit, Property Management, MSEK

Revenue less directly related costs for Property Management.

Gross profit, Operator Activities, MSEK

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

Growth adjusted for currency effects and comparable units

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

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

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

Interest coverage ratio, times%

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

Investments, excl. acquisitions, MSEK

Investments in non-current assets excluding acquisitions.

Loan-to-value ratio, %

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

Net interest-bearing debt, MSEK

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

Net operating income, Property Management, MSEK

Net operating income corresponds to gross profit for Property Management.

Net operating income, Operator Activities, MSEK

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

Net operating margin, Operator Activities, %

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

Rounding off

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

PER SHARE

Cash earnings per share, SEK

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

Dividend per share, SEK

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

Earnings per share, SEK

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

Equity per share, SEK

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

Net asset value (EPRA NAV) per share, SEK

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

Total comprehensive income per share, SEK

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

Weighted average number of shares before dilution, thousands

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

Weighted average number of shares after dilution, thousands

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

PROPERTY INFORMATION

Market value properties, MSEK

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

Number of hotels

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

Number of rooms

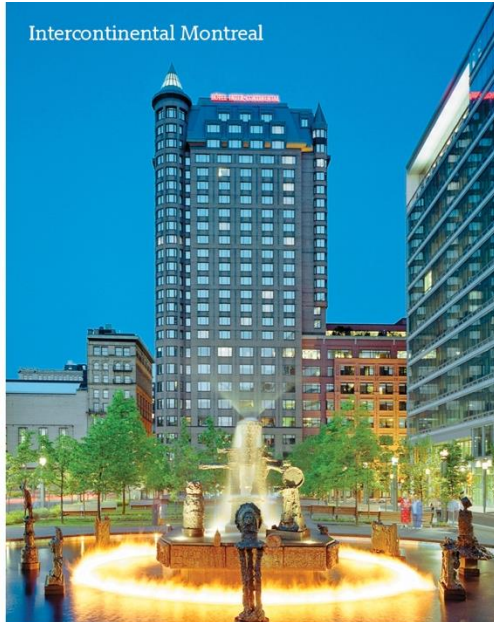
Number of rooms in owned hotel properties at the end of the period.

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

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

WAULT (Investment Properties)

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



A selection from Pandox's hotel property portfolio.

