

A quarter of strong recovery

July–September 2021

- Revenue from Property Management amounted to MSEK 652 (630). For comparable units the increase was 11 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 553 (531). For comparable units the increase was 15 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK 22 (-39)
- EBITDA amounted to MSEK 550 (456)
- Cash earnings amounted to MSEK 270 (194)
- Cash earnings per share amounted to SEK 1.45 (1.06)
- Profit for the period amounted to MSEK 321 (-103), including unrealised changes in value for Investment Properties of MSEK -9
- Earnings per share amounted to SEK 1.73 (-0.56)
- Per 30 September 2021, cash and cash equivalents and unutilised credit facilities amounted to MSEK 4,202, compared with MSEK 4,377 per 30 June 2021
- On 23 August, Pandox board of directors appointed Liia Nõu as CEO. Liia Nõu has been Pandox's CFO since 2007 and acting CEO since 21 May 2021
- Per 31 August, Maritim Hotel Nürnberg was reclassified to Operator Activities

January–September 2021

- Revenue from Property Management amounted to MSEK 1,774 (1,829). For comparable units, the increase was 2 percent, adjusted for currency effects
- Net operating income from Property Management amounted to MSEK 1,485 (1,540). For comparable units the increase was 3 percent, adjusted for currency effects
- Net operating income from Operator Activities amounted to MSEK -48 (-104)
- EBITDA amounted to MSEK 1,347 (1,321)
- Cash earnings amounted to MSEK 517 (531)
- Cash earnings per share amounted to SEK 2.81 (2.91)
- Profit for the period amounted to MSEK 351 (-1,103), including unrealised changes in value for Investment Properties of MSEK -465
- Earnings per share amounted to SEK 1.91 (-5.98)

Financial summary

MSEK	Jul-Sep			Jan-Sep			Full-year
	2021	2020	Δ%	2021	2020	Δ%	2020
Revenue Property Management	652	630	3	1,774	1,829	-3	2,399
Net operating income Property Management	553	531	4	1,485	1,540	-4	2,018
Net operating income Operator Activities	22	-39	n.a	-48	-104	n.a	-168
EBITDA	550	456	21	1,347	1,321	2	1,699
Profit for the period	321	-103	n.a	351	-1,103	n.a	-1,408
Earnings per share, SEK ¹⁾	1.73	-0.56	n.a	1.91	-5.98	n.a	-7.61
Cash earnings	270	194	39	517	531	-3	660
Cash earnings per share, SEK ¹⁾	1.45	1.06	37	2.81	2.91	-3	3.64
Key data							
Market value properties	—	—	—	61,255	62,022	-1	59,542
Net interest-bearing debt	—	—	—	30,387	30,056	1	29,007
Loan to value net, %	—	—	—	49.6	48.5	n.a	48.7
Interest cover ratio, times	2.5	2.2	n.a	2.0	2.1	n.a	2.0
EPRA NRV per share, SEK ¹⁾	—	—	—	171.49	175.33	—	167.60
WAULT (Investment Properties), years	—	—	—	14.2	14.9	n.a	14.6
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	400	208	92	228	268	-15	226

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 19.

See note 3 on page 27 for a summary of reclassifications, acquisitions and divestments. For complete definitions, see page 29.

CEO comments

On steadier ground

Good recovery in earnings and revenue

Hotel demand increased in all of Pandox's markets in the third quarter, supported by strong domestic leisure travel and increased business travel. The underlying drivers of the increase in demand were higher economic activity, lifted government restrictions and increased vaccination rates.

All in all, Pandox's total revenue and net operating income increased by 18 and 17 percent respectively compared with the third quarter of 2020. For comparable units the increase was 25 and 24 percent respectively, adjusted for currency effects. The majority of Pandox's revenue was made up of contractual minimum rents and fixed rents within Property Management. The amount contributed from revenue-based rents and revenue from Operator Activities increased as occupancy strengthened.

Occupancy for comparable units in the Property Management and Operator Activities business segments amounted to around 55 percent (37) and 39 percent (22) respectively in the third quarter.

Active ownership and strong financial position

Pandox is an active hotel property owner that is involved throughout the value chain. In line with our active ownership strategy, on 31 August Pandox took over operation of the former Maritim Hotel Nürnberg when its lease expired. A renovation programme has begun and it will cost around MEUR 20 to upgrade and reposition the hotel with the aim of creating significant value growth. Another example of this strategy is h27 in Copenhagen, a hotel that Pandox has renovated and repositioned. As of 1 October it has been leased to Motel One under a new, attractive revenue-based lease agreement with a minimum guaranteed rent. These examples demonstrate how our business model can create value, even during a pandemic.

Pandox's financial position remains strong with a loan-to-value ratio of 49.6 percent and cash and cash equivalents and unutilised credit facilities of MSEK 4,202 as of 30 September 2021. Refinancing transactions equivalent to MSEK 1,920 were completed during the quarter and remaining facilities maturing in 2021 are expected to be refinanced in the near future.

A hotel market on steadier ground

The hotel market in domestic and regional cities developed the best in the third quarter as well. In terms of country performance, the UK is again the brightest shining star, but the Nordic countries – in particular Denmark – also developed well, with occupancy in Nordic regional cities close to 2019 levels*. Towards the end of the quarter, occupancy in Danish regional cities was even higher than the corresponding period in 2019. Although development was also positive in Germany, the country's more cautious stance on restrictions limited the increase in demand compared to many other countries. However, attractive leisure destinations such as Lübeck saw record demand.

In October leisure demand in the hotel markets as a whole, in particular at weekends, remained at a good level, while business demand on weekdays increased further. One important explanation for this is that workplaces and offices started to reopen, another is the easing or removal of restrictions on the public/participants at sporting events, conferences and other events. This benefits larger cities in particular. All in all, the hotel market is now on steadier ground.



Phased recovery with various levels of development

As previously communicated, Pandox is expecting the hotel market's recovery to take place in phases – provided that restrictions are eased and economic activity picks up – with six development levels and with various market segments gradually building up demand in the hotel market:

1. Cities and countries open up and restrictions are gradually lifted
2. Hotels open
3. Domestic leisure travel with a growing high-paying segment
4. Domestic business travel
5. Conferences and international travel
6. Group travel

Each phase will help to raise occupancy and increase revenue, which in turn will create the conditions for higher average prices and increased revenue per room.

The hotel market is currently at "Level 3" with increased elements of "Level 4" in individual markets in the form of domestic business travel. As more and more businesses are now reopening up their offices more fully and internal travel restrictions are gradually being eased, the conditions exist for continued recovery in business travel. It also appears that the conservative attitude many businesses adopted at the height of the pandemic regarding future travel is now becoming more nuanced and there is increased demand for physical meetings again.

Improved conditions for growth

Demand in the hotel market is highly dependent on the degree of restrictions. The easing of restrictions that took place in the second quarter and went further in the third quarter has resulted in a clear increase in hotel demand in all Pandox's markets. It is difficult to assess how any seasonal variations in the spread of the virus and new virus mutations may be expected to impact restrictions and hotel demand.

The positive development in the hotel market shows that there is a substantial pent-up desire for travel, which is quickly converted into demand once restrictions are reduced and it becomes easier to travel. Willingness to pay for hotel accommodation is high, as illustrated by the average price development in attractive leisure destinations in the third quarter, with RevPAR in some cases significantly higher than in the corresponding quarter in 2019.

The level of economic activity in Pandox's markets is good and personal finances are strong. Vaccination rates are high and many restrictions that impact travel, conferences and events have been eased considerably or lifted altogether in most countries. Companies have also started to return to their physical workplaces, laying the foundation for more conferences and increased domestic business travel alongside continued active domestic leisure travel.

Pandox is in an attractive position as around 80 percent of all rooms are in regional and domestic cities and therefore have high exposure to domestic demand, which is the main driver of the hotel market recovery.

Currently, contractual minimum rents and fixed rents are expected to make up the majority of Pandox's total revenue. Only limited variable revenue under leases with minimum rents is being generated in 2021. Given the continued recovery in hotel demand, variable revenue is expected to materialise in 2022 in most leases that have minimum rent provisions.

Thanks to Pandox's operating model and contract mix, once demand in the hotel market picks up the revenue increase will initially be most pronounced within Operator Activities as a whole and within Property Management in the Nordics.

Liia Nõu, CEO and acting CFO

*Benchmarking Alliance based on open hotels.

Summary of Covid-19 effects for Pandox

Business segment Property Management

Pandox is monitoring and evaluating the business climate on an ongoing basis and is in close dialogue with tenants in the Property Management business segment regarding their respective situations. Contractual guaranteed minimum rent combined with fixed rent amounts to the equivalent of just over MSEK 1,900 on an annualised basis and these are also expected to make up most of Pandox's revenue in the fourth quarter of 2021.

Agreements are reached with tenants on temporary changes to payment terms where this is possible and appropriate. Rent payments were received in the third quarter in line with original and temporary payment terms. No reductions in hotel rents have been granted. As of 30 September 2021, accounts receivable relating to deferred rent under temporary payment terms amounted to the equivalent of MSEK 649, compared with MSEK 640 as of 30 June 2021. Payment of deferred rents is expected to begin in the fourth quarter of 2021.

Pandox received government grants in Sweden, Finland and Denmark totalling the equivalent of MSEK 7 in the third quarter (MSEK 2 in the second quarter of 2021). These have been recognised as revenue under "Other property revenue".

For more information, see pages 6, 7 and 25.

Business segment Operator Activities

Pandox benefitted from relief programmes within Operator Activities in Belgium, Germany, Canada, the UK and the Netherlands equivalent to around MSEK 15 in the third quarter (MSEK 98 in the second quarter of 2021), most of which is for previous periods. This is recognised as a cost reduction within "Costs" in Operator Activities.

In addition, around MSEK 10 (MSEK 26 in the second quarter of 2021) was transferred directly from authorities to Pandox's employees in the form of salary support for furloughed personnel. These amounts are therefore not included in Pandox's numbers.

For more information, see pages 6, 7 and 25.

Current earnings level

At the end of the third quarter Pandox's total costs were on a par with revenues from contractual minimum rent and fixed rent.

For more information, see pages 6 and 7.

Investments

Remaining planned investments in 2021 amount to the equivalent of around MSEK 230.

For more information, see page 9.

Hotel property valuations

Pandox performs internal valuations of its hotel property portfolio and investment properties are recognised at fair value in accordance with accounting standard IAS 40. Operating properties are recognised at cost less depreciation and any impairment. Internal valuations of operating properties are reported for disclosure purposes only and these are included in EPRA NRV calculations.

The valuation model incorporates an accepted and proven cash flow model where the future cash flows the hotel properties are expected to generate are discounted based on the market's yield requirements. The valuation is based on the hotel's business plan which is updated at least twice a year and takes into consideration, among other things, developments in underlying operator activities, market development, the contract situation, operating and maintenance issues and investments aimed at maximising the hotel property's cash flow and return in the long term. External valuations of all properties are normally 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, to the extent that differences compared with internal valuations are analysed to challenge the internal valuation.

Pandox has a robust valuation process and a consistent valuation approach. At the end of the third quarter Pandox valued the hotel properties based on the same method and the established cash flow model used since the IPO in 2015 as reviewed and approved by the independent auditor appointed by the stock exchange.

Pandox has mainly managed uncertainties associated with the Covid-19 pandemic through the cash flow forecasts that are the basis for the valuations. Uncertainty about the pandemic's impact on future cash flows remains high. The uncertainty has, however, diminished due to increased vaccination rates, eased government restrictions and the strength of the hotel market's recovery. There is still some uncertainty about possible long-term and lasting effects of Covid-19 on the hotel market in general.

The pandemic's effects on valuation yields cannot be established yet with reasonable certainty, mainly because there is insufficient supporting evidence in transaction markets for the hotel property valuation process. Under normal circumstances Pandox's estimated yields tend to be very similar to those obtained from external property appraisers. These are in turn based on the market yield, which, subject to availability, has been derived from transactions of comparable hotel properties. However, the increased complexity due to the Covid-19 pandemic has led to increased uncertainty about the future and a higher degree of estimates and assessments of the market's yield requirements as well. The higher degree of yield requirement assessments has resulted in a greater deviation between Pandox's yield requirements and certain yield requirements used by the external property appraisers in their calculations. Pandox's management of the complexity and the necessary assessment has been discussed and analysed internally within the Company and by Pandox's Audit Committee, Finance Committee and the Board of Directors on an ongoing basis. Pandox believes that the Covid-19 pandemic is transitional in nature and will have a limited effect on long-term yield requirements.

Pandox is carefully monitoring the parameters that impact valuations. As the effects of Covid-19 become clearer, it is expected to be possible to estimate valuation yield and future cash flows with greater precision.

As a reference point for Pandox's internal valuations, 129 external valuations have been completed during the past 12 months. It is Pandox's lenders who decide, or in certain cases participate in decisions on, which external appraiser to retain, which hotel properties to appraise and when this should take place.

The external valuations show a large spread both within and between markets, which reflects the continued significant uncertainty and varying external valuation approaches. Around 83 percent of the properties have been subject to external valuation over the past 12 months and the outcomes are overall around 5 percent lower than Pandox's internal valuations – ranging from around +7 percent to around -15 percent per country/region. Hotel properties in the Nordic region are all showing a lower difference and spread between Pandox's and the external appraisers' valuations, while hotel properties outside the Nordic region are showing a greater difference.

The difference in the valuations of hotel properties outside the Nordic region is mainly explained by the fact that the external valuations were carried out during a particularly challenging period in the pandemic, with external property appraisers raising the hotel property yield requirements based on an assumption of long-term and sustained negative effects from Covid-19. See page 23 for information on the properties' market value by country.

During the third quarter there have been 25 external valuations of Pandox properties (13 in Sweden, 5 in Finland, 4 in Norway and 3 in Germany). Overall these are around 3 percent higher than Pandox's internal valuations – ranging from around +8 percent to around +1 percent per country.

In the third quarter the unrealised changes in value amounted to MSEK -9 for Investment Properties. The unrealised changes in value for Operating Properties amounted to MSEK 57.

Since the start of the Covid-19 pandemic in the first quarter of 2020 the unrealised changes in value have totalled MSEK -2,244 for Investment Properties and MSEK -954 for Operating Properties, equivalent to a combined reduction of -5.0 percent, mainly explained by lower anticipated cash flows.

For more information, see pages 9 and 23 and 25.

Financing

Pandox's financial position is strong. As of 30 September 2021 the net loan-to-value ratio was 49.6 percent and cash and cash equivalents plus unutilised credit facilities amounted to MSEK 4,202.

Pandox's debt financing consists exclusively of credit facilities from 11 Nordic and international banks secured mainly by mortgage collateral. Credit facilities maturing in less than one year amount to MSEK 3,909, of which MSEK 2,307 will mature in December 2021. Pandox's refinancing transactions during the quarter amounted to the equivalent of around MSEK 1,920 and remaining facilities maturing in 2021 are expected to be refinanced in the near future.

At the Group level, Pandox's financial covenants are:

1. Loan-to-value ratio at a level where Pandox's financial loan-to-value target provides comfortable headroom
2. Interest coverage ratio at a level where revenue from contractual minimum rents and fixed rents alone provides satisfactory headroom

Pandox has a positive and close dialogue with its lenders on refinancing and adjustment of terms and covenants in existing credit agreements taking Covid-19 into account. In the third quarter, lenders provided waivers in individual credit agreements.

For more information, see page 10 and 11.

Government relief programmes for tenants and employees

In certain countries there are programmes in place that cover a specific percentage of companies' fixed costs. There is in general no rent support for property owners. Since the beginning of the pandemic, tenants in Germany and the UK have been able to postpone rent payments and to

capitalise and pay their rents subsequently over an extended period. This possibility has been extended until 25 March 2022 in the UK but has expired in Germany. Germany has introduced income support for companies that were affected by restrictions in November and December 2020. This transitioned into fixed cost support for 2021 which has been extended at various points in time and will now continue until 31 December 2021.

In the third quarter, other than the above-mentioned fixed cost support in Germany, the main form of relief that was still available and could be used in Pandox's various markets was furlough support.

Pandox intends to apply for additional government grants in 2021 to cover past costs and these will be recognised when the amounts are known.

Tax actions

To address the financial impact of Covid-19 on Pandox, certain fiscal measures have been implemented, for example correction of preliminary tax payments, and deferral of VAT payments and property tax. Tax payments, mainly VAT for 2020 and the first nine months of 2021, equivalent to around MSEK 80 have, for example, been deferred. Around half of the deferred amount is expected to be paid in 2021 and the remainder in the first quarter of 2022.

Pandox has taken a cautious approach with respect to certain relief programmes that may involve an additional cost. This was done to lower the one-time effect when the Covid-19 crisis is over and relief packages expire. Pandox is continually monitoring all new tax incentives that are offered in the jurisdictions where the Company operates and will act when it is deemed appropriate to do so.

Hotel market development July–September 2021

Improved conditions in the hotel market

Hotel demand increased in all Pandox's markets in the third quarter as the restriction situation gradually improved. Since the UK reopened on 17 May and removed all of its domestic coronavirus restrictions on 19 July, other countries where Pandox operates have followed suit at varying paces. Overall the majority of restrictions that impact travel, conferences and events have been entirely or at least partially lifted. However, various types of restrictions and obstacles are still impacting international travel, although there has been improvement here as well. With respect to the important transatlantic air travel between the EU/UK and the USA, some easing of restrictions is planned for the beginning of November.

An improved restriction situation combined with high economic activity and strong personal finances raised occupancy in Europe to around 59 percent* in the third quarter. This was the strongest quarter since the outbreak of the pandemic, with occupancy almost double that in the second quarter 2021.

A hotel market on steadier ground

Demand was largely driven by domestic tourism, or “staycations”, during the summer months of July and August, with the important difference that the restriction situation was clearly better than in 2020 as a result of vaccination programmes. Regardless of country, strong domestic leisure destinations were the winners and willingness to pay for attractive hotel accommodation was also high. This resulted in good average price development. Major cities that are heavily dependent on large events and/or international demand did not do as well in relative terms, although occupancy did improve significantly in absolute numbers.

The business season got off to a positive start in September when companies started returning to their physical offices. A marked increase in demand for hotel nights and conference rooms was noted on weekdays compared with before the summer, particularly in major cities. In many markets leisure demand remained at a good level on weekends after the summer.

At the end of the quarter, and in October in particular, the restrictions on the public/participants at cultural and sporting events were eased further. This, combined with an expected increase in international travel, albeit from low levels, bodes well for further recovery in larger cities. Altogether the hotel market is now on steadier ground.

Good occupancy

Restrictions also determined the level of demand in much of the hotel market in the third quarter. Regardless of which country and market, development was similar between regional cities and larger ones.

In the UK, which was the first to reopen in mid-May, the recovery remained strong, particularly in UK Regional where occupancy was good at around 74 percent* during the quarter, driven by domestic business and leisure demand. Positive development was also noted in London, where occupancy was around 56 percent* despite international demand remaining weak.

Although development was also positive in Germany, there was some hesitancy due to a more cautious stance on restrictions. Occupancy was, however, around 53 percent** during the quarter in Germany as a whole, with pockets of very strong growth and occupancy in attractive leisure destinations.

In the Nordic region the overall occupancy rate was 60 percent*** in the third quarter compared with 35 percent*** in the second quarter. The pattern of higher demand in regional cities compared with large metropolitan ones was still evident, with occupancy in regional cities at 67 percent*** compared with 52 percent*** in capital cities. The difference is still an effect of the fact that capital city destinations are more dependent on conferences and international demand.

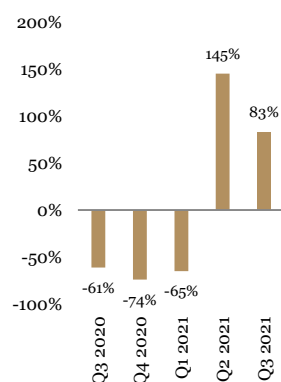
Pandox's trendspotting for recovery

- Demand is dependent on the level of restrictions
- The leisure segment is the first to recover, and hotels and destinations with a strong leisure offering are the most attractive in early phases
- Hotels that are easy for guests to reach by car or train have an advantage
- Markets with high domestic demand are recovering first
- Potential for increased domestic and regional tourism as long as international restrictions are in place
- For hotels with significant conference activity and that are highly dependent on international demand, the recovery takes longer
- Good economic activity and increased household saving has created the conditions for a further increase in demand once restrictions are lifted
- Pent-up demand for travel among individuals and companies

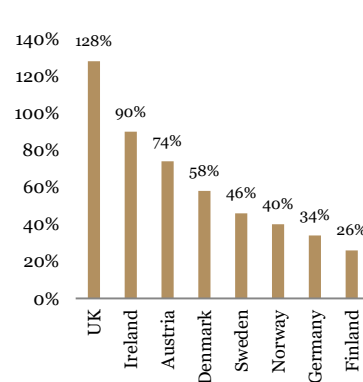
* STR based on open hotels ** Fairmas based on open hotels
*** Benchmarking Alliance based on open hotels

July–September 2021

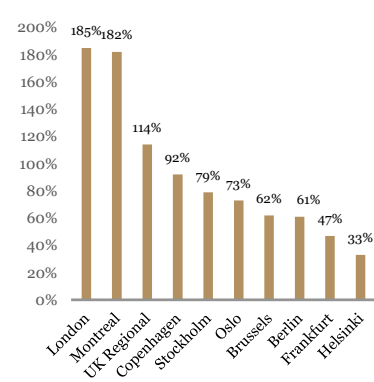
Europe
RevPAR growth y/y



Countries
RevPAR growth y/y



Key markets
RevPAR growth y/y



Source: STR, Benchmarking Alliance. Based on open hotels. Rounded numbers.

Financial development July–September 2021

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2020 for balance sheet items, unless otherwise stated.

Net sales

Revenue from Property Management amounted to MSEK 652 (630), an increase of 3 percent. The majority of Padox's revenue was made up of contractual minimum rents and fixed rents within Property Management, but the amount contributed by revenue-based rent was significantly higher than earlier in the year, amounting to around MSEK 147. The increase is explained by eased restrictions in all markets with good leisure demand and increased business demand from low levels. Revenue includes one-time revenue in the form of government grants equivalent to MSEK 7. For comparable units, revenue increased by 11 percent, adjusted for currency effects.

Revenue from Operator Activities amounted to MSEK 287 (169), an increase of 70 percent. For comparable units, revenue increased by 75 percent and RevPAR by 92 percent, adjusted for currency effects. The increase in revenue is explained by the same drivers as for Property Management, but started from a lower level, which is explained by the fact that the Operator Activities segment has high exposure to larger conference hotels in international markets, particularly Brussels, which have seen relatively weaker development during the pandemic. Two hotels were closed for renovation for most of the quarter.

The Group's net sales amounted to MSEK 939 (799). For comparable units, net sales increased by 25 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 553 (531), an increase of 4 percent. Net operating income increased by 15 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK 22 (-39). Padox received government grants during the quarter totalling the equivalent of around MSEK 15 within Operator Activities relating to previous periods. In addition, around MSEK 10 was transferred directly from authorities to Padox employees in the form of salary support for furloughed personnel. These amounts are therefore not included in Padox's numbers. Read more on page 3 and in the section "Operator Activities".

Total net operating income amounted to MSEK 575 (492), an increase of 17 percent.

Administration costs

Central administration costs amounted to MSEK -31 (-41), of which MSEK -5 (-5) was depreciation.

EBITDA

EBITDA amounted to MSEK 550 (456), an increase of 21 percent.

Financial income and expense

Financial expense amounted to MSEK -243 (-227), of which MSEK -21 (-17) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK 1 (0). Financial expense associated with right-of-use assets amounted to MSEK -23 (-21).

Profit before changes in value

Profit before changes in value amounted to MSEK 210 (145), an increase of 45 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK -9 (-315). Realised changes in value for Investment Properties amounted to MSEK -6 (0).

Unrealised changes in the value of derivatives amounted to MSEK 202 (51), mainly explained by changed long-term market interest rates. See also pages 10–11.

Current and deferred tax

Current tax amounted to MSEK -15 (-17), which is mainly explained by intra-Group eliminations. Deferred tax amounted to MSEK -61 (33). See also page 11 and the section "Deferred tax".

Profit for the period

Profit for the period amounted to MSEK 321 (-103) and profit for the period attributable to Parent Company shareholders amounted to MSEK 317 (-102), which is equivalent to SEK 1.73 (-0.56) per share.

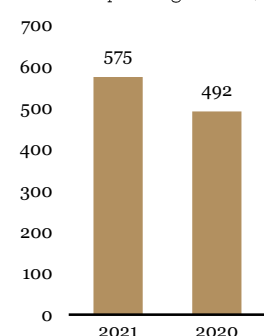
Cash earnings

Total cash earnings amounted to MSEK 270 (194), an increase of 39 percent.

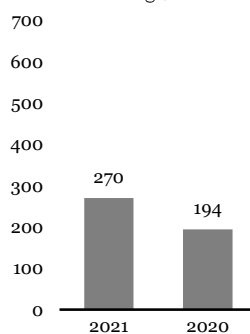
See page 27 for a list of reclassifications, acquisitions and divestments.

July–September 2021

Total net operating income, MSEK



Total cash earnings, MSEK



Financial development January–September 2021

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2020 for balance sheet items, unless otherwise stated.

Net sales

Net operating income from Property Management amounted to MSEK 1,774 (1,829), a decrease of 3 percent. Most of the revenue consisted of minimum rent and fixed rent, but the share of revenue-based rent increased gradually during the period. Revenue includes one-time revenue in the form of government grants equivalent to MSEK 18. For comparable units, revenue increased by 2 percent, adjusted for currency effects.

A weak first six months caused by restrictions was followed by a significantly stronger third quarter, driven by a clear improvement in demand in connection with eased restrictions.

Revenue from Operator Activities amounted to MSEK 525 (662), a decrease of 21 percent. For comparable units, revenue decreased by 20 percent and RevPAR by 15 percent, adjusted for currency effects.

The relatively larger loss of revenue compared with Property Management is partly due to the fact that as an operator of hotels Pandox has full earnings exposure, and partly due to the higher percentage of large conference hotels in international markets, in particular Brussels. In addition, two hotels were closed for renovation for most of the third quarter.

The Group's net sales amounted to MSEK 2,299 (2,491). For comparable units, net sales decreased by 4 percent, adjusted for currency effects.

Net operating income

Net operating income from Property Management amounted to MSEK 1,485 (1,540), a decrease of 4 percent. For comparable units, net operating income increased by 3 percent, adjusted for currency effects.

Net operating income from Operator Activities amounted to MSEK -48 (-104).

Pandox received government grants during the period equivalent to a total of around MSEK 156 within Operator Activities, most of which relates to 2020. In addition, around MSEK 69 was transferred directly from governments to Pandox employees in the form of salary support for furloughed personnel. These amounts are therefore not included in Pandox's numbers. Read more on page 3 and in the section "Operator Activities".

Total net operating income amounted to MSEK 1,437 (1,436).

Administration costs

Central administration costs amounted to MSEK -105 (-130), of which MSEK -15 (-15) was depreciation.

EBITDA

EBITDA amounted to MSEK 1,347 (1,321), an increase of 2 percent.

Financial income and expense

Financial expense amounted to MSEK -715 (-674), of which MSEK -57 (-50) consists of depreciation of capitalised loan arrangement fees.

Financial income amounted to MSEK 2 (1).

Financial expense associated with right-of-use assets amounted to MSEK -67 (-65).

Profit before changes in value

Profit before changes in value amounted to MSEK 347 (396), a decrease of 12 percent.

Changes in value

Unrealised changes in value for Investment Properties amounted to MSEK -465 (-1,246), most of which is explained by reduced cash flows. Realised changes in value for Investment Properties amounted to MSEK -12 (0).

Unrealised changes in the value of derivatives amounted to MSEK 553 (-330), mainly explained by changed long-term market interest rates. See also pages 10–11.

Current and deferred tax

Current tax amounted to MSEK -50 (-55), which is mainly explained by intra-Group eliminations. Deferred tax amounted to MSEK -22 (132). See also page 10 and the section "Deferred tax".

Profit for the period

Profit for the period amounted to MSEK 351 (-1,103) and profit for the period attributable to Parent Company shareholders amounted to MSEK 351 (-1,099), which is equivalent to SEK 1.91 (-5.98) per share.

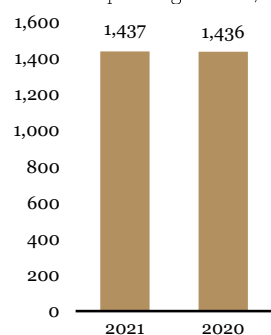
Cash earnings

Cash earnings amounted to MSEK 517 (531), a decrease of 3 percent.

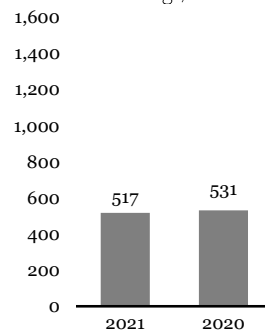
See page 27 for a list of reclassifications, acquisitions and divestments.

January–September 2021

Total net operating income, MSEK



Total cash earnings, MSEK



Segment reporting July–September 2021

Figures in brackets are from the corresponding period the previous year for profit/loss items and year-end 2020 for balance sheet items, unless otherwise stated.

Property Management

MSEK	Jul-Sep		Jan-Sep		Full-year
	2021	2020	2021	2020	2020
Rental income	617	563	1,673	1,705	2,228
Other property income	35	67	101	124	171
Costs, excl. property admin	-53	-65	-162	-180	-215
Net operating income, before property admin	599	565	1,612	1,649	2,184
Property administration	-46	-34	-127	-109	-166
Gross profit	553	531	1,485	1,540	2,018
Net operating income, after property admin	553	531	1,485	1,540	2,018

July–September 2021

Rental income and other property revenue amounted to MSEK 652 (630), of which MSEK 7 consists of government grants which are recognised under “Other property revenue”. The majority of Pandox’s revenue consisted of contractual minimum rent and fixed rent, although a gradually improving business climate also resulted in a higher contribution from revenue-based rent. Marginal variable revenue was noted in the quarter in 11 leases with minimum levels, the majority of which are in Sweden, compared with two leases in the second quarter.

Occupancy for comparable hotels amounted to around 55 percent during the quarter, compared with around 37 percent in the corresponding quarter of 2020. The improvement is explained by high economic activity, eased restrictions, and increased vaccination rates.

Hotels in smaller cities with mainly local demand, or in destinations with an attractive leisure offering, such as Erfurt (Germany), Molde (Norway), Sundsvall (Sweden) and Brighton (UK), developed the strongest during the quarter. Motels continued to see strong development. Towards the end of the quarter an increase in business demand and an increased demand for conferences was noted.

The net operating income amounted to MSEK 553 (531), an increase of 4 percent. For comparable units, revenue increased by 11 percent while net operating income increased by 15 percent, adjusted for currency effects.

Operator Activities

MSEK	Jul-Sep		Jan-Sep		Full-year
	2021	2020	2021	2020	2020
Revenue	287	169	525	662	779
Costs	-334	-266	-778	-938	-1,182
Gross profit	-47	-97	-253	-276	-403
Plus: Depreciation included in costs	69	58	205	172	235
Net operating income	22	-39	-48	-104	-168

July–September 2021

Revenue from Operator Activities amounted to MSEK 287 (169), an increase of 70 percent. The increase in revenue is due to the same drivers as for Property Management and the fact that within Operator Activities Pandox has full and direct earnings exposure. Occupancy for comparable hotels was around 39 percent during the quarter, despite the closure of Holiday Inn Brussels Airport and DoubleTree by Hilton Brussels City (formerly Crowne Plaza – Le Palace) for renovation. Occupancy for comparable hotels in the same quarter of 2020 amounted to 22 percent.

Hotels that developed particularly well during the quarter were Holiday Inn Lübeck (Germany) and Novotel Den Haag World Forum (Netherlands).

Unlike in Property Management, hotels in the Operator Activities segment have greater exposure to international travel and large meetings. Per 31 August Maritim Hotel Nürnberg was reclassified to Operator Activities. The hotel has been closed since that time for renovation with reopening planned for late 2022.

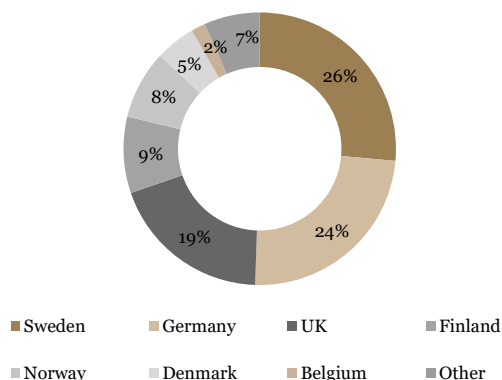
For comparable units, revenue and RevPAR increased by 75 and 92 percent respectively, adjusted for currency effects.

Net operating income amounted to MSEK 22 (-39).

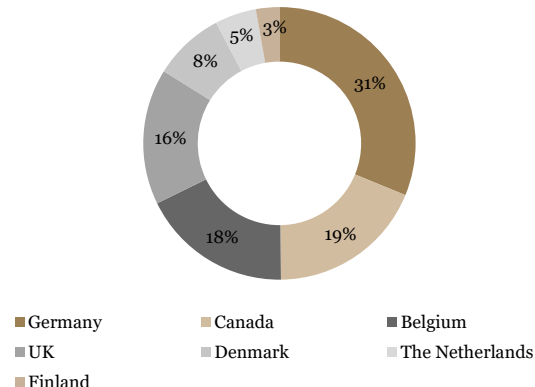
Pandox received government grants during the quarter totalling the equivalent of around MSEK 15 within Operator Activities, most of which relates to previous periods. In addition, around MSEK 10 was transferred directly from authorities to Pandox employees in the form of salary support for furloughed personnel. These amounts are therefore not included in Pandox’s numbers. Read more on page 3 and in the section “Operator Activities”.

July–September 2021

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 2020 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 61,255 (59,542), of which Investment Properties accounted for MSEK 50,627 (50,181) and Operating Properties for MSEK 10,628 (9,361). As of the same date the carrying amount of the Operating Properties portfolio was MSEK 8,333 (7,363).

At the end of the period, Investment Properties had a weighted average unexpired lease term (WAULT) of 14.2 (14.6) years.

Changes in value Investment Properties

	MSEK
Investment Properties, opening balance (1 Jan, 2021)	50,181
+ Acquisitions	—
+ Investments in current portfolio	448
- Divestments ¹⁾	-6
+/- Reclassifications ²⁾	-569
+/- Revaluation of fixed assets to total comprehensive income for the period	—
+/- Unrealised changes in value	-465
+/- Realised changes in value	—
+/- Change in currency exchange rates	1,038
Investment Properties, closing balance (30 Sep, 2021)	50,627

Changes in value Operating Properties, reported for information purposes only

	MSEK
Operating Properties, market value (1 Jan, 2021)	9,361
+ Acquisitions	—
+ Investments in current portfolio	323
- Divestments ³⁾	-6
+/- Reclassifications ²⁾	569
+/- Unrealised changes in value ¹⁾	60
+/- Realised changes in value	—
+/- Change in currency exchange rates	321
Operating Properties, market value (30 Sep, 2021)	10,628

¹⁾Impairment development costs

²⁾Maritim Hotel Nürnberg has been reclassified from Property Management to Operator Activities

³⁾Decommissioning FF&E

Investments

During the January–September 2021 period, investments in properties and fixed assets, excluding acquisitions, amounted to MSEK 777 (694), of which MSEK 448 (414) was for Investment Properties, MSEK 323 (274) was for Operating Properties and MSEK 6 (6) was for the head office.

At the end of the third quarter of 2021, approved investments for ongoing and future projects amounted to approximately MSEK 720, whereof MSEK 230 is expected to be completed during 2021. So far in 2021, total investments and maintenance have amounted to approximately MSEK 770 and MSEK 33, respectively.

Larger projects are Hilton Brussels Grand Place, Holiday Inn Brussels Airport, hotel property in Nuremberg (former Maritim Hotel Nürnberg), Hotel Berlin Berlin, Pullman Stuttgart Fontana, Mercure München Neuperlach, Dorint Parkhotel Bad Neuenahr, NH Frankfurt Airport, NH München Airport, NH Salzburg, The Midland Manchester, Jurys Inn Birmingham, Quality Borås, Scandic Park Stockholm, and the green investment programme.

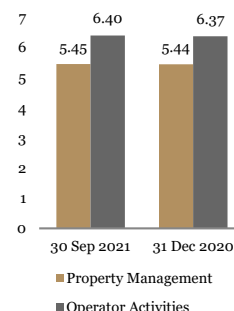
Financial effect of changes in certain key valuation parameters as of 30 September 2021

Investment Properties, effect on fair value	Change	Effect on value
Yield	+/- 0.5pp	-4,255 / +5,114
Change in currency exchange rates	+/- 1%	+/- 360
Net operating income ¹⁾	+/- 1%	+/- 390 (540)
Investment Properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate) ¹⁾	+/- 1%	+/- 3 (26)
Operating Properties, effect on revenues	Change	Effect on revenues
RevPAR (assuming 50/50 split between occupancy and rate) ¹⁾	+/- 1%	+/- 7 (22)
Financial sensitivity analysis, effect on earnings	Change	Profit before changes in value
Interest expenses with current fixed interest hedging, change in interest rates, with derivatives ²⁾	+/- 1%	+16/-201
Interest expenses with a change in the average interest rate level, without derivatives ²⁾	+/- 1%	-221/+17
Remeasurement of interest-rate derivatives following shift in yield-curves	+/- 1%	+/- 1,046

¹⁾The lower value refers to outcome in 2020 and the higher value in parenthesis refers to normal years "pre-Covid-19".

²⁾The earnings effect is asymmetrical due to limited possibilities for Pandox to benefit in full from negative interest rates.

Average valuation yield, % (30 September 2021)



Property valuation

See page 3 and the section "Valuation of hotel properties".

Financing

Figures in brackets refer to the corresponding period the previous year for profit/loss items and year-end 2020 for balance sheet items, unless otherwise stated.

Financial position and net asset value

At the end of the period the loan-to-value net was 49.6 (48.7) percent. Equity attributable to the Parent Company's shareholders amounted to MSEK 24,720 (23,880). EPRA NRV amounted to MSEK 31,529 (30,813), equivalent to SEK 171.49 (167.60) per share. Cash and cash equivalents plus unutilised credit facilities amounted to MSEK 4,202 (5,221). 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 31,881 (31,629), excluding loan arrangement fees. Unutilised credit facilities amounted to MSEK 2,708 (2,599) and the volume issued under the commercial paper programme amounted to MSEK 1,054 (0).

Pandox has a continued positive and close dialogue with its lenders on refinancing as well as necessary adjustment of terms and covenants in existing credit agreements with consideration to Covid-19. In the third quarter, lenders have provided waivers in individual credit agreements.

Short-term credit facilities with a term of less than one year amount to MSEK 3,909, of which MSEK 2,307 matures in December 2021. Pandox has all short-term credit facilities with Nordic relationship banks. Pandox's refinancing transactions during the quarter amounted to the equivalent of around MSEK 1,920 and remaining facilities maturing in 2021 are expected to be refinanced in the near future.

The average fixed rate period was 3.5 (2.8) years and the average interest rate, corresponding to the interest rate level at the end of the period, was 2.5 (2.6) percent, including effects from interest-rate derivatives, but excluding accrued arrangement fees. The average repayment period was 2.2 (2.8) years. The loans are secured by a combination of mortgage collateral and pledged shares.

Maturity structure credit facilities 30 September 2021

Year due (MSEK)	Credit facilities ¹⁾
< 1 year	3,909
1-2 year	11,163
2-3 year	8,595
3-4 year	9,423
4-5 year	866
> 5 year	633
Sum	34,589

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 September 2021

	SEK	DKK	EUR ³⁾	CHF	CAD	NOK	GBP	Total
Sum credit facilities, MSEK ¹⁾	10,350	1,908	14,846	450	518	1,195	5,322	34,589
Sum interest bearing debt, MSEK ¹⁾	6,829	1,908	15,680	450	497	1,195	5,322	31,881
Share of debt in currency, %	21.4	6.0	49.2	1.4	1.6	3.7	16.7	100
Average interest rate, % ²⁾	2.7	2.0	2.4	2.1	2.8	2.7	3.0	2.5
Average interest rate period, years	3.8	2.4	4.1	0.2	0.1	2.3	2.8	3.5
Market value Properties, MSEK ¹⁾	14,665	3,466	28,055	741	1,262	3,221	9,844	61,255

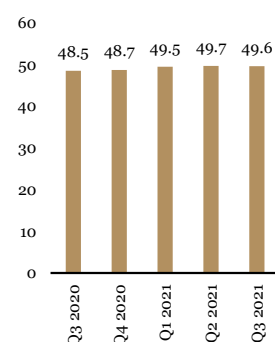
¹⁾Converted to MSEK

²⁾Average interest rate including bank margin and derivatives.

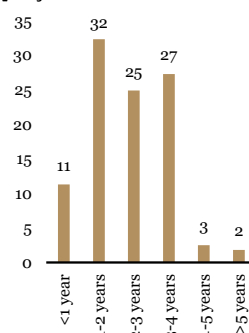
³⁾Part of the interest bearing debt is part of credit facilities in SEK, which can be drawn in multiple currencies, including EUR.

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 28,898 gross and MSEK 23,897 net, which is also the portion of Pandox's loan portfolio for which interest rates are hedged. Approximately 68 percent net of Pandox's loan portfolio was thereby hedged against interest rate movements for periods longer than one year.

Loan to value per quarter, %



Maturity of credit facilities per year, %



Financial covenants

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

Interest maturity profile 30 September 2021

Tenor (MSEK)	Total interest maturity		Interest maturity derivatives		
	Amount ¹⁾	Share, %	Volume	Share, %	Average interest rate, %
< 1 year	11,144	35	3,160	13	1.1
1-2 year	2,554	8	2,554	11	1.8
2-3 year	1,250	4	1,250	5	0.2
3-4 year	2,083	7	2,083	9	-0.2
4-5 year	2,111	7	2,111	9	-0.1
> 5 year	12,739	40	12,739	53	0.5
Sum	31,881	100	23,897	100	0.6

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 -245 (-798).

Deferred tax

At the end of the period, the deferred tax assets amounted to MSEK 488 (631). 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 4,319 (4,307) 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

20 October 2021	Anneli Lindblom appointed new CFO of Pandox
20 September 2021	Nomination committee for AGM 2022
9 September 2021	Save the date - Pandox Hotel Market Day 2021
1 September 2021	Pandox signs new lease agreement with Motel One for h27 in central Copenhagen
31 August 2021	Pandox takes over operations its hotel property in Nuremberg and makes extensive investment
23 August 2021	Liia Nõu appointed new CEO of Pandox
16 July 2021	Interim report January–June 2021

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

Ongoing disputes

The tenant at Park Centraal Amsterdam has filed a lawsuit against a Pandox subsidiary demanding certain temporary adjustments in existing leases, mainly with respect to minimum rent levels. Court proceedings are ongoing.

A Pandox subsidiary has filed a lawsuit against Köln Bonn Airport which has not granted an extension of a Heritage building right for the Leonardo Hotel Köln Bonn Airport property. The hotel has 177 rooms. The case is ongoing and Pandox believes that there is a good possibility of a favourable decision, or compensation, for the company. No revenue has been booked for the January–September 2021 period.

As Pandox previously communicated, it received a decision from the Swedish Tax Agency on the Group's internal pricing. Pandox has appealed the decision with the Supreme Administrative Court and is waiting for a decision, which is expected to be handed down in the first quarter 2022 at the latest. Pandox is maintaining its position that the Company has followed the law. Pandox's transfer pricing does not differ from industry practice. The Swedish Tax Agency is, however, of the opinion that no allocation of profits is to be made to the country where the properties are located and operations are conducted, but to the country of the parent company, i.e. Sweden. Pandox is maintaining that the Group's companies are following and have followed applicable laws on transfer pricing and taxation in the countries where the Group's companies are operating. Pandox has been granted a tax payment extension by the Swedish Tax Agency due to uncertainty about the outcome of the case. Pandox believes that there is a good possibility of a favourable decision in a higher court. An oral hearing is expected to be held at the end of 2021.

Dorint Parkhotel Bad Neuenahr has been closed since July due to extensive damage caused by flooding. The hotel property was full insured for property damage and consequential loss insurance covers rental income while the property is being restored.

Maritim Hotel Nürnberg is claiming the right to a rent reduction for 2020–2021. Court proceedings are ongoing.

Employees

At the end of the period, Pandox had the equivalent of 604 (700) full-time employees, based on number of worked hours translated to full-time employees. Of the total number of employees, 556 (653) are employed in the Operator Activities segment and 48 (47) in the Property Management segment and in central administration.

Green investments

Pandox's green investment programme of MEUR 8 remains in place within the planned timeframe (2023). The investment programme focuses on projects to reduce energy and water consumption and on technical installations. The purpose is to reduce climate impact while also generating an average return of around 20 percent. Due to Covid-19, the larger and more technology-intensive investments have taken longer time to complete, which means that the savings from the programme will not materialise in earnest until the second half of 2021.

Parent company

Administration for activities within Pandox's property owning companies is provided by staff employed by the Parent Company, Pandox AB (publ). Pandox's subsidiaries are invoiced for these services. Amounts invoiced during the January–September 2021 period totalled MSEK 111 (116), and profit for the period amounted to MSEK 513 (-459).

At the end of the period the Parent Company's equity amounted to MSEK 9,116 (8,603) and the external interest-bearing debt was MSEK 7,769 (4,804), of which MSEK 5,741 (3,294) 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 a management agreement regarding Pelican Bay Lucaya Resort in the Bahamas owned by affiliates of Helene Sundt AS and CGS Holding AS. During January–September 2021, revenue from Pelican Bay Lucaya amounted to MSEK 0.4 (0.4).

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 133–136 of the 2020 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 84–89 in the section "Risk and risk management" in the 2020 Annual Report.

Pandox is of the opinion that the Covid-19 pandemic is transitional in nature and will have a limited effect on the long-term valuation yield requirements. See also pages 3–4 and the section "Valuation of hotel properties" for more information.

Considering the extraordinary situation created by Covid-19 it cannot be ruled out that a situation might arise where, for example, commitments and covenants in the Company's credit agreements are not met. In such cases there are various actions that can be taken if needed to remedy any deviations, such as payment of interest into an escrow account, adjustment of covenants, covenant holidays or certain repayments, internal loans or increased equity in subsidiaries. Besides the effects of Covid-19 described above and on page 3–4, there have been no significant changes to Pandox's risk assessment after the publication of the 2020 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 at DoubleTree by Hilton Brussels City, 354 rooms

Alternative performance measures

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 19-20.

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 third quarter 2021 the weighted number of shares before and after dilution amounted to 75,000,000 A shares and 108,849,999 B shares.

Presentation of the interim report

Pandox will present the interim report for investors, analysts and media via a webcasted telephone conference, 27 October at 08:30 CEST. As a service to Pandox stakeholders there will also be an external update of the hotel market.

- Interim report and business update
Liia Nõu CEO and acting CFO
Anders Berg SVP Head of Communications & IR
- The hotel market (external update separate from Pandox)
Robin Rossmann, Managing Director International STR

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/ogntomb8>. Here you can also ask written questions.

To participate in the conference via telephone, please register via this link to access telephone numbers:
<http://emea.directeventreg.com/registration/8672407>.

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

Contact persons

For further information, please contact:

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Anders Berg, SVP Head of Communications and IR
+46 (0) 760 95 19 40

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 on 27 October 2021, 07:00 CEST.

Financial calendar

Hotel Market Day 2021	23 November 2021
Year-end report 2021	10 February 2022
Annual General Meeting 2022	12 April 2022
Interim report Jan-Mar 2022	27 April 2022
Interim report Jan-Jun 2022	15 July 2022

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

Stockholm, 27 October 2021

Liia Nõu, CEO

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of Padox AB (556030-7885) as of 30th September 2021 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

Conclusion

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

Stockholm, 27 October 2021

PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Auditor in charge

Linda Andersson
Authorised Public Accountant

Summary of financial reports

Condensed consolidated statement of comprehensive income

MSEK	Note	Jul-Sep		Jan-Sep		Full-year
		2021	2020	2021	2020	2020
Revenues Property Management						
Rental income	2	617	563	1,673	1,705	2,228
Other property income		35	67	101	124	171
Revenue Operator Activities	2	287	169	525	662	779
Total revenues		939	799	2,299	2,491	3,178
Costs Property Management						
Costs Operator Activities	2	-334	-266	-778	-938	-1,182
Gross profit		506	434	1,232	1,264	1,615
- whereof gross profit Property Management	2	553	531	1,485	1,540	2,018
- whereof gross profit Operator Activities	2	-47	-97	-253	-276	-403
Central administration		-31	-41	-105	-130	-171
Financial income		1	0	2	1	2
Financial expenses		-243	-227	-715	-674	-902
Financial cost right of use assets		-23	-21	-67	-65	-86
Profit before changes in value		210	145	347	396	458
Changes in value						
Properties, unrealised	2	-9	-315	-465	-1,246	-1,779
Properties, realised	2	-6	0	-12	0	0
Derivatives, unrealised		202	51	553	-330	-221
Profit before tax		397	-119	423	-1,180	-1,542
Current tax		-15	-17	-50	-55	-57
Deferred tax		-61	33	-22	132	191
Profit before tax		321	-103	351	-1,103	-1,408
<i>Items that may not be classified to profit or loss, net after tax¹⁾</i>						
Net investment hedge of foreign operations		-31	-22	-43	-103	86
Translation differences realisation of foreign operations		159	68	545	-111	-1,096
Other comprehensive income for the period		128	46	502	-214	-1,010
Total comprehensive income for the period		449	-57	853	-1,317	-2,418
Profit for the period attributable to the shareholders of the parent company		317	-102	351	-1,099	-1,399
Profit for the period attributable to non-controlling interests		4	-1	0	-4	-9
Total comprehensive income for the period attributable to the shareholders of the parent company		442	-57	840	-1,315	-2,379
Total comprehensive income for the period attributable to non-controlling interests		7	1	13	-2	-39
Earnings per share, before and after dilution, SEK		1.73	-0.56	1.91	-5.98	-7.61

1) During Q2 2021, a redistribution took place between net investment hedge and translation differences, with no effect on Other comprehensive income. Comparative figures have been recalculated.

Condensed consolidated statement of financial position

MSEK	30 Sep		31 Dec
	2021	2020	2020
ASSETS			
Non-current assets			
Operating Properties	7,830	7,148	6,872
Equipment and interiors	518	503	502
Investment Properties	50,627	52,208	50,181
Deferred non-current rent attributable to new temporary payment terms	312	-	189
Right-of-use assets	3,009	3,071	2,926
Deferred tax assets	488	559	631
Derivatives ¹⁾	124	47	43
Other non-current receivables	78	37	36
Total non-current assets	62,986	63,573	61,380
Current assets			
Inventories	11	12	9
Current tax assets	99	96	95
Trade account receivables	219	773	180
Deferred current rent attributable to new temporary payment terms	337	-	250
Prepaid expenses and accrued income	277	182	110
Other current receivables	143	198	169
Cash and cash equivalents	1,494	2,309	2,622
Total current assets	2,580	3,570	3,435
Total assets	65,566	67,143	64,815
EQUITY AND LIABILITIES			
Equity			
Share capital	460	460	460
Other paid-in capital	7,525	7,525	7,525
Reserves	-225	50	-714
Retained earnings, including profit for the period	16,960	16,909	16,609
Equity attributable to the owners of the Parent Company	24,720	24,944	23,880
Non-controlling interests	221	245	208
Sum equity	24,941	25,189	24,088
LIABILITIES			
Non-current liabilities			
Non-current interest-bearing liabilities ²⁾³⁾	27,689	30,110	26,034
Other non-current liabilities	4	17	5
Long-term lease liability	2,988	3,043	2,901
Derivatives ¹⁾	369	953	841
Provisions	36	57	32
Deferred tax liability	4,319	4,407	4,307
Total non-current liabilities	35,405	38,587	34,120
Current liabilities			
Provisions	82	110	139
Current interest-bearing liabilities ²⁾³⁾	4,058	2,063	5,418
Short-term lease liability	23	30	27
Tax liabilities	141	106	118
Trade accounts payable	201	227	179
Other current liabilities	213	333	265
Accrued expenses and prepaid income	502	498	461
Total current liabilities	5,220	3,367	6,607
Total liabilities	40,625	41,954	40,727
Total equity and liabilities	65,566	67,143	64,815

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 134 have reduced interest-bearing liabilities in the period, compared to MSEK 192 same period 2020.

Condensed consolidated statement of changes in equity

Attributable to the owners of the parent company

MSEK	Share capital	Other paid in capital	Translation reserves	Revaluation reserve ²⁾	Retained earnings, incl profit for the period	Total	Non-controlling interests	Total equity
Opening balance equity 1 Jan, 2020	460	7,525	89	169	18,107	26,350	156	26,506
Profit for the period	—	—	—	—	-1,399	-1,399	-9	-1,408
income	—	—	-980	—	—	-980	-30	-1,010
Transactions regarding non-controlling interests ¹⁾	—	—	8	—	-99	-91	91	—
Closing balance equity 31 December, 2020	460	7,525	-883	169	16,609	23,880	208	24,088
Opening balance equity 1 Jan, 2021	460	7,525	-883	169	16,609	23,880	208	24,088
Profit for the period	—	—	—	—	351	351	0	351
income	—	—	489	—	—	489	13	502
Closing balance equity 30 Sep, 2021	460	7,525	-394	169	16,960	24,720	221	24,941

¹⁾Transfer from the Parent Company's shareholders to non-controlling interests.

²⁾Change of fair value due to reclassification of hotel properties from Operator Activities to Property Management.

Condensed consolidated statement of cash flow

MSEK	Jul-Sep		Jan-Sep		Full-year
	2021	2020	2021	2020	2020
OPERATING ACTIVITIES					
Profit before tax	397	-119	423	-1,180	-1,542
Reversal of depreciation	70	59	207	174	238
Changes in value, realised	6	-	12	-	-
Changes in value, unrealised	9	315	465	1,246	1,779
Changes in value, derivatives, unrealised	-202	-52	-553	329	221
Other items not included in the cash flow	47	9	36	-93	-38
Taxes paid	-26	24	-31	-42	-45
Cash flow from operating activities before changes in working capital	301	236	559	434	613
Increase/decrease in operating assets	-91	-232	-367	-260	-36
Increase/decrease in operating liabilities	-24	138	-9	8	-117
Change in working capital	-115	-94	-376	-252	-153
Cash flow from operating activities	186	142	183	182	460
INVESTING ACTIVITIES					
Investments in properties and fixed assets	-205	-179	-777	-694	-907
Acquisitions of hotel properties, net effect on liquidity	-	-	-	-693	-689
Acquisitions of financial assets	-23	-2	-41	-3	-2
Cash flow from investing activities	-228	-181	-818	-1,390	-1,598
FINANCING ACTIVITIES					
New loans	1,057	1,172	5,396	8,680	9,755
Amortisation of debt	-2,225	-1,128	-5,867	-5,907	-6,664
Guaranteed minority dividend	-	-	-	-	-20
Cash flow from financing	-1,168	44	-471	2,773	3,071
Cash flow for the period	-1,210	5	-1,106	1,565	1,933
Cash and cash equivalents at beginning of period	2,712	2,298	2,622	632	632
Exchange differences in cash and cash equivalents	-8	6	-22	112	57
Liquid funds end of period	1,494	2,309	1,494	2,309	2,622
Information regarding interest payments					
Interest received amounted to	1	0	2	1	2
Interest paid amounted to	-216	-191	-632	-628	-819
Financial cost right of use assets	-23	-21	-67	-65	-86
Information regarding cash and cash equivalents end of period	1,494	2,309	1,494	2,309	2,622
Cash and cash equivalents consists of bank deposits.					

Condensed income statement for the parent company

MSEK	Jul-Sep		Jan-Sep		Full-year
	2021	2020	2021	2020	2020
Total revenues	37	38	111	116	150
Administration cost	-44	-51	-144	-166	-219
Operating profit	-7	-13	-33	-50	-69
Other interest income and similar profit/loss items	13	18	320	-263	-383
Derivatives, unrealised	98	7	391	-232	-188
Profit after financial items	104	12	678	-545	-640
Year-end appropriations	-	-	-	-	1
Profit before tax	104	12	678	-545	-639
Current tax	0	0	0	0	0
Deferred tax	-40	-14	-165	86	153
Profit for the period	64	-2	513	-459	-486

Condensed balance sheet for the parent company

Figures in MSEK	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Non-current assets	19,788	19,885	19,443
Current assets	1,544	2,254	2,621
Total assets	21,332	22,139	22,064
EQUITY AND LIABILITIES			
Equity	9,116	8,631	8,603
Provisions	121	174	168
Non-current liabilities	8,587	7,926	5,866
Current liabilities	3,508	5,408	7,427
Total equity and liabilities	21,332	22,139	22,064

Reconciliation alternative performance measurements

Per share, SEK ¹⁾	Jul-Sep		Jan-Sep		Full-year
	2021	2020	2021	2020	2020
Total comprehensive income per share, SEK					
Total comprehensive income for the period attributable to the shareholders of the parent company, MSEK	442	-57	840	-1,315	-2,379
Weighted average number of share, before and after dilution	183,849,999	183,849,999	183,849,999	183,849,999	183,849,999
Total comprehensive income per share, SEK	2.40	-0.31	4.57	-7.15	-12.94
Cash earnings per share, SEK					
Cash earnings attr.to the shareholders of the parent company, MSEK	266	195	517	535	669
Weighted average number of share, before and after dilution	183,849,999	183,849,999	183,849,999	183,849,999	183,849,999
Cash earnings per share, SEK	1.45	1.06	2.81	2.91	3.64
Net asset value (EPRA NRV) per share, SEK					
EPRA NRV (net asset value), MSEK	-	-	31,529	32,234	30,813
Number of shares at the end of the period	-	-	183,849,999	183,849,999	183,849,999
Net asset value (EPRA NRV) per share, SEK	-	-	171.49	175.33	167.60
Dividend per share, SEK					
Dividend, MSEK	-	-	-	-	-
Number of shares at dividend	-	-	183,849,999	183,849,999	183,849,999
Dividend per share, SEK³⁾	-	-	-	-	-
Weighted average number of share, before and after dilution	183,849,999	183,849,999	183,849,999	183,849,999	183,849,999
Number of shares at the end of the period	183,849,999	183,849,999	183,849,999	183,849,999	183,849,999
PROPERTY RELATED KEY FIGURES					
Number of hotels, end of period ²⁾	-	-	156	156	156
Number of rooms, end of period ²⁾	-	-	35,226	35,059	35,060
WAULT, years	-	-	14.2	14.9	14.6
Market value properties, MSEK	-	-	61,255	62,022	59,542
Market value Investment Properties, MSEK	-	-	50,627	52,208	50,181
Market value Operating Properties, MSEK	-	-	10,628	9,814	9,361
RevPAR (Operator Activities) for comparable units at comparable exchange rates, SEK	400	208	228	268	226

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 numbers for shares for profit and loss item.

²⁾ Pandox's owned hotel properties.

³⁾ For 2021 actual dividend is indicated.

Reconciliation alternative performance measurements

MSEK	Jul-Sep		Jan-Sep		Full-year
	2021	2020	2021	2020	2020
Net interest-bearing debt					
Non-current interest-bearing liabilities	-	-	27,689	30,110	26,034
Current interest-bearing liabilities	-	-	4,058	2,063	5,418
Arrangement fee for loans	-	-	134	192	177
Cash and cash equivalents	-	-	-1,494	-2,309	-2,622
Net interest-bearing debt	-	-	30,387	30,056	29,007
Loan to value net, %					
Net interest-bearing debt	-	-	30,387	30,056	29,007
Market value properties	-	-	61,255	62,022	59,542
Loan to value, %	-	-	49.6	48.5	48.7
Interest cover ratio, times					
EBITDA	550	456	1,347	1,321	1,699
Less: Financial costs for right-of-use-assets	-23	-21	-67	-65	-86
Net interest costs	213	197	631	594	793
Interest cover ratio, times	2.5	2.2	2.0	2.1	2.0
Average interest on debt end of period, %					
Average interest expenses	-	-	803	766	811
Non-current interest-bearing liabilities	-	-	27,689	30,110	26,034
Arrangement fee for loans	-	-	134	192	177
Current interest-bearing liabilities	-	-	4,058	2,063	5,418
Average interest on debt end of period, %	-	-	2.5	2.4	2.6
Investments, incl. parent company excl. acquisitions	205	179	777	694	907
Net operating income, Property Management					
Rental income	617	563	1,673	1,705	2,228
Other property income	35	67	101	124	171
Costs, excl. property administration	-53	-65	-162	-180	-215
Net operating income, before property administration	599	565	1,612	1,649	2,184
Property administration	-46	-34	-127	-109	-166
Net operating income, Property Management	553	531	1,485	1,540	2,018
Net operating income, Operator Activities					
Revenue	287	169	525	662	779
Costs	-334	-266	-778	-938	-1,182
Gross profit	-47	-97	-253	-276	-403
Plus: Depreciation included in costs	69	58	205	172	235
Net operating income, Operator Activities	22	-39	-48	-104	-168
EBITDA					
Gross profit from respective operating segment	506	434	1,232	1,264	1,615
Plus: Depreciation included in costs Operator Activities	69	58	205	172	235
Less: Central administration, excluding depreciation	-25	-36	-90	-115	-151
EBITDA	550	456	1,347	1,321	1,699
Cash earnings					
EBITDA	550	456	1,347	1,321	1,699
Plus: Financial income	1	0	2	1	2
Less: Financial expense	-243	-227	-715	-674	-902
Less: Financial costs for right-of-use-assets	-23	-21	-67	-65	-86
Plus/Less: Translation effect on bank deposits	0	3	0	3	4
Less: Current tax	-15	-17	-50	-55	-57
Cash earnings	270	194	517	531	660
EPRA NRV					
Equity attr. to the shareholders of the parent company	-	-	24,720	24,944	23,880
Plus: Revaluation of Operating Properties	-	-	2,295	2,171	1,998
Plus: Fair value of financial derivatives	-	-	245	906	798
Less: Deferred tax assets related to derivatives	-	-	-50	-194	-171
Plus: Deferred tax liabilities	-	-	4,319	4,407	4,307
EPRA NRV	-	-	31,529	32,234	30,813
Growth in EPRA NRV, annual rate, %					
EPRA NRV attr. to the shareholders of the parent company, OB	-	-	32,234	30,825	34,270
EPRA NRV attr. to the shareholders of the parent company, CB	-	-	31,529	32,234	30,813
Excluding proceeds from new share issue	-	-	-	-3,010	-
Growth in EPRA NRV, annual rate, %	-	-	-2.2	-5.2	-10.1

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 tables on pages 19 and 20 presents measures, along with their reconciliation, which are not defined according to the IFRS. The definitions of these measures appear on page 29.

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 net 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 NRV (net asset value) and equity

Net asset value (EPRA NRV) 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. See also page 29.

Net asset value according to EPRA NRV, EPRA NTA and EPRA NDV

Net asset value is the aggregate capital the Company manages on behalf of its shareholders. Net asset value can be calculated in various ways, primarily affected by the time horizon and the portfolio's turnover. In general, Pandox has an industrial and long-term investment horizon.

From 31 December 2020 Pandox recognises the performance measures EPRA NRV (net reinstatement value), EPRA NTA (net tangible assets) and EPRA NDV (net disposal value). See page 29 for definitions.

EPRA NRV is the long-term net asset value and is based on the balance sheet adjusted for items where there will be no payments made in the near future, such as goodwill, financial derivatives, deferred tax liability and surplus value of Operating Properties (see page 3 and 9 for more information). EPRA NTA is the same as long-term net asset value with the difference that goodwill not attributable to deferred tax is to be added back and that deferred tax can be assigned a market value taking into account how the entity has carried out real estate transactions in recent years. As Pandox has no goodwill, has a long-term investment horizon, and does not report estimated actual deferred tax, the value of NRV and NTA in Pandox's case is the same. EPRA NDV is net asset value according to equity in the balance sheet adjusted for goodwill (Pandox has no goodwill) and surplus value of Operating Properties.

Net asset value

	30 Sep 2021		30 Sep 2020		31 Dec 2020	
	MSEK	SEK/share ¹⁾	MSEK	SEK/share ¹⁾	MSEK	SEK/share ¹⁾
Equity attr. to the shareholders of the parent company	24,720	134.46	24,944	135.68	23,880	129.89
Plus: Revaluation of Operating Properties	2,295	12.48	2,171	11.81	1,998	10.87
Plus: Fair value of financial derivatives	245	1.33	906	4.93	798	4.34
Less: Deferred tax assets related to derivatives	-50	-0.27	-194	-1.05	-171	-0.93
Plus: Deferred tax liabilities	4,319	23.49	4,407	23.97	4,307	23.43
Net asset value, EPRA NRV, MSEK	31,529	171.49	32,234	175.33	30,813	167.60
Less:	—	—	—	—	—	—
Net asset value, EPRA NTA, MSEK	31,529	171.49	32,234	175.33	30,813	167.60
Less: derivatives and deferred tax	-4,514	-24.55	-5,119	-27.84	-4,934	-26.84
Net asset value, EPRA NDV, MSEK	27,015	146.94	27,115	147.48	25,878	140.76

¹⁾Number of shares at end of period.

Quarterly data

Condensed consolidated statement of comprehensive income

	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
MSEK	2021	2021	2021	2020	2020	2020	2020	2019
Revenues Property Management								
Rental income	617	541	515	523	563	502	640	784
Other property income	35	27	39	47	67	25	32	26
Revenue Operator Activities	287	146	92	117	169	74	419	645
Total revenues	939	714	646	687	799	601	1,091	1,455
Costs Property Management								
Costs Operator Activities	-99	-98	-92	-92	-99	-79	-111	-94
Gross profit	506	413	313	351	434	306	524	825
Central administration								
Financial net	-31	-37	-37	-41	-41	-42	-47	-44
Financial cost right of use assets	-242	-239	-232	-227	-227	-220	-226	-234
Profit before value changes	210	114	23	62	145	22	229	526
Changes in value								
Properties, unrealised	-9	-105	-351	-533	-315	-320	-611	396
Properties, realised	-6	—	-6	0	0	—	—	-41
Derivatives, unrealised	202	24	327	109	51	-22	-359	444
Profit before tax	397	33	-7	-362	-119	-320	-741	1,325
Current tax	-15	-23	-12	-2	-17	-11	-27	59
Deferred tax	-61	-16	55	59	33	-1	100	-93
Profit for the period	321	-6	36	-305	-103	-332	-668	1,291
Other comprehensive income	128	-258	632	-796	46	-920	660	-199
Total comprehensive income for the period	449	-264	668	-1,101	-57	-1,252	-8	1,092

Condensed consolidated statement of financial position

MSEK	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Assets								
Properties incl equipment and interiors	58,975	58,553	59,057	57,555	59,859	59,877	62,570	60,558
Right-of-use assets	3,009	2,975	3,016	2,926	3,071	3,051	3,176	3,064
Other non-current receivables	514	500	423	268	84	85	108	151
Deferred tax assets	488	529	502	631	559	570	546	383
Current assets	1,086	939	893	813	1,261	1,008	893	1,025
Cash and cash equivalents	1,494	2,712	2,610	2,622	2,309	2,298	1,220	632
Total assets	65,566	66,208	66,501	64,815	67,143	66,889	68,513	65,813
EQUITY AND LIABILITIES								
Equity	24,941	24,492	24,756	24,088	25,189	25,246	26,498	26,506
Deferred tax liability	4,319	4,275	4,293	4,307	4,407	4,458	4,623	4,552
Interest-bearing liabilities	31,747	32,724	32,735	31,452	32,173	31,981	31,882	29,621
Leasing liabilities	3,011	2,977	3,018	2,928	3,073	3,052	3,177	3,064
Non interest-bearing liabilities	1,548	1,740	1,699	2,040	2,301	2,152	2,333	2,070
Total equity and liabilities	65,566	66,208	66,501	64,815	67,143	66,889	68,513	65,813

Key ratios

	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec
MSEK	2021	2021	2021	2020	2020	2020	2020	2019
NOI, Property Management	553	470	462	478	531	448	561	716
NOI, Operator Activities	22	10	-80	-64	-39	-85	20	159
EBITDA	550	447	350	378	456	327	538	834
Interest coverage ratio, times	2.5	2.0	1.6	1.8	2.2	1.6	2.6	4.2
Earnings per share before and after dilution, SEK	1.73	-0.04	0.22	-1.63	-0.56	-1.79	-3.63	7.30
Cash earnings, MSEK	270	162	85	129	194	75	262	654
Cash earnings per share before and after dilution, SEK	1.45	0.88	0.49	0.73	1.06	0.42	1.43	3.72
RevPAR growth (Operator Activities) for comparable units and constant currency, %	92	103	-81	-89	-81	-92	-30	-4

	30 Sep 2021	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Net interest-bearing debt	30,387	30,159	30,288	29,007	30,056	29,878	30,862	29,191
Loan to value, %	49.6	49.7	49.5	48.7	48.5	48.0	47.2	46.0
Market value properties	61,255	60,696	61,161	59,542	62,022	62,259	65,345	63,469
EPRA NRV per share, SEK	171.49	168.97	170.38	167.60	175.33	177.32	186.97	186.40
WAULT (Property Management), yrs	14.2	14.1	14.4	14.6	14.9	15.2	15.3	15.6

Portfolio overview

At the end of the period Pandox's property portfolio consisted of 156 (156) hotel properties with 35,226 (35,059) 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 (16 percent), Belgium (7 percent) and Finland (6 percent).

135* of the hotel properties are leased to third parties, which means that approximately 83 percent of the portfolio market value is covered by external leases. Pandox's tenant base consists of highly reputable hotel operators with strong hotel brands.

On 30 September 2021 Investment Properties had a weighted average unexpired lease term (WAULT) of 14.2 years (14.6).

Portfolio overview by segment and geography

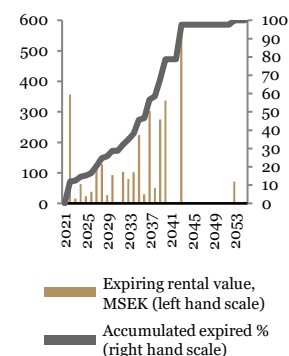
Property Management	Number		Market value (MSEK)		
	Hotels	Rooms	Per country	In % of total	Per room
Sweden	42	8,953	14,665	24	1.6
Germany	32	6,560	11,426	19	1.7
UK	19	4,675	9,050	15	1.9
Finland	13	2,922	3,916	6	1.3
Norway	14	2,573	3,221	5	1.3
Denmark	6	1,442	2,682	4	1.9
Austria	2	639	1,459	2	2.3
Belgium	2	519	913	1	1.8
Ireland	3	445	1,387	2	3.1
Switzerland	1	206	741	1	3.6
The Netherlands	1	189	1,168	2	6.2
Sum Property Management	135	29,123	50,627	83	1.7
Operator Activities					
Belgium	7	1,955	3,556	6	1.8
Germany	6	1,806	3,861	6	2.1
Canada	2	952	1,262	2	1.3
UK	2	611	794	1	1.3
Denmark	2	403	785	1	1.9
The Netherlands	1	216	346	1	1.6
Finland	1	160	24	0	0.2
Sum Operator Activities	21	6,103	10,628	17	1.7
Sum total	156	35,226	61,255	100	1.7

Portfolio overview by brand

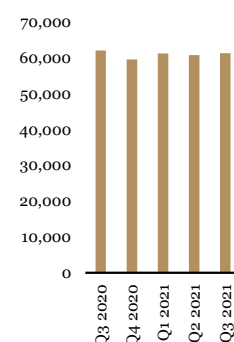
Brand	Number		
	Hotels	Rooms	In % of total
Scandic	50	11,024	31
Jurys Inn	20	4,410	13
Leonardo	18	3,547	10
Hilton	8	2,652	7
Radisson Blu	8	2,033	6
Nordic Choice Hotels	11	1,887	5
NH	7	1,681	5
Dorint	5	1,085	3
Mercure	4	760	2
Crowne Plaza	1	262	1
Elite Hotels	2	492	1
Holiday Inn	2	469	1
Novotel	2	421	1
InterContinental	1	357	1
Indigo	1	284	1
Pullman	1	252	1
Meininger	1	228	1
Best Western	1	103	0
Independent brands	13	3,279	8
Total	156	35,226	100

*Per 1 October, h27 in central Copenhagen was reclassified from Operator Activities to Property Management.

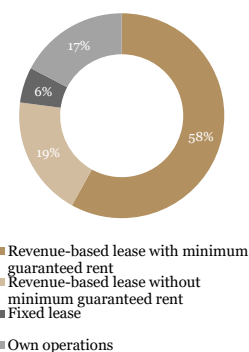
Lease maturity profile (30 September 2021)



Market value properties per quarter, MSEK



Distribution of lease and operating models, number of rooms % (30 September 2021)



Notes

Not 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 1–27 and pages 28–30 are thus an integrated part of this financial report.

The accounting principles applied are consistent with those described in Pandox's 2020 Annual Report.

Not 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.

For the third quarter and the first nine months 2021, revenue-based rent in Property Management amounted to MSEK 147 and MSEK 229 respectively.

MSEK	Q3 2021 (Jul-Sep 2021)				Q3 2020 (Jul-Sep 2020)			
	Property Management	Operator Activities	Group and non-allocated items	Total	Property Management	Operator Activities	Group and non-allocated items	Total
Revenues Property Management								
Rental and other property income	652	—	—	652	630	—	—	630
Revenue Operator Activities	—	287	—	287	—	169	—	169
Total revenues	652	287	—	939	630	169	—	799
Costs Property Management	-99	—	—	-99	-99	—	—	-99
Costs Operator Activities	—	-334	—	-334	—	-266	—	-266
Gross profit	553	-47	—	506	531	-97	—	434
Central administration	—	—	-31	-31	—	—	-41	-41
Financial income	—	—	1	1	—	—	0	0
Financial expenses	—	—	-243	-243	—	—	-227	-227
Financial cost right of use assets	—	—	-23	-23	—	—	-21	-21
Profit before value changes	553	-47	-296	210	531	-97	-289	145
Changes in value								
Properties, unrealised	-9	—	—	-9	-315	—	—	-315
Properties, realised	-6	—	—	-6	0	—	—	0
Derivatives, unrealised	—	—	202	202	—	—	51	51
Profit before tax	538	-47	-94	397	216	-97	-238	-119
Current tax	—	—	-15	-15	—	—	-17	-17
Deferred tax	—	—	-61	-61	—	—	33	33
Profit for the period	538	-47	-170	321	216	-97	-222	-103

Q3 2021 (Jul-Sep 2021)									
	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK+IE	Others	Total
Total revenues									
- Property Management	172	31	53	59	157	11	125	43	652
- Operator Activities	—	24	—	8	90	52	46	68	287
Market value properties	14,665	3,466	3,221	3,940	15,286	4,469	11,231	4,977	61,255
Investments in properties	95	17	19	8	115	162	26	46	490
Acquisitions of properties	—	—	—	—	—	—	—	—	—
Realised value change properties	-6	—	—	—	—	—	—	—	-6
Book value Operating Properties	—	752	—	29	2,591	2,671	931	1,358	8,333
Total non-current assets at book value, less deferred tax assets	15,706	3,447	3,224	4,631	14,626	3,754	12,177	4,945	62,510

Q3 2020 (Jul-Sep 2020)									
	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK+IE	Others	Total
Total revenues									
- Property Management	142	23	77	52	164	11	117	44	630
- Operator Activities	—	5	—	5	58	36	37	28	169
Market value properties	14,696	3,554	3,090	4,046	15,885	4,366	11,251	5,134	62,022
Investments in properties	28	7	7	21	25	49	28	11	176
Acquisitions of properties	—	—	—	—	10	—	-1	—	9
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	751	—	26	1,999	2,617	908	1,342	7,643
Total non-current assets at book value, less deferred tax assets	15,307	3,570	3,093	4,758	15,332	3,731	12,106	5,117	63,014

	Q1-Q3 2021 (Jan-Sep 2021, accumulated)				Q1-Q3 2020 (Jan-Sep 2021, accumulated)			
Figures in MSEK	Property Management	Operator Activities	Group and non-allocated items	Total	Property Management	Operator Activities	Group and non-allocated items	Total
Revenues Property Management								
Rental and other property income	1,774	—	—	1,774	1,829	—	—	1,829
Revenue Operator Activities	—	525	—	525	—	662	—	662
Total revenues	1,774	525	—	2,299	1,829	662	—	2,491
Costs Property Management	-289	—	—	-289	-289	—	—	-289
Costs Operator Activities	—	-778	—	-778	—	-938	—	-938
Gross profit	1,485	-253	—	1,232	1,540	-276	—	1,264
Central administration	—	—	-105	-105	—	—	-130	-130
Financial income	—	—	2	2	—	—	1	1
Financial expenses	—	—	-715	-715	—	—	-674	-674
Financial cost right of use assets	—	—	-67	-67	—	—	-65	-65
Profit before value changes	1,485	-253	-885	347	1,540	-276	-868	396
Changes in value								
Properties, unrealised	-465	—	—	-465	-1,246	—	—	-1,246
Properties, realised	-12	—	—	-12	0	—	—	0
Derivatives, unrealised	—	—	553	553	—	—	-330	-330
Profit before tax	1,008	-253	-332	423	294	-276	-1,198	-1,180
Current tax	—	—	-50	-50	—	—	-55	-55
Deferred tax	—	—	-22	-22	—	—	132	132
Profit for the period	1,008	-253	-404	351	294	-276	-1,121	-1,103

Q1-Q3 2021 (Jan-Sep)									
	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK+IE	Others	Total
Total revenues									
- Property Management	428	69	117	162	475	33	360	130	1,774
- Operator Activities	—	30	—	14	128	176	82	95	525
Market value properties	14,665	3,466	3,221	3,940	15,286	4,469	11,231	4,977	61,255
Investments in properties	129	40	30	17	169	254	74	57	771
Acquisitions of properties	—	—	—	—	—	—	—	—	—
Realised value change properties	-6	—	—	—	—	—	-6	—	-12
Book value Operating Properties	—	752	—	29	2,591	2,671	931	1,358	8,333
Total non-current assets at book value, less deferred tax assets	15,706	3,447	3,224	4,631	14,626	3,754	12,177	4,945	62,510

Q1-Q3 2020 (Jan-Sep)									
	Sweden	Denmark	Norway	Finland	Germany	Belgium	UK+IE	Others	Total
Total revenues									
- Property Management	420	79	138	154	502	35	367	134	1,829
- Operator Activities	—	6	—	14	185	231	105	121	662
Market value properties	14,696	3,554	3,090	4,046	15,885	4,366	11,251	5,134	62,022
Investments in properties	133	27	30	107	72	159	90	70	688
Acquisitions of properties	—	—	—	—	647	—	46	—	693
Realised value change properties	—	—	—	—	—	—	—	—	—
Book value Operating Properties	—	751	—	26	1,999	2,617	908	1,342	7,643
Total non-current assets at book value, less deferred tax assets	15,307	3,570	3,093	4,758	15,332	3,731	12,106	5,117	63,014

Not 3. Reclassifications, acquisitions and divestments with date of consolidation or deconsolidation

Date	Hotel property	Event
1 October 2021	h27	Reclassification to Property Management
31 August 2021	Hotel property in Nuremberg	Reclassification to Operator Activities
1 April 2020	h27	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

Not 4. Currency exchange rates

Currency exchange rates January-September

	Average rate			Rate at end-of-period		
	2021	2020	Change %	2021	2020	Change %
Euro (EUR)	10.152	10.557	-4%	10.201	10.541	-3%
British pound (GBP)	11.758	11.938	-2%	11.810	11.520	2%
Danish krone (DKK)	1.365	1.415	-4%	1.372	1.416	-3%
Norwegian krone (NOK)	0.992	0.987	1%	1.001	0.951	5%
Canadian dollar (CAD)	6.784	6.942	-2%	6.910	6.708	4%
Swiss franc (CHF)	9.311	9.885	-6%	9.411	9.751	-3%

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 properties 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).

EPRA NRV, MSEK

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.

EPRA NTA, MSEK

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.

EPRA NDV, MSEK

Recognised equity, attributable to the Parent Company's shareholders, including revaluation Operating Properties.

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 NRV (net asset value growth), annual rate, %

Accumulated percentage change in EPRA NRV, 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

EBITDA less financial expense for right-of-use assets divided by net interest expense, which consists of interest expense less interest income.

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.

NRV, NTA, NDV per share, SEK

EPRA NRV, NTA, NDV divided by the total number of shares outstanding after dilution at the end of the period.

Weighted average number of shares after dilution, thousands

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

Weighted average number of shares before dilution, thousands

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

PROPERTY INFORMATION

Market value properties, MSEK

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

Number of hotels

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

Number of rooms

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

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

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

WAULT (Investment Properties)

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



NH Brussels Bloom
305 rooms



Hotel Mayfair
203 rooms



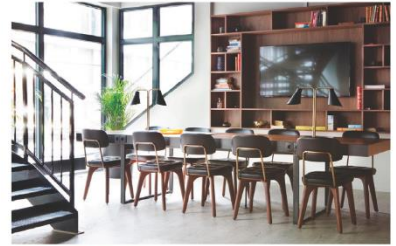
Scandic Kuopio
137 rooms



InterContinental Montreal
357 rooms



Park Centraal Amsterdam
189 rooms



Comfort Hotel Bergen
159 rooms



Elite Stora Hotellet Jönköping
167 rooms



Radisson Blu Hotel, Basel
206 rooms



NH Vienna Airport
499 rooms



Dorint am Dom Erfurt
160 rooms



The Midland Manchester
312 rooms



Jurys Inn Dublin Christchurch
182 rooms

Belgium / Denmark / Finland / Canada / Netherlands / Norway
Sweden / Switzerland / Austria / Germany / United Kingdom / Ireland

