

Press release from Padox Hotellfastigheter AB (publ)

August 24, 1999

Interim report – Six months ended June 30, 1998

- **Income, after tax, for the period January-June 1999 amounted to SEK 39.7 M (32.9), corresponding to earnings per share of SEK 2.65 (2.19).**
- **The cash flow per share from operating activities was SEK 3.68 (3.13).**
- **The operating net increased by SEK 12.1 M to SEK 102.9 M (90.8).**

Property revenue for the period amounted to SEK 129.8 M (114.3). The operating net rose by SEK 12.1 M to SEK 102.9 M (90.8). The increase over the corresponding period of 1998 is largely attributable to the surplus from properties acquired in 1998 and 1999 and from the active ownership of these properties by using the Padoxmodel. The strong hotel market has also generated higher revenue from turnover- and income-based lease agreements. The adjusted direct yield for the period amounted to 9.4% (9.3).

Group income, after tax, improved by SEK 6.8 M compared with the year-earlier period, and net income for the period was SEK 39.7 M (32.9). Income includes a capital gain from the sale of real estate amounting to SEK 4.1 M (3.5).

Net financial items for the period amounted to SEK -37.9 M (-34.4).

Padox acquired three hotel properties during the first half of the year. In January, Padox took over the Provobis Star Hotel property in Lund, in April the Scandic Hotel Hallandia property in Halmstad and in June an agreement was signed to acquire the hotel property First Hotel Grand in Borås which will be taken over on July 1, 1999. The Hotell Bohème property (52 rooms) was divested during the period with a capital gain of SEK 4.1 M.

“The Swedish hotel market continues to grow and has grown by about 3% during the first six months of 1999. In our opinion the growth in occupancy combined with no added hotel room supply will lead to an increase in average room rates in 1999,” says Anders Nissen, Managing Director Padox Hotellfastigheter AB.

Forecast for 1999

With the current portfolio of hotel properties, net income after tax for 1999, including capital gains, is expected to exceed SEK 78 M. Cash flow from operating activities is expected to exceed SEK 115 M, corresponding to SEK 7.67 per share.

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Encl: Complete interim report.

Padox Hotellfastigheter AB

Interim report
January-June 1999

- Income after tax for the period January-June 1999 amounted to SEK 39.7 M (32.9), corresponding to earnings per share of SEK 2.65 (2.19).
- The cash flow per share from operating activities was SEK 3.68 (3.13).
- The operating net increased by SEK 12.1 M to SEK 102.9 M (90.8).

REVENUE AND OPERATING NET – PROPERTY OPERATIONS

Total property revenue for the first half of 1999 amounted to SEK 129.8 M (114.3). Property expenses excluding depreciation totalled SEK 26.9 M (23.5).

The operating net rose SEK 12.1 M to SEK 102.9 M (90.8). The increase over the corresponding period of 1998 is largely attributable to the surplus from properties acquired in 1998 and 1999 and from the active ownership of these properties by using the Padox model. The strong hotel market has also generated higher revenue from turnover- and income-based lease agreements. Adjusted for properties acquired and sold, the operating net was SEK 103.8 M (94.2). The period's adjusted direct yield before administrative costs was 9.4 per cent (9.3). The adjusted direct yield including property-related administrative costs was 9.0 per cent (9.0).

REVENUE AND INCOME – HOTEL OPERATIONS

Since 1 January 1999, Padox does not operate hotels under its own management. In the corresponding period of 1998, Padox conducted hotel operations in Hotell Park Astoria in Enköping.

INCOME

Consolidated income after tax rose by SEK 6.8 M compared with the preceding year, and net income for the period was SEK 39.7 M (32.9). The increase is mainly explained by a higher operating net in property operations, primarily attributable to acquisitions. Income was also affected by a SEK 4.1 M capital gain (3.5).

FINANCING AND CASH FLOW

Net financial items for the period amounted to SEK -37.9 M (-34.4). The Group's interest-bearing liabilities on 30 June 1999 totalled SEK 1,347.7 M. The loan portfolio has an average fixed interest period of 2.0 years and an average interest rate of 5.57 per cent. The mortgaging ratio for the properties was 60.8 per cent.

Disposable liquid assets, including unutilized overdraft facilities of SEK 50 M, amounted to SEK 74.3 M.

The period's cash flow from operating activities before change in working capital amounted to SEK 55.2 M (46.9), or SEK 3.68 (3.13) per share.

PROPERTY PORTFOLIO

Pandox acquired three hotel properties during the first half of the year. In January, Pandox took over the Provobis Star Hotel property in Lund. The purchase price including acquisition costs was SEK 101 M. Since the closing took place on 1 January 1999, the property is consolidated for the entire period. On 1 April, Pandox took possession of the Scandic Hotel Hallandia property in Halmstad, which was acquired for a price of SEK 49 M. An agreement was signed in June to acquire the First Hotel Grand in Borås for a price of SEK 70 M. The property is consolidated in Pandox as of 1 July 1999.

The Hotell Bohème property in Gothenburg with 52 rooms was divested during the period with a capital gain of SEK 4.1 M.

Pandox's property holdings as per 30 June 1999, including First Hotel Grand in Borås, consist of 30 hotel properties with a combined 4,758 hotel rooms and total floor space of 281,239 sq.m. The book value of the properties, including hotel equipment but excluding First Hotel Grand in Borås, was SEK 2,217.9 M as per 30 June 1999. The Group's investments during the period amounted to SEK 13.1 M excluding acquisition, and mainly pertained to hotel product improvements in a number of properties.

FORECAST

With the current portfolio of hotel properties, net income after tax for 1999, including capital gains, is expected to exceed SEK 78 M. Cash flow from operating activities is expected to exceed SEK 115 M corresponding to SEK 7,67 per share.

Stockholm, 24 August 1999

Anders Nissen
Managing Director

CONDENSED CONSOLIDATED INCOME STATEMENTS

SEK M	Jan-June 1999	Jan-June 1998	Full-year 1998
Property operations			
Rental revenue	121.2	106.0	218.5
Other property revenue	8.6	8.3	16.1
<i>Total property revenue</i>	129.8	114.3	234.6
Operating and maintenance costs ¹	-26.9	-23.5	-47.8
Operating net	102.9	90.8	186.8
Depreciation	-19.2	-17.2	-36.0
<i>Income, property operations</i>	83.7	73.6	150.8
Hotel operations			
Operating revenue	0.0	10.4	18.5
Operating expenses ²	0.0	-10.5	-18.7
<i>Income, hotel operations</i>	0.0	-0.1	-0.2
Gross income	83.7	73.5	150.6
Administrative costs ²	-10.2	-9.6	-19.2
Nonrecurring income/expenses	4.1	3.5	1.4
Operating income	77.6	67.3	132.8
Net financial items	-37.9	-34.4	-71.3
Income after financial items	39.7	32.9	61.5
Paid tax ³	-	-	-
Net income for the period	39.7	32.9	61.5

1. Operating and maintenance costs have been annualized in accordance with the most recent forecast.
2. Planned depreciation of buildings is carried out at 1.5 per cent and amounted to SEK 15.9 M for the period. Total depreciation for the period amounted to SEK 19.6 M, of which property operations accounted for SEK 19.2 M and administrative costs for SEK 0.4 M. (Jan-June 1998: SEK 17.5 M)
3. For an account of the Group's tax situation, see the 1998 annual report.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	30 June 1999	30 June 1998	31 Dec. 1998
Assets			
Properties including hotel equipment	2,217.9	2,016.8	2,085.2
Other fixed assets	15.6	18.1	16.5
Current assets	15.5	24.4	14.6
Liquid assets	24.3	69.8	82.9
Total assets	2,273.3	2,129.1	2,199.2
Equity and liabilities			
Equity	839.8	801.5	830.1
Interest-bearing liabilities	1,347.7	1,246.3	1,281.8
Noninterest-bearing current liabilities	85.8	81.3	87.3
Total equity and liabilities	2,273.3	2,129.1	2,199.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK M	Jan-June 1999	Jan-June 1998	Full-year 1998
Income excluding nonrecurring revenue/expenses	35.6	29.4	60.1
Depreciation	19.6	17.5	36.7
Cash flow from operating activities	55.2	46.9	96.8
Total change in working capital	-2.4	-187.9	-172.0
Cash flow from operating activities after changes in working capital	52.8	-141.0	-75.2
Total investments, net	-152.3	-160.1	-247.8
Cash flow after investments	-99.5	-301.1	-323.0
Total nonrecurring revenue/expenses	4.1	3.5	1.4
Change in financial fixed assets	0.9	-0.7	1.0
Change in interest-bearing loans	65.8	168.0	203.5
New share issue	-	204.5	204.5
Dividend	-30.0	-18.8	-18.8
Total external financing	36.7	353.0	390.2
Change in liquid assets	-58.7	55.4	68.6

KEY RATIOS

	Jan-June 1999	Jan-June 1998	Full-year 1998
Property-related key ratios			
Book value of properties incl. equipment, SEK M	2,217.9	2,016.8	2,085.2
Total property revenue, SEK M	129.8	114.3	234.6
Operating net, SEK M	102.9	90.8	186.8
Adjusted operating net, SEK M	103.8	94.2	194.6
Direct yield 1, %	9.4%	9.3%	9.3%
Direct yield 2, %	9.0%	9.0%	8.9%
Financial key ratios			
Interest coverage ratio, times	2.02	1.90	1.82
Return on total capital, %	7.0%	6.9%	6.6%
Return on equity, %	9.5%	8.3%	7.6%
Equity/assets ratio, %	36.9%	37.6%	37.7%
Cash flow from operating activities, SEK M	55.2	46.9	96.8
Investments, SEK M	13.1	6.6	22.6
Property acquisitions, SEK M	150	187	260
Data per share (SEK)			
Net income for the period	2.65	2.19	4.10
Cash flow from operating activities	3.68	3.13	6.46
Equity	55.99	53.43	55.34

The number of shares after the new issue in 1998 amounts to 15,000,000.

LARGEST SHAREHOLDERS IN PANDOX

Name	As per 30 June 1999	
	No. of shares	%
Zenit, Brummer & Partners	2,398,200	16.0%
Skanska AB	1,500,000	10.0%
Ratos Förvaltnings AB	1,499,500	10.0%
SPP	719,000	4.8%
Hagströmer & Qviberg mutual funds	655,000	4.4%
Sixth National Pension Fund	551,450	3.7%
Nordbanken mutual funds	499,700	3.3%
Robur (FB)	464,000	3.1%
Wasa mutual funds	427,700	2.9%
Livförsäkringsaktiebolaget Skandia	393,250	2.6%
Swedish Industrial Salaried Employees Association	380,400	2.5%
Handelsbanken small companies fund	370,000	2.5%
Svolder AB	355,000	2.4%
Pictet & Cie	290,000	1.9%
Sabis Invest	255,700	1.7%
Banco fonder	218,400	1.5%
Other foreign owners	952,026	6.3%
Others	3,070,674	20.5%
Total	15,000,000	100.0%

The number of shareholders on 30 June 1999 was 2,380.

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

Definitions:

Property-related

Total property revenue The sum of rental revenue and other property revenue.

Operating net Total property revenue minus operating and maintenance costs, tax, ground rent and other property expenses.

Adjusted operating net Operating net adjusted to reflect sales and acquisitions of properties during the year.

Direct yield 1 Adjusted operating net in relation to the book value of properties and hotel equipment at the end of the period. The book value of hotel equipment is included in the denominator, since equipment rent is included in the numerator.

Direct yield 2 Adjusted operating net including property-related administration in relation to the book value of the properties.

Property-related administration The portion of total administration expenses that is directly related to management and development of the properties. Other administration expenses pertain to central administration and costs for maintaining the company's stock exchange listing.

Financial

Interest coverage ratio Income after net financial items plus financial expenses, in relation to financial expenses.

Return on shareholders' equity Income after net financial items and paid tax in relation to average shareholders' equity. Average shareholders' equity has been adjusted for the new issue of shares.

Return on total capital Income after net financial items plus financial expenses, in relation to average total assets.

Equity ratio Shareholders' equity at the end of the period in relation to total assets.

Property holdings as per 30 June 1999

Facility	No. of rooms	Floor space – sq. m.
Scandic Hotel Slussen, Stockholm	292	18,416
Provobis Star Hotel, Sollentuna	269	18,573
Radisson SAS Arlandia Hotel, Arlanda	343	15,260
Scandic Hotel, Upplands-Väsby	150	6,955
First Hotel Royal Star, Älvsjö	103	4,900
Total Stockholm	1,157	64,104
Radisson SAS Park Avenue, Gothenburg	318	21,998
Total Gothenburg	318	21,998
Scandic Hotel St. Jörgen, Malmö	265	21,485
First Express, Malmö	101	8,195
Provobis Hotel Kramer, Malmö	110	6,913
Total Malmö	476	36,593
Provobis Star Hotel, Lund	196	15,711
Radisson SAS Hotel, Luleå	209	12,166
Provobis Stora Hotellet, Jönköping	114	11,378
Scandic Hotel Winn, Karlstad	199	10,580
First Hotel Grand, Borås	153	9 593
Radisson SAS Hotel, Östersund	177	8,766
Provobis Billingen Plaza, Skövde	106	7,743
Scandic Hallandia, Halmstad	133	7,617
Quality Grand Hotel, Kristianstad	149	7,524
Radisson SAS Grand Hotel, Helsingborg	117	6,832
First Hotel, Linköping	133	6,540
First Hotel Plaza, Karlstad	121	5,907
First Hotel Linné, Uppsala	116	5,831
Scandic Hotel, Karlstad	143	5,694
Scandic Hotel, Kalmar	148	5,485
Total regional centers	2,219	127,367
First Resort Mora, Mora	140	9,161
Stadshotellet Princess, Sandviken	84	7,003
Hotell Sten Stensson Sten, Eslöv	80	5,833
First Hotel Park Astoria, Enköping	134	4,600
Scandic Hotel, Karlshamn	99	3,335
Good Morning Hotell, Boden	51	1,245
Total other locations	588	31,177
Pandox total	4,758	281,239

1) Consolidated in Pandox's income statement and balance sheet with effect from 1 April.

Financial calendar

Interim report January-September	22 October 1999
Year-end report 1999	12 February 2000