

## **Press release from Padox AB (publ)**

April 24, 2001

### **Interim Report – three months ending March 31, 2001**

- **Income after tax for the period January – March 2001, excluding nonrecurring revenue, totalled SEK 41.5 M (20.7), corresponding to earnings per share of SEK 1.67 (1.38).**
- **Cash flow from operating activities increased to SEK 59.2 M (33.7), which corresponds to SEK 2.38 (2.24) per share.**
- **Two hotel properties were sold for a total of SEK 33 M with a capital gain of SEK 8.7 M.**

Total property revenue for the first quarter of 2001 amounted to SEK 137.1 M (74.5). The operating net rose by SEK 54.3 M to SEK 113.5 M (59.2). This increase is mainly attributable to the acquisition of Hotellus, a good hotel market and a high level of valueadding activities in the hotel property portfolio. For comparable units the increase was 7 percent.

The adjusted direct yield for the period was 9.4% (9.9).

Net financial expense for the period amounted to SEK –44.5 M (-20,5).

Corporate group income, after tax, exclusive of nonrecurring revenue, for the period improved by SEK 20.8 M and amounted to SEK 41.5 M (20.7).

The Swedish Financial Accounting Standards Council's recommendation on income tax (RR:9) is applied. In brief, the recommendation means that both deferred tax claims and deferred tax liabilities are incorporated into the accounts and that any changes in these items in the period will affect the income statement. All comparative figures in the income statement and balance sheet have been adjusted in accordance with the new accounting principle.

During the period the hotel properties, Sten Stensson Sten in Eslöv and Scandic Karlshamn have been sold with a capital gain of SEK 8.7 M.

- "Padox income and cash flow continue to improve. A high level of investments to increase cash flow as well as the fact that demand continues to grow in the majority of the markets where Padox is represented creates favourable conditions for the future development of the company ", says Anders Nissen, Chief Executive Officer, Padox AB.

#### **Outlook for 2001**

Income after tax for the year 2001, excluding nonrecurring items, is expected to reach SEK 180 (157) M.

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Encl: Complete interim report.

## Streamlining and continued positioning

- *Income after tax for the period January – March 2001, excluding nonrecurring revenue, totalled SEK 41.5 M (20.7), corresponding to earnings per share of SEK 1.67 (1.38).*
- *Cash flow from operating activities increased to SEK 59.2 M (33.7), which corresponds to SEK 2.38 (2.24) per share.*
- *Two hotel properties were sold for a total of SEK 33 M with a capital gain of SEK 8.7 M.*

Padox' income and cash flow continued to improve. Property revenue rose by 84 per cent compared to the corresponding period in the previous year. Cash flow increased by 76 per cent to SEK 59.2 M. Earnings of SEK 41.5 M, excluding nonrecurring revenue, represented an increase of SEK 20.8 M, doubling that of the corresponding period in 2000.

The growth in earnings was mainly attributable to the acquisition of Hotellus, which was consolidated as of 1 April 2000. Furthermore, Padox' growth was attributable to a positive hotel market, from which Padox benefits by revenue- and resultbased lease agreements, as well as valueadding investments in the hotel property portfolio to increase cash flow and renegotiations of rental agreements.

Padox has a high-quality hotel property portfolio. Just over 70 per cent of revenues are generated in strong international hotel markets including Stockholm, Gothenburg, the Öresund region, Brussels and London. Around 95 per cent of the hotels are situated in strong hotel locations and a majority is operated by established operators with well-known brand names. The average size of the hotels is 190 rooms.

In the reporting period, two hotel properties were sold, namely Scandic Hotel Karlshamn and Best Western Sten Stensson Sten in Eslöv. Together with Good Morning Hotel in Boden, which was sold at the end of 2000, Padox has now sold three of its hotel properties which do not belong to the Company's prioritised market segment. The buyers were local players. The capital gain amounted to SEK 8.7 M.

Other significant events in the reporting period were ongoing investments to boost product quality and cash flow in order to strengthen the Company's future earnings. The largest investments are currently being made in Albert Premier, Brussels and Radisson SAS Arlandia Hotel, Stockholm-Arlanda. Albert Premier, a hotel with 287 rooms situated in Brussels' city centre, is currently undergoing a comprehensive product development programme at a cost of around SEK 100 M. The hotel is to be developed from a tourist hotel to a four-star hotel of international standard through a three-phase programme. Recently, the second and most comprehensive refurbishment phase was concluded. The majority of the hotel rooms and the lobby with bar and reception are ready. The hotel is progressively being repositioned to a higher price segment.

In the first three months of 2001, RevPAR in Stockholm increased by around 10 per cent, despite the addition of around 600 rooms. The highest growth rate is found in northern and southern Stockholm, but the city hotels also continue to increase their revenue.

On a rolling 12-month basis, RevPAR in Gothenburg municipality increased by just over 8 per cent with the beginning of 2001 recording an even stronger growth. This is believed to be partly attributable to the forthcoming EU summit which will increase international travel to the city.

In the Öresund area, demand continues to increase. In Copenhagen, RevPAR improved by around 6 per cent, adjusted for new capacity, with growth also continuing in Malmö.

The German cities of Bremen, Dortmund and Lübeck where Pandox is represented recorded negative growth of between -2 and -4 per cent from January to March 2001. This is partly attributable to increased competition in the convention and conference segment, which is an important sub-market.

In the reporting period, Brussels continued to see increasing growth, both in terms of volume and price. On a rolling 12-month basis, the occupancy rate of hotels in Pandox' market segment was around 70 per cent and the average price was around BEF 4,500, corresponding to an increase of just over 15 per cent.

In Antwerp, the hotel market continues to grow. The increase was estimated at just over 10 per cent in terms of RevPAR on the previous year. The high-price segment in central London, which represents 22,000 rooms of a total of 65,000, continues to grow despite forecasts which predict the opposite. RevPAR increased by around 5 per cent. The hotel market in the Docklands, in which Holiday Inn Nelson Dock is situated, saw slower growth due to additional capacity and lower occupancy rate at weekends. The downturn in the weekend occupancy rate is believed to be caused by effects of the turn of the millennium, when, amongst other things, the Dome was a driving force behind growth last year.

A pressing and important issue for Pandox is to analyse which effects the recession in the US and Japan might have on the European hotel market. Pandox is continuously and closely following developments to ensure maximum preparedness.

### **Revenues and operating net – property operations**

Property revenue in the first quarter of 2001 totalled SEK 137.1 M (74.5), an increase of SEK 62.6 M. Operating net increased by SEK 54.3 M to SEK 113.5 M (59.2). The increase was attributable to contributions from the acquisition of Hotellus, contributions from hotel properties acquired in 2000, increased rental revenue due to a positive hotel market and active development efforts targeted at the current portfolio. For comparable units, the rate of increase in the value of the portfolio for the period was just over 7 per cent. Adjusted direct yield in the period before administrative costs amounted to 9.4 per cent (9.9). Adjusted direct yield including property-related administrative costs amounted to 9.1 per cent (9.5).

### **Revenue and income – hotel operations**

Revenue from hotel operations is in its entirety attributable to Hotel Albert Premier, which has 287 rooms and is situated in Brussels' city centre. The hotel is operated through a management agreement with Scandic, which means that the operator is operating the hotel under Pandox' supervision. Hotel operation activities were consolidated as of the second quarter of 2000. Revenue from hotel operations in the period January – March 2001 totalled SEK 5.2 M and carried a loss of SEK –1.6 M. The loss occurred is due to the extensive refurbishment and development work currently undertaken at the hotel. For the whole year, income according to plan is expected. The investment is expected to be finalised in 2001.

## **Income**

Operating income in the period amounted to SEK 98.9 M, an increase of SEK 52.3 M on the previous year. Financial net was SEK -44.5 M (-20.5) and income before tax was SEK 54.4 M (26.1). The improvement is mainly attributable to the acquisition of Hotellus, a fast increase of the value of the portfolio and revenue-boosting investments. Income was also improved by a nonrecurring revenue item of SEK 8.7 M pertaining to a capital gain from the divestment of two hotel properties. Due to loss deductions, no tax liabilities occurred. As of 2001, The Swedish Financial Accounting Standards Council's recommendation on income tax (RR:9) is applied. In brief, the recommendation means that both deferred tax claims and deferred tax liabilities are incorporated into the accounts and that any changes in these items in the period will affect the income statement. All comparative figures in the income statement and balance sheet have been adjusted in accordance with the new accounting principle. For Pandox, this means that equity at the beginning of the year will be increased by SEK 19.7 M pertaining to deferred tax claims, which is mainly constituted by unutilised loss deduction. Calculated deferred tax for the period amounts to SEK -4.2 M (5.4) resulting in income after tax of SEK 50.2 M (20.7) as stated in the accounts.

## **Financing and cash flow**

Financial net in the period amounted to SEK -44.5 M (-20.5). The Group's interest-bearing liabilities on 31 March 2001 amounted to 2,932.8 M (1,457.8). The loan portfolio has a distributed due-date structure with an average fixed-interest-rate period of 2.4 years. The average interest rate on loans was 5.65 per cent. The financing of the Swedish properties is arranged in Swedish kronor and foreign properties are financed in local currencies. The mortgaging ratio was 61 per cent.

Available liquid funds, including the unutilised part of an overdraft facility of SEK 100 M (50), amounted to SEK 63.8 M (77.5). Cash flow from operating activities before changes in working capital and investments in the period was SEK 59.2 M (33.6).

## **Investments and divestments**

Pandox Group's investments amounted to SEK 51.1 M in the period. Investments mainly concerned product improvements in a number of hotel properties. The most comprehensive investments were made in Radisson SAS Arlandia and Hotel Albert Premier in Brussels. In the period, the hotel properties Sten Stensson Sten in Eslöv (80 rooms) and Scandic Karlshamn (99 rooms) were divested at a total capital gain of SEK 8.7 M. The disposals are in line with Pandox' strategy to concentrate its ownership on prioritised cities. The book value of the hotel properties including hotel equipment was SEK 4,817.4 M (2,397.0).

## **Outlook and forecast for 2001**

Pandox believes that the economic slowdown will lead to reduced growth in the hotel market in 2001. The effects of this downturn will be unevenly distributed and determined by factors such as city, the hotels' brand name, location and standard. Pandox is sharing this macroeconomic risk but the focused strategy with a prioritised market segment, the high quality of the hotel property portfolio creates favourable conditions for the future development of the Company. For 2001, we estimate that income after tax, excluding nonrecurring items, will amount to SEK 180 (157) M.

# Condensed income statement

Mkr	Jan – March 2001	Jan – March 2000	Full year 2000
Property operations			
Rental revenue	131,1	69,3	476,3
Other property revenue	6,0	5,2	21,4
<b>Total property revenue</b>	<b>137,1</b>	<b>74,5</b>	<b>497,7</b>
Operating and maintenance costs <sup>1</sup>	-23,6	-15,3	-88,9
<b>Operating net</b>	<b>113,5</b>	<b>59,2</b>	<b>408,8</b>
Depreciation according to plan <sup>2</sup>	-13,2	-7,4 <sup>3</sup>	-45,8
<b>Income, property operations</b>	<b>100,3</b>	<b>51,8</b>	<b>363,0</b>
<b>Hotel operations</b>			
Operating revenue	5,2	0,0	28,2
Operating costs	-6,8	0,0	-25,5
Operating profit, hotel operations	-1,6	0,0	2,7
<b>Gross income</b>	<b>98,7</b>	<b>51,8</b>	<b>365,7</b>
Administrative costs <sup>2</sup>	-8,5	-5,2	-31,8
Nonrecurring income/expenses	8,7	0,0	1,9
<b>Operating income</b>	<b>98,9</b>	<b>46,6</b>	<b>335,8</b>
Financial net	-44,5	-20,5	-150,7
<b>Income before taxes</b>	<b>54,4</b>	<b>26,1</b>	<b>185,1</b>
Paid tax	0,0	0,0	-1,4
Deferred tax <sup>4</sup>	-4,2	-5,4	-27,0
<b>Income after tax</b>	<b>50,2</b>	<b>20,7</b>	<b>156,7</b>

1) Maintenance costs have been accrued over the year in accordance with the latest forecast

2) Total depreciation in the period amounted to 13.5 M (7.6), of which SEK 13.2 M (7.5) in hotel operations and SEK 0.3 M (0.1) in administrative costs.

3) Depreciation according to plan on buildings for the period of 2000 was 1.5 per cent. This has been adjusted in accordance with the current principle of 1 per cent, leading to a cut in depreciation of SEK 2.7 M.

4) As of 2001 Pandox applies the Swedish Accounting Standards Council's recommendation on income tax (R:9) and all comparative figures have been adjusted to take this into account.

## Share data

	Jan – March 2001	Jan – March 2000	Full year 2000
Average number of shares, 000s	24 900	15 000	22 425
Number of shares at end of period	24 900	15 000	24 900
Income per share <sup>1</sup> , exclusive of nonrecurring items, SEK	1,67	1,38	6,90
Cash flow per share <sup>1</sup> , SEK	2,38	2,24	10,18
Shareholders equity per share	69,44	63,21	68,04

1) Calculated on the average number of shares

## Condensed balance sheet

SEK M	March 31, 2001	March 31, 2000	December 31, 2000
<b>Assets</b>			
Properties incl. hotel equipment	4 817,4	2 397,0	4 784,5
Deferred tax, net <sup>1</sup>	10,4	42,7	14,5
Other fixed assets	14,9	13,0	13,0
Current assets	85,0	15,8	61,9
Liquid assets	13,8	27,5	16,4
<b>Total assets</b>	<b>4 941,5</b>	<b>2 496,0</b>	<b>4 890,3</b>
<b>Equity and liabilities</b>			
Equity <sup>1</sup>	1 729,0	951,1	1 694,1
Interest-bearing liabilities	2 932,8	1 457,8	2 934,7
Noninterest-bearing liabilities	279,7	87,1	261,5
<b>Total equity and liabilities</b>	<b>4 941,5</b>	<b>2 496,0</b>	<b>4 890,3</b>

1) As of 2001 Pandox applies the Swedish Accounting Standards Council's recommendation on income tax (R:9) and all comparative figures have been adjusted to take this into account.

## Change in equity capital

SEK M	Jan – March 2001	Jan – March 2000	Full year 2000
<b>The Group</b>			
Equity, opening balance	1 694,1	930,4	930,4
Dividend	0,0	0,0	-41,2
Translation differences	-15,3	0,0	10,2
New issue	0,0	0,0	638,0
Net income/loss for the period	50,2	20,7	156,7
Equity, closing balance	1 729,0	951,1	1 694,1

## Condensed cash flow statement

SEK M	Jan – March 2001	Jan – March 2000	Full year 2000
Pre-tax profits	54,4	26,1	185,1
Depreciation	13,5	7,6	46,4
Paid tax	0,0	0,0	-1,4
Nonrecurring revenue/cost	-8,7	0,0	-1,9
Cash flow from operating activities	59,2	33,7	228,2
Total change in working capital	-4,9	6,5	134,7
Cash flow from operating activities after changes in working capital	54,2	40,1	362,9
Total investments, net	-46,7	-10,8	-2 437,6
Cash flow after investments	7,5	29,3	-2 074,8
Total nonrecurring revenue/cost	8,7	0,0	1,9
Change in financial fixed assets	-16,9	0,1	10,8
Change in interest-bearing loans	-1,9	-5,8	1 471,1
Change in deferred tax	0	0,0	6,7
New share issue	0,0	0,0	638,0
Dividend	0,0	0,0	-41,2
Total cash flow financing activities	-18,8	-5,7	2 085,4
The period's change in liquid assets	-2,6	23,6	12,6

## Key data\*

SEK M	Jan – March 2001	Jan – March 2000	Full year 2000
<b>Property-related key data</b>			
Book value of properties, incl. equipment, SEK M	4 817,4	2 397,0	4 784,5
Total property revenue, SEK M	137,1	74,5	497,7
Operating net, SEK M	113,5	59,2	408,8
Adjusted operating net, SEK M	112,8	59,2	459,4
Direct yield 1, %	9,4	9,9	9,6
Direct yield 2, %	9,1	9,5	9,3
<b>Financial key data</b>			
Interest coverage ratio	2,21	2,26	2,19
Return on total capital, %	8,1	7,4	8,1
Return on equity, %	11,8	8,8	11,6
Equity/assets ratio, %	35,0	38,0	34,6
Cash flow from operating activities, SEK M	59,2	33,6	228,2
Investments, excl. acquisitions, SEK M	51,1	10,8	101,3
Property acquisitions, SEK M	0	0	2 331

\* See Pandox Annual Report 2000 for definitions.

## Interest-rate structure <sup>1</sup>

Loan amount SEK M							
Until year	SEK	DKK	EUR	GBP	Total	Share	% <sup>2)</sup>
2001	924,0	100,2	196,7	23,3	1 244,2	42	5,52
2002	51,7	61,4	0,4	–	113,5	4	3,99
2003	195,9	0,0	85,5	148,2	429,6	15	6,36
2004	235,0	122,7	–	–	357,7	12	4,62
2005	175,9	–	52,8	–	228,7	8	5,66
2006 and later	505,0	–	54,1	–	559,1	19	6,11
<b>Total</b>	<b>2 087,5</b>	<b>284,3</b>	<b>389,5</b>	<b>171,5</b>	<b>2 932,8</b>	<b>100</b>	<b>5,65</b>
Share, %	71	10	13	6	100		
Average interest rate, %	5,49	4,92	5,80	8,50	5,65		
Average interest rate period, year	2,5	1,5	2,7	2,0	2,4		

1) Converted to SEK.

2) Average interest rate



## Pandox share

### Largest Pandox shareholders on 31 March 2001

Name	Number of shares	%
Scandic Hotels	5 179 900	20,8
SEB unit trusts	2 317 100	9,3
Zenit, Brummer & Partners	2 254 900	9,1
Skanska AB	1 500 000	6,0
Livförsäkrings AB Skandia	1 386 950	5,6
Länsförsäkringar WASA Liv	1 078 000	4,3
Robur unit trusts	1 041 600	4,2
Hagströmer & Qviberg unit trusts	658 000	2,6
Banco Hedge	560 900	2,3
Sixth Swedish Pension Fund	551 450	2,2
Chase Manhattan Bank	499 300	2,0
Pictet & Co, Geneve	493 800	2,0
Handelsbanken Liv Förs. AB	456 000	1,8
Nordbanken unit trusts	450 600	1,8
ST Bed Metaal Henderson Europe	400 000	1,6
Other foreign owners	1 258 635	5,1
Others	4 812 865	19,3
<b>Total</b>	<b>24 900 000</b>	<b>100,0</b>

## Pandox Hotel property Portfolio as per 31 march 2001

Facility	No. of rooms	Location
Radisson SAS Arlandia Hotel, Arlanda	334	International airport
Scandic Hotel Slussen, Stockholm	292	Downtown
Scandic Star Hotel, Sollentuna	269	Exhibition center
Scandic Hotel Järva Krog, Stockholm	215	Northern Stockholm
Scandic Hotel Park, Stockholm	198	Downtown
Scandic Hotel, Upplands-Väsby	150	Northern Stockholm
Quality Hotel Nacka, Stockholm	146	Sickla-Nacka
Scandic Hotel Bromma, Stockholm	144	Western Stockholm
First Hotel Royal Star, Älvsjö	103	Exhibition center
<b>Total Stockholm</b>	<b>1 851</b>	
Scandic Hotel Crown, Göteborg	333	Downtown
Radisson SAS Park Avenue, Göteborg	318	Downtown
Scandic Hotel Mölndal	208	Downtown
<b>Total Gothenburg</b>	<b>859</b>	
Scandic Hotel Copenhagen	484	Downtown
Scandic Hotel S:t Jörgen, Malmö	265	Downtown
Scandic Star Hotel, Lund	196	Central
Radisson SAS Grand Hotel, Helsingborg	117	Downtown
Scandic Hotel Kramer, Malmö	113	Downtown
First Express, Malmö	101	Downtown
<b>Total Öresund</b>	<b>1 276</b>	
Scandic Hotel Grand, Örebro	219	Downtown
Radisson SAS Hotel, Luleå	209	Downtown
Scandic Hotel Winn, Karlstad	199	Downtown
Radisson SAS Hotel, Östersund	177	Downtown
Scandic Hotel Ferrum, Kiruna	170	Downtown
First Hotel Grand, Borås	158	Downtown
Quality Grand Hotel, Kristianstad	149	Downtown
Scandic Hotel, Kalmar	148	Ring road
Scandic Hotel, Karlstad	143	Ring road
Scandic Hotel Hallandia, Halmstad	133	Downtown
First Hotel, Linköping	133	Downtown
First Hotel Plaza, Karlstad	121	Downtown
Elite Stora Hotellet, Jönköping	116	Downtown
First Hotel Linné, Uppsala	116	Downtown
Scandic Hotel Billingen , Skövde	106	Downtown
<b>Total regional centers</b>	<b>2 297</b>	
First Resort Mora, Mora	135	Central
First Hotel Park Astoria, Enköping	134	Central
Scandic Hotel Säffle	101	Central
Stadshotellet Princess, Sandviken	84	Central
<b>Total other locations</b>	<b>454</b>	
Holiday Inn Nelson Dock, London	368	Docklands
Hotel Albert Premier, Brussels	287	Downtown
Scandic Hotel Grand Place, Brussels	100	Downtown
Holiday Inn Antwerpen	204	Ring road
Holiday Inn Bremen	235	Downtown
Holiday Inn Dortmund	190	Exhibition center
Holiday Inn Lübeck	158	Ring road
<b>Total International</b>	<b>1 542</b>	
<b>Total Pandox</b>	<b>8 279</b>	