

Press release from Pandox AB (publ)

August 22, 2001

Interim Report – six months ending June 30, 2001

- **Income after tax for the period January – June 2001, excluding nonrecurring revenue, totalled SEK 89.9 M (65.9), corresponding to earnings per share of SEK 3.61 (3.31).**
- **Cash flow from operating activities increased to SEK 129.8 M (99.9), which corresponds to SEK 5.21 (5.00) per share.**
- **Two hotel properties were acquired for a total of SEK 142 M with a yield of 9 per cent and two hotel properties were sold with a capital gain of SEK 8.6 M.**

Total property revenue for the first six months of 2001 amounted to SEK 284.3 M (216.3). The operating net rose by SEK 62.3 M to SEK 237.0 M (174.7). 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 5 percent.

The adjusted direct yield for the period was 9.7% (9.4).

Net financial expense for the period amounted to SEK –89.7 (-62.6).

Corporate group income, after tax, exclusive of nonrecurring revenue, for the period improved by SEK 24 M and amounted to SEK 89.9 M (65.9).

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 Mr. Chip in Stockholm-Kista and Hotell Högvakten in Helsingborg have been acquired for a total cost of SEK 142 M and with a direct yield of 9 per cent.

The hotel properties Sten Stensson Sten in Eslöv and Scandic Karlshamn have been sold with a capital gain of SEK 8.6 M.

- "Pandox income and cash flow continue to improve. The hotel market in Pandox chosen market segment has continued to grow in RevPAR during the first six months of 2001", says Anders Nissen, Chief Executive Officer, Pandox AB.

Outlook for 2001

Pandox believes that its focused strategy, the high quality of the portfolio and the chosen market segment will remain an excellent base from which the company can be developed. The downturn in demand, as a consequence of the downturn in the economy, will be distributed unevenly depending on town or city, hotel location and standard and brand name. Pandox market segment is nevertheless expected to show continued good demand. Pandox income after the first six months is well in line with the earlier forecast for 2001, which means that the forecast of an income, after tax and exclusive of nonrecurring revenue, of SEK 180 M is maintained. The tax that burdens the income consists mainly of deferred tax as the company has substantial loss deductions.

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Encl: Complete interim report.

Pandox AB (publ.)

Interim report
January to June 2001

Continued positive growth

- Income after tax during the period January to June 2001, excluding nonrecurring revenue, totalled SEK 89.9 M (65.9), corresponding to earnings per share of SEK 3.61 (3.31).
- Cash flow from operating activities increased to SEK 129.8 M (99.9), which corresponds to SEK 5.21 (5.00) per share.
- Two hotel properties were acquired for a total of SEK 142 M with a direct yield of 9 per cent while two other hotel properties were divested for a total of SEK 33 M with a capital gain of SEK 8.6 M.

Pandox' revenue, income and cash flow continue to grow. Revenue rose by SEK 68 M, compared to the same period last year. Income after financial items, excluding nonrecurring revenue, saw an increase of SEK 22 M while cash flow was up to SEK 130 M.

The improved figures were mainly attributable to the acquisition of the Hotellus portfolio on 1 April 2000. But also the growth in the existing hotel property portfolio through Pandox' active ownership has been positive and it reached 5 per cent, adjusted for nonrecurring items.

Pandox is one of northern Europe's leading hotel property companies and has been listed on the O-list on the OM Stockholm Stock Exchange since 1997. Pandox' strategy is to own pure hotel properties in a selected, profitable and growing market segment, i.e. large and centrally located hotels in Stockholm, Gothenburg, Malmö, Swedish regional and university towns and cities as well as capital cities and other major cities in northern Europe. At present, Pandox owns 46 hotel properties, comprising 8,450 rooms. Around 75 per cent of revenue is generated from strong international hotel markets, such as Stockholm, Gothenburg, the Öresund region, Brussels and London. Just over 95 per cent of the hotels are situated in strong hotel locations and 98 per cent are operated by well-known brand names, including Scandic, Radisson SAS and Holiday Inn. The lease structure, which consists of around 85 per cent turnover-based leases, means that Pandox is linked to the underlying hotel market. At present, the most crucial question for the hotel- and hotel property market is how the current economic downturn will affect demand. Overall, the growth in RevPAR (Revenue per available room) for Pandox' market, i.e. northern Europe, has been slowing down. There are, however, considerable differences depending on the city, location, size, standard and which brand name operates the hotel.

Stockholm and Gothenburg continue to show strong growth and here the improvement is attributable to an increase in the average price. City hotels and the hotel market of northern Stockholm saw the most positive development. The Öresund region continues to improve both in terms of average price and volume. The hotel market in Swedish regional and university towns and cities is stable, with Uppsala, Helsingborg and Luleå seeing the most positive development at present.

The German hotel markets in which Pandox is represented recorded a growth in volume at the same level as in 2000 with the average price up by around one per cent. Demand in Brussels and Antwerp continues to increase, despite the fact that the European Football Cup was held in Belgium last year. Total RevPAR in these cities rose by between 2 and 3 per cent.

The high level of growth in London's hotel market could not be sustained. The market felt the effects of a slowdown in the US economy, fewer tourists travelling to Europe due to the foot and mouth outbreak as well as additional capacity which contributed to a general deterioration of the occupancy rate and average price.

As there are several different patterns of demand, it can be concluded that the need for accurate and reliable market information as well as experience in analysing and using this information have risen. In general, a downturn in the hotel industry can provide opportunities to acquire properties and Pandox can exploit this situation selectively through its specialist knowledge of business development.

In the first half of 2001 two hotel properties were acquired, namely Mr. Chip in Kista, Stockholm and Hotell Högvakten in Helsingborg. Mr. Chip is in a strong location in the centre of Kista and is included in the hotel market of northern Stockholm. The hotel has 150 rooms and belongs to the upper medium price segment. The hotel property was taken over on 7 June 2001 and acquired with a direct yield of just over 9 per cent. Hotell Högvakten is situated in the centre of Helsingborg, adjacent to the Radisson SAS Grand Hotel. This hotel property was acquired on 1 June 2001 with a direct yield of around 9 per cent. Total acquisition costs amounted to SEK 142 M, which increased earnings by SEK 0.10 and cash flow by SEK 0.16 per Pandox share. Together with the divestment of two hotel properties in the first half of 2001, Pandox has carried out four transactions so far this year. The divestments resulted in capital gains of SEK 8.6 M.

Activity levels continued to be high in the current portfolio, with the creation of cooperation projects with operators, such as cash flow boosting investments and maintenance programs. The largest investments currently taking place in the portfolio is in Hotel Albert Premier in Brussels and Radisson SAS Arlandia Hotel. Hotel Albert Premier is being converted from a tourist hotel into a high-class hotel with an international standard while Radisson SAS Arlandia Hotel is being upgraded to become the most complete full-service hotel at Arlanda International Airport. Both investments are going according to plan and are expected to boost lease revenue and income by the autumn.

In the spring, Hilton Group plc made public the acquisition of Scandic Hotels AB, which could alter the revenue structure of Pandox with regards to brand names. At present, Hilton and Pandox are evaluating the commercial effects of changing brand names for the hotel properties in question.

Revenue and operating net – property operations

Property revenue in the first half of 2001 totalled SEK 284.3 M (216.3), an increase of SEK 68.0 M. Operating net increased by SEK 62.3 M to SEK 237.0 M (174.7). The increase was attributable to contributions from the acquisition of Hotellus, positive 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 growth in the existing portfolio was 5 per cent during the period. Adjusted direct yield for the period before administrative costs amounted to 9.7 per cent (9.4). Adjusted direct yield including property-related administrative costs amounted to 9.4 per cent (9.1).

Revenue and income – hotel operations

Revenue from hotel operations is wholly attributable to Hotel Albert Premier, which has 287 rooms and is situated in the centre of Brussels. The hotel is operated through a management agreement with Scandic, which means that the operator is operating the hotel under the supervision of Pandox. Revenue from hotel operation activities in the period from January to June 2001 amounted to SEK 17.8 M and carried a loss of SEK 0.5 M. The loss occurred due to the extensive refurbishment and development work currently undertaken at the hotel. At

year-end, income is expected to be according to plan. The investment is expected to be finalised in 2001.

Income

Operating income for the period amounted to SEK 201.0 M, an increase of SEK 57.8 M to the previous year. Financial net was SEK -89.7 M (-62.6) and income before tax was SEK 111.3 M (80.6). The improvement is mainly attributable to the acquisition of Hotellus, the fast rate at which the portfolio is improved, as well as revenue-boosting investments. Income was also improved by nonrecurring revenue items of SEK 8.6 M, pertaining to capital gains from the divestment of two hotel properties. Due to loss deductions, no tax liabilities occurred. Calculated deferred tax for the period amounted to SEK -12.7 M (-14.5) resulting in income after tax of SEK 98.5 M (65.9).

Financing and cash flow

Financial net for the period amounted to SEK -89.7 M (-62.6). The Group's interest-bearing liabilities as at 30 June 2001 amounted to SEK 3,246.8 M (2,959.6). The loan portfolio has a distributed due-date structure with an average fixed-interest rate period of 2.3 years. The average interest rate on loans was 5.72 per cent with 65 per cent of property assets pledged. Available liquid funds, including the unutilised part of an overdraft facility of SEK 100 M (50), amounted to SEK 118.0 M (109). Cash flow from operating activities before changes in working capital and investments was for the period SEK 129.8 M (99.9).

Investments and divestments

Pandox Group's investments amounted to SEK 88.7 M during 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. During the period, the hotel properties Sten Stensson Sten in Eslöv and Scandic Karlshamn were divested with a total capital gain of SEK 8.6 M. The divestments are in line with Pandox' strategy to concentrate its ownership on prioritised cities. The Group acquired two hotel properties during the period, namely Mr. Chip in Stockholm-Kista and Högvakten in Helsingborg. Total acquisition costs amounted to SEK 142 M, resulting in a direct yield of 9 per cent. The book value of the hotel properties including hotel equipment was SEK 4,984.1 M (4,589.0).

Incentive program

During the period, the personnel at Pandox have acquired altogether 177,000 buy-options in Pandox AB within the framework of the incentive program that was decided on at the shareholders meeting in 2001. The ending date for the buy-options is 2005.

Outlook

Pandox believes that its focused strategy, the high quality of the portfolio and the chosen market segment will remain an excellent base from which the company can be developed. The downturn in demand, as a consequence of the downturn in the economy, will be distributed unevenly depending on town or city, hotel location and standard and brand name. Pandox market segment is nevertheless expected to show continued good demand. Pandox income after the first six months is well in line with the earlier forecast for 2001, which means that the forecast of an income, after tax and exclusive of nonrecurring revenue, of SEK 180 M is maintained. The tax that burdens the income consists mainly of deferred tax as the company has substantial loss deductions.

Condensed income statement

SEK M	April–June		January–June		Full year
	2001	2000	2001	2000	2000
Property operations					
Rental revenue	141,3	137,2	272,5	206,4	476,3
Other property revenue	5,9	4,7	11,8	9,9	21,4
Total property revenue	147,2	141,9	284,3	216,3	497,7
Operating and maintenance costs	-23,7	-26,4	-47,3	-41,6	-88,9
Operating net	123,5	115,5	237,0	174,7	408,8
Depreciation according to plan ¹⁾	-13,8	-11,9	-27,0	-19,3	-45,8
Income, property operations	109,7	103,6	210,0	155,4	363,0
Hotel operations					
Operating revenue	12,6	11,9	17,8	11,9	28,2
Operating costs	-11,5	-11,4	-18,3	-11,4	-25,5
Operating profit, hotel operations	1,1	0,5	-0,5	0,5	2,7
Gross income	110,8	104,1	209,5	155,9	365,7
Administrative costs ¹⁾	-8,7	-7,5	-17,1	-12,7	-31,8
Nonrecurring income/expenses	-0,1	0,1	8,6	0,0	1,9
Operating income	102,0	96,7	201,0	143,2	335,8
Financial net	-45,2	-42,2	-89,7	-62,6	-150,7
Income before taxes	56,8	54,5	111,3	80,6	185,1
Paid tax	-0,1	-0,2	-0,1	-0,2	-1,4
Deferred tax ²⁾	-8,5	-9,0	-12,7	-14,5	-27,0
Income after tax	48,2	45,3	98,5	65,9	156,7

1) Total depreciation in the period amounted to 27.3 M (19.5), of which SEK 27.0 M (19.3) in hotel operations and SEK 0.3 M (0.2) in administrative costs.

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

Per-share data	January–June		Full year
	2001	2000	2000
Average number of shares (in thousands)	24 900	19 950	22 425
Number of shares at end of period	24 900	24 900	24 900
Income per share ¹⁾ , exclusive of non-recurring items, SEK	3,61	3,31	6,90
Cash flow per share ¹⁾ , SEK	5,21	5,00	10,18
Shareholders equity per share, SEK	68,17	63,98	68,04

1) Calculation based on average number of shares.

Condensed balance sheet

SEK M	June, 30 2001	June, 30 2000	December, 31 2000
Assets			
Properties incl. hotel equipment	4 984,1	4 589,0	4 784,5
Deferred tax claim, net ¹⁾	1,8	32,3	14,5
Other fixed assets	13,0	14,1	13,0
Current assets	58,3	92,0	61,9
Liquid assets	68,0	59,2	16,4
Total assets	5 125,2	4 786,6	4 890,3

Equity and liabilities			
Equity ¹⁾	1 697,4	1 593,1	1 694,1
Interest-bearing liabilities	3 246,8	2 959,6	2 934,7
Noninterest-bearing liabilities	181,0	233,9	261,5
Total equity and liabilities	5 125,2	4 786,6	4 890,3

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

Change in equity capital

SEK M	January–June 2001	January–June 2000	Full year 2000
The Group			
Equity, opening balance	1 694,1	930,4	930,4
Dividend	-87,1	-41,2	-41,2
Translation differences	-8,1	-	10,2
New issue	-	638,0	638,0
Net income/loss for the period	98,5	65,9	156,7
Equity, closing balance	1 697,4	1 593,1	1 694,1

Condensed cash flow statement

M SEK	January–June Full year		
	2001	2000	2000
Pre-tax profits	111,3	80,6	185,1
Depreciation	27,3	19,5	46,4
Paid tax	-0,1	-0,2	-1,4
Nonrecurring revenue/cost	-8,6	0,0	-1,9
Cash flow from operating activities	129,8	99,9	228,2
Total change in working capital	-98,9	77,1	134,7
Cash flow from operating activities after changes in working capital	30,9	177,0	362,9
Investments	-88,7	-49,1	-101,3
Acquisition of properties and equipment	-141,9	-2 169,3	-2 340,3
Divestment of fixed assets	24,3	-	4,0
Cash flow after investments	-175,4	-2 041,4	-2 074,8
Total nonrecurring revenue/cost	8,6	0,0	1,9
Change in financial fixed assets	-10,0	3,9	10,8
Change in interest-bearing loans	313,7	1 496,0	1 471,1
Change in deferred tax	1,8	0,0	6,7
New share issue	-	638,0	638,0
Dividend	-87,1	-41,2	-41,2
Total cash flow financing activities	227,0	2 096,7	2 085,4
The period's change in liquid assets	51,6	55,3	12,6

This report has not been audited by the company auditors.

Key data*

SEK M	January–June Full year 200120002000		
Property-related key data			
Book value of properties incl. equipment, SEK M	4 984,1	4 589,0	4 784,5
Total property revenue, SEK M	284,3	216,3	497,7
Operating net, SEK M	237,0	174,7	408,8
Adjusted operating net, SEK M	242,6	216,1	459,4
Direct yield 1, %	9,7	9,4	9,6
Direct yield 2, %	9,4	9,1	9,3
Financial key data			
Interest coverage ratio	2,23	2,25	2,19
Return on total capital, %	8,1	8,0	8,1
Return on equity, %	11,6	10,7	11,6
Equity/assets ratio, %	33,1	33,3	34,6
Cash flow from operating activities, SEK M	129,8	99,9	228,2
Investments, excl. acquisitions, SEK M	88,7	49,1	101,3
Property acquisitions, SEK M	141,9	2 169,3	2 331,0

* For definitions see Pandox Annual Report 2000.

Interest-rate structure

Interest-rate structure¹⁾, Loan amount SEK M

Until year	SEK	DKK	EUR	GBP	Totalt	Share,%	% ²⁾
2001	986,0	99,2	162,2	22,0	1 269,4	39	5,97
2002	218,7	61,6	34,1	–	314,4	10	4,76
2003	195,9	0,0	84,0	152,5	432,4	13	6,19
2004	235,0	123,4	–	–	358,4	11	4,58
2005	220,9	–	53,9	–	274,8	9	5,67
2006 and later	505,0	–	92,4	–	597,4	18	5,94
Total	2 361,5	284,2	426,6	174,5	3 246,8	100	5,72
Share, %	73	9	13	5	100		
Average interest rate, %	5,54	5,10	5,86	8,51	5,72		
Average interest rate period, year	2,3	1,3	3,4	1,8	2,3		

1) Converted to SEK. 2) Average interest rate.

Largest Pandox shareholders on 31 June 2001

Name	No. of shares	Share, %
Scandic Hotels	5 179 900	20,8
Brummer & Partners, Zenit fund	2 251 900	9,0
SEB unit trust	1 991 900	8,0
Skanska AB	1 500 000	6,0
Skandia Life Insurance company	1 391 950	5,6
Länsförsäkringar WASA, Life Insurance company	1 078 000	4,3
Robur unit trust	948 600	3,8
Banco Hedge	832 400	3,3
Hagströmer & Qviberg unit trust	643 000	2,6
Sixth Swedish Pension Fund	551 450	2,2
Chase Manhattan Bank	498 900	2,0
Pictet & Co, Geneve	493 800	2,0
Handelsbanken Life Insurance company	456 000	1,8
Nordbanken unit trust	450 600	1,8
BSDT ABN 15% Omnibus	384 500	1,5
Other foreign shareholders	1 681 418	6,8
Other	4 565 682	18,3
Total	24 900 000	100,0

Pandox hotel property portfolio, June 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
Mr Chip Hotell, Kista	150	Northern Stockholm
Quality Hotel Nacka, Stockholm	146	Southern Stockholm
Scandic Hotel Bromma, Stockholm	144	Western Stockholm
First Hotel Royal Star, Älvsjö	103	Exhibition center
Total Stockholm	2,001	
Scandic Hotel Crown, Gothenburg	333	Downtown
Radisson SAS Park Avenue, Gothenburg	318	Downtown
Scandic Hotel Mölndal	208	Downtown
Total Gothenburg	859	
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
Hotell Högvakten, Helsingborg	42	Downtown
Total Öresund	1,318	
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
Total regional centers	2,297	
First Resort Mora, Mora	135	Central
First Hotel Park Astoria, Enköping	134	Central
Scandic Hotel Säffle	101	Central
Stadshotellet Princess, Sandviken	84	Central
Total other locations	454	
Holiday Inn Nelson Dock, London	368	Docklands
Hotel Albert Premier, Bryssel	287	Downtown
Scandic Hotel Grand Place, Bryssel	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
Total International	1,542	
Total Pandox	8,471	

Financial calendar

Interim report January – September	22 October, 2001
Year-end report 2001	12 February, 2002
Annual General Meeting	21 March, 2002