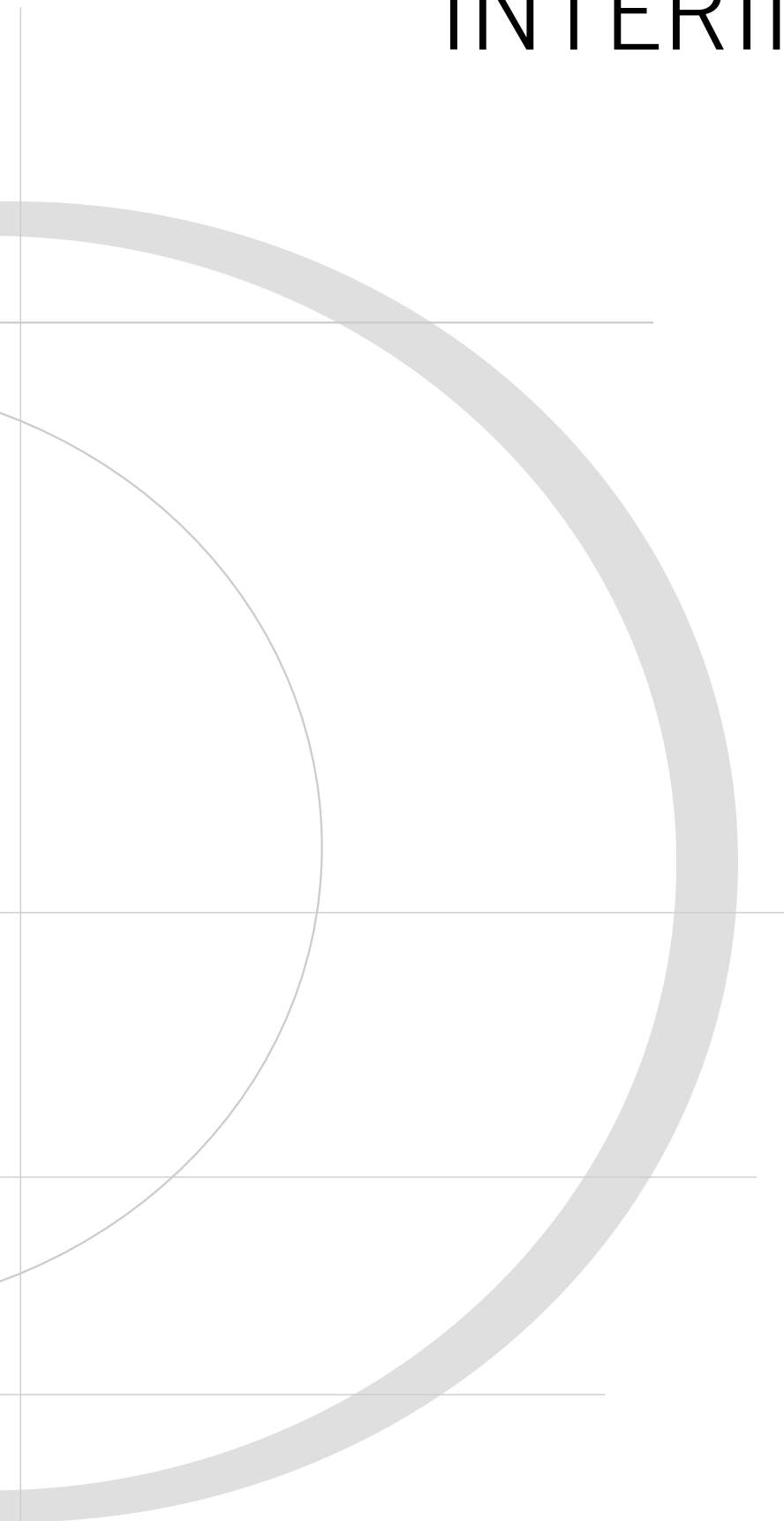


Pandox Hotellfastigheter AB

INTERIM REPORT

January-September 1999



- Income after tax for the period January-September 1999 amounted to SEK 59.0 M (47.2), corresponding to earnings per share of SEK 3.93 (3.15).
- Cash flow from operating activities per share was SEK 5.65 (4.70).
- The operating net rose by SEK 20.2 M to SEK 156.6 M (136.4).

REVENUE AND OPERATING NET – PROPERTY OPERATIONS

Total property revenue for the first 9 months of 1999 amounted to SEK 196.0 M (170.6). Property expenses excluding depreciation totalled SEK 39.4 M (34.2).

The operating net rose by SEK 20.2 M to SEK 156.6 M (136.4). The change compared with the corresponding period of 1998 is chiefly attributable to the surplus from properties acquired in 1998 and 1999, and development of these according to the Pandox model. Furthermore, the continued strong hotel market has generated higher earnings from turnover- and income-based lease agreements. Adjusted for properties acquired and sold, the operating net was SEK 160.1 M (144.2). The adjusted direct yield before administrative costs during the period was 9.4 per cent (9.2). The adjusted direct yield including property-related administrative costs was 9.0 per cent (8.9).

REVENUE AND INCOME – HOTEL OPERATIONS

As of 1 January 1999 Pandox conducts no hotel operations. In the corresponding period of 1998, Pandox operated the Hotell Park Astoria in Enköping.

INCOME

Consolidated income after tax rose by SEK 11.8 M over the preceding year, and net income for the period was SEK 59.0 M (47.2). The earnings increase is mainly explained by a higher operating net from property

operations, primarily due to acquisitions. Income was also affected by a capital gain of SEK 4.1 M (3.5).

FINANCING AND CASH FLOW

The period's net financial items amounted to SEK -57.1 M (-52.8). The Group's interest-bearing liabilities as per 30 September 1999 totalled SEK 1,385.6 M. The average fixed-interest period in the loan portfolio is 2.2 years and the average interest rate is 5.61 per cent. The mortgaging ratio for the properties is 60.9 per cent.

Disposable liquid assets including unutilised overdraft facilities of SEK 50 M amounted to SEK 76.4 M.

Cash flow from operating activities before change in working capital for the period amounted to SEK 84.8 M (73.9), corresponding to SEK 5.65 per share (4.70).

PROPERTY PORTFOLIO

Pandox has acquired four hotel properties during the first 9 months of the year. In January, Pandox assumed ownership of the Provobis Star Hotel in Lund. The purchase price including acquisition costs was SEK 101 M. Since financial settlement took place on 1 January 1999, the property is included in income for the entire period.

On 1 April Pandox took over the Scandic Hotel Hallandia property in Halmstad, which was acquired for a price of SEK 49 M. On 1 July Pandox assumed ownership of First Grand Hotel property in Borås for a price of SEK 69 M including acquisition

costs. An agreement was signed in September to acquire the Quality Hotel Nacka property (formerly Fogg's Hotel) for a price of SEK 122 M including acquisition costs. The property is consolidated in Pandox as of 1 October 1999.

The Hotell Bohème property in Gothenburg, with 52 rooms, was divested during the period. The hotel property with related equipment was sold for SEK 15 M, providing a consolidated capital gain of SEK 4.1 M.

Pandox's property holdings as per 30 September 1999, including Quality Hotel Nacka, consist of 31 hotel properties with a combined 4,904 hotel rooms and floor space of 292,069 sq.m. The book value of the properties including hotel equipment, but excluding Quality Hotel Nacka, as per 30 September 1999 was SEK 2,276.8 M.

The Group's investments during the period amounted to SEK 20.9 M, and mainly pertained to hotel improvements in a number of properties.

FORECAST

With the current portfolio of hotel properties, the anticipated income after tax including capital gains for 1999 is SEK 80 M. Cash flow from operating activities is expected to be SEK 117 M, corresponding to SEK 7.80 per share.

Stockholm, 22 October 1999

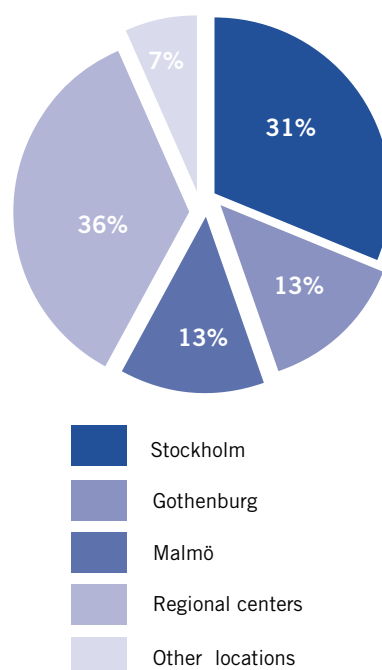
Anders Nissen
Managing Director

CONDENSED CONSOLIDATED INCOME STATEMENTS

SEK M	Jan-September 1999	Jan-September 1998	Full-year 1998
Property operations			
Rental revenue	183.1	159.6	218.5
Other property revenue	12.9	11.0	16.1
<i>Total property revenue</i>	196.0	170.6	234.6
Operating and maintenance costs ¹	-39.4	-34.2	-47.8
Operating net	156.6	136.4	186.8
Depreciation ²	-29.6	-26.3	-36.0
<i>Income, property operations</i>	127.0	110.1	150.8
Hotel operations			
Operating revenue	0.0	13.9	18.5
Operating expenses ²	0.0	-13.9	-18.7
<i>Income, hotel operations</i>	0.0	0.0	-0.2
Gross income	127.0	110.1	150.6
Administrative costs ²	-15.0	-13.6	-19.2
Nonrecurring income/expenses	4.1	3.5	1.4
Operating income	116.1	100.0	132.8
Net financial items	-57.1	-52.8	-71.3
Income after financial items	59.0	47.2	61.5
Paid tax ³	-	-	-
Net income for the period	59.0	47.2	61.5

1. Operating and maintenance costs have been annualised in accordance with the most recent forecast.
2. Depreciation of buildings is carried out at 1.5 per cent and amounts to SEK 23.8 M for the period. Total depreciation for the period amounts to SEK 29.9 M, of which property operations account for SEK 29.6 M and administrative costs for SEK 0.3 M. (Jan-Sept 1998 a total of SEK 26.7 M)
3. For an account of the Group's tax situation, see the description in the 1998 annual report.

Distribution of rental revenues



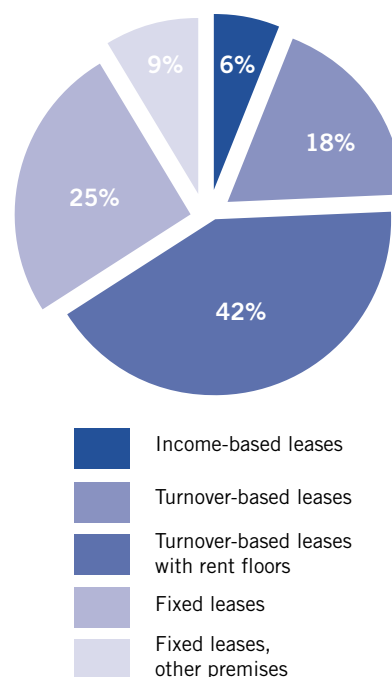
CONDENSED CONSOLIDATED BALANCE SHEET

SEK M	30 Sep. 1999	30 Sep. 1998	31 Dec. 1998
Assets			
Properties including hotel equipment	2,276.8	2,083.4	2,085.2
Other fixed assets	14.9	17.8	16.5
Current assets	17.6	19.5	14.6
Liquid assets	26.4	76.0	82.9
Total assets	2,335.7	2,196.7	2,199.2
Equity and liabilities			
Equity	859.1	815.8	830.1
Interest-bearing liabilities	1,385.6	1,289.2	1,281.8
Noninterest-bearing current liabilities	91.0	91.7	87.3
Total equity and liabilities	2,335.7	2,196.7	2,199.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK M	Jan-Sep 1999	Jan-Sep 1998	Full-year 1998
Income excluding nonrecurring revenue/expenses	54.9	43.7	60.1
Depreciation	29.9	26.7	36.7
Cash flow from operating activities	84.8	70.4	96.8
Total change in working capital	0.8	-172.5	-172.0
Cash flow from operating activities after change in working capital	85.6	-102.1	-75.2
Total acquisitions and investments, net	-221.6	-234.6	-247.8
Cash flow after investments	-136.0	-336.7	-323.0
Total nonrecurring revenue/expenses	4.1	3.5	1.4
Change in financial fixed assets	1.6	-1.6	1.0
Change in interest-bearing loans	103.8	210.8	203.5
New share issue	-	204.5	204.5
Dividend	-30.0	-18.8	-18.8
Total external financing	75.4	394.9	390.2
Change in liquid assets	-56.5	61.7	68.6

Rental revenues by type of lease



KEY RATIOS

Property-related key ratios

	Jan-Sep 1999	Jan-Sep 1998	Full-year 1998
Book value of properties incl. equipment, SEK M	2,276.8	2,083.4	2,085.2
Total property revenue, SEK M	196.0	170.6	234.6
Operating net, SEK M	156.6	136.4	186.8
Adjusted operating net, SEK M	160.1	144.2	194.6
Direct yield 1, %	9.4%	9.2%	9.3%
Direct yield 2, %	9.0%	8.9%	8.9%

Financial key ratios

Interest coverage ratio, times	2.01	1.84	1.82
Return on total capital, %	6.9%	6.7%	6.6%
Return on equity, %	9.3%	7.9%	7.6%
Equity/assets ratio, %	36.8%	37.1%	37.7%
Cash flow from operating activities, SEK M	84.8	73.9	96.8
Investments, SEK M	20.9	11.0	22.6
Property acquisitions, SEK M	219	254	260

Data per share (SEK)

Net income for the period	3.93	3.15	4.10
Cash flow from operating activities	5.65	4.70	6.46
Equity	57.28	54.39	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 September 1999 No. of shares	%
Zenit, Brummer & Partners	2,669,500	17.8%
Skanska AB	1,500,000	10.0%
Ratos Förvaltnings AB	1,499,500	10.0%
SPP	719,000	4.8%
Hagströmer & Qviberg mutual funds	654,300	4.4%
Sjätte AP-Fonden	551,450	3.7%
Robur (FB)	518,000	3.5%
Nordbanken mutual funds	474,700	3.2%
LF/Wasa mutual funds	427,700	2.9%
Banco fonder	400,600	2.7%
Svolder AB	385,000	2.6%
Handelsbankens small companies fund	380,000	2.5%
Livförsäkringsaktiebolaget Skandia	353,250	2.4%
Swedish Industrial Salaried Employees Association	313,800	2.1%
Pictet & Cie	310,000	2.1%
Sabis Invest	249,700	1.7%
Other foreign owners	796,967	5.3%
Others	2,796,533	18.6%
Total	15,000,000	100.0%

The number of shareholders on 30 September 1999 was 2,232.

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.

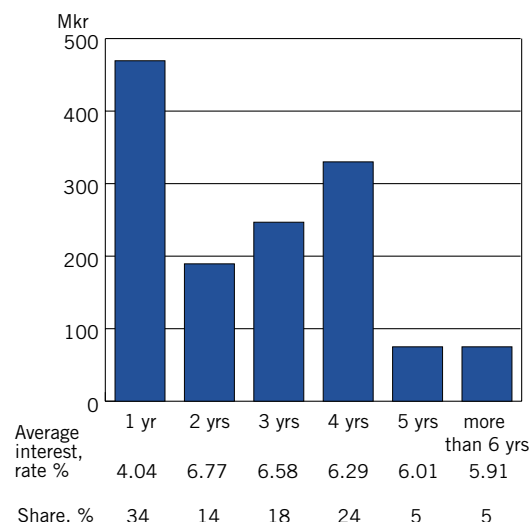
Direct yield 1 Adjusted operating net in relation to the book value of properties and hotel equipment at the end of the period. The book value of hotel equipment is included in the denominator, since equipment rent is included in the numerator.

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

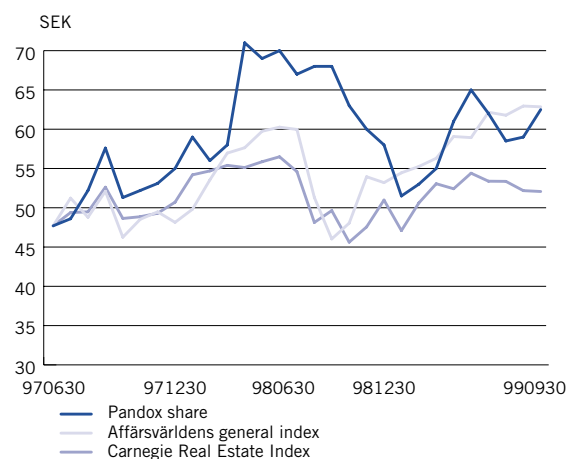
Property-related administration The portion of total administration expenses that is directly related to management and development of the properties. Other administration expenses pertain to central administration and costs for maintaining the company's stock exchange listing.

Fixed interest rate structure

Average interest 5.61%



Pandox share price trend



Active ownership generates good business opportunities

Pandox is a pure hotel property company whose strategy is to own one type of real estate – hotel properties.

We are strengthening this focus by concentrating on a prioritised market segment – large, centrally located hotels with a business travel profile in metropolitan areas of Sweden and the other Nordic countries.

Pandox has broad and in-depth expertise in the fields of hotels, hotel properties and business development. This means there is experience within the organisation of managing hotels and of doing business in the Swedish and international hotel environment. Within the organisation there are also analysts, legal advisors and property managers with special expertise in their respective fields and experience of the hotel industry.

A number of management systems and products have been developed to fully exploit this expertise, such as an IT system for market information, databases of hotel property owners, hotel product analyses

and a manual for hotel agreements. The overall working method is known as the Pandox model.

New acquisition – a good example of active ownership

During the third quarter Pandox purchased a new hotel property – Quality Hotel Nacka (formerly Fogg's Hotel), which represents a new strategic acquisition. Quality Hotel Nacka is centrally located in southern Stockholm and the local Nacka/Sickla area, which is currently in the midst of an expansion phase. This is expected to strengthen demand for hotel services, and the hotel will also benefit from the strong hotel market in Stockholm.

The hotel is the largest in the area, with 146 rooms and a full-service concept, and the market profile caters to business travellers and conference guests. Consequently, the hotel meets all of Pandox's acquisition criteria for city, location, size, and profile.

This was Pandox's fifth business transaction during 1999. All of the acquisitions have been consistent

with our strategy and generated immediate improvement in our key ratios. The acquisition of Quality Hotel Nacka boosted earnings per share by 8 öre and cash flow per share by 18 öre.

This acquisition is a good example of Pandox's active ownership. In order for Pandox to win the bidding for the hotel property, we were forced to acquire the hotel property from one party and hotel management from another party, establish a new strategy and lease the hotel management to a new operator. To accomplish this, we utilised all of our areas of expertise – hotels, hotel properties and business development, the latter mainly with regard to acquisitions and acquisition methods.

The outcome was excellent. The hotel has a new operator, Choice Hotels Scandinavia ASA, with a well established distribution network of more than 4,500 hotels. The hotel will be operated under a new name, Quality, which is Choice's brand for full-service hotels. A new management is in place and the strategy has been reformulated. In the end, Pandox acquired a hotel property that has contributed to improved profitability and an increased cash flow per share from the very start.

Continued strong hotel market

The hotel market has continued to improve during the period under review. Recent reports on increased domestic growth are expected to boost demand for hotel services. Our assessment is that 1999 will be a record year for hotel lodgings and that the outlook for the year 2000 remains favourable. Pandox believes that this growth will be unevenly distributed in the hotel market, which means that a number of influential factors will be required to profit from the anticipated market upswing. The decisive factors will be the hotel's location, size, brand affiliation and management.



Quality Hotel Nacka

Property holdings as per 30 September 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
Quality Hotel, Nacka ¹	146	10,830
Scandic Hotel, Upplands-Väsby	150	6,955
First Hotel Royal Star, Älvsjö	103	4,900
Total Stockholm	1,303	74,934
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	4,904	292,069

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

Financial calendar

Year-end report 1999
Annual General Meeting

17 February 2000
30 March 2000

P A N D O X

Hotellfastigheter AB

Pandox Hotellfastigheter AB (publ), Box 5364, SE-102 49 Stockholm, Sweden
Tel +46 8 506 205 50 Fax: +46 8 506 205 70 Internet: www.pandox.se e-mail: pandox@pandox.se