

Preliminary 2000 Earnings

- Net income amounted to SEK 181.8 (78.1.) M corresponding to earnings per share of SEK 8.10 (5.21), excluding nonrecurring revenue.
- Cash flow from operating activities stood at SEK 228.2 (119.1) M, corresponding to SEK 10.18 (7.94) per share.
- Hotellus International AB was acquired and was consolidated in the second quarter of 2000.
- The Board of Directors propose that the annual general meeting relinquish a dividend payment of SEK 3.50 (2.75) per share.

Operations and strategy

Pandox is a pure hotel property company which, through a combination of active ownership and specialist expertise, increases cash flow and thus the value for its owners. Pandox' main strategy is to own one kind of asset – hotel properties. Pandox strengthens its focus by concentrating on a priority market segment which means that Pandox is to own large hotel properties in Stockholm, Gothenburg, Malmö, Swedish regional and university cities, as well as in capitals and other major cities in northern Europe. The hotel properties should be centrally located in natural and strong locations, such as city centres, airports and convention centres. The hotels should be in the upper medium to high price segments and focus on the business and leisure segment.

As at 31 December 2000, Pandox owned 46 properties with around 8 458 rooms and a total area of 514,844 m². In line with the internationalisation of the company, the name was changed during the year to Pandox AB. The company was floated on the O-list of the OM Stockholm Stock Exchange on 23 June 1997.

The hotel market 2000

The hotel market in Sweden continued to develop in a positive direction in 2000. The number of overnight stays increased by 2.6 per cent to 15.2 million, representing an occupancy rate of 48 per cent. The occupancy rate in larger hotels in cities prioritised by Pandox recorded a growth which exceeded the average recorded in the country as a whole. In these cities, occupancy rate was 63 per cent.

The majority of Pandox' other markets also continued to grow. REVPAR grew by five per cent in the German market where Pandox is represented. Of these, Bremen and Lübeck show a good rate of growth, while demand in Dortmund has decreased. Brussels recorded a positive trend in terms of average prices and occupancy rate, resulting in an overall increase of 10 per cent in 2000. Antwerp saw a similar development. Demand in London continued to remain stable with rising average prices. In 2000 REVPAR rose by 3.5 per cent. In Copenhagen demand continued to grow, adjusted for new capacity growth in REVPAR was about 3 per cent.

Acquisition of Hotellus

Pandox' strategy was evaluated in the autumn of 1999. Subsequently, the Board decided to develop the strategy, including, among other things, the extension of the geographical strategy into northern Europe. A wider geographical area will provide better scope for continued market growth and diversification of risk.

Furthermore, the hotel business cycle provides increased opportunities for profitable acquisitions. In February, Pandox reached an agreement with all shareholders in Hotellus International AB to acquire the company. The acquisition, which was effected on 1 April and consolidated in the second quarter of 2000, included 16 hotel properties, of which eight are outside Sweden.

Through the acquisition of Hotellus, Pandox was provided with a portfolio of well-known hotel properties centrally located in large hotel markets. The acquisition created a major pure hotel property company with well-known brand names and operations in northern Europe. The acquisition was financed by a combination of a new share issue as well as cash. The number of Pandox shares increased by 9,900,000 with the cash payment amounting to SEK 104.1 M.

Revenue and operating net – property operations

In 2000, total property revenues amounted to SEK 497.7 M (SEK 272.0 M). Property costs excluding depreciation amounted to SEK 88.9 M (SEK 54.2 M).

Operating net increased by SEK 191.0 M to SEK 408.8 M (SEK 217.8 M). This increase is attributable to contributions from the Hotellus acquisition, hotel properties acquired in 1999, increased revenues from revenue-based and result-based lease agreements, which is a result of good hotel market, as well as an active work in developing the hotelproperties in the portfolio. Adjusted for sold and acquired hotel properties, operating net amounted to SEK 459.4 (SEK 229.2 M). Adjusted direct yield before administrative costs amounted to 9.6 (9.6) per cent in the period. Adjusted direct yield including property related administrative costs amounted to 9.3 (9.2) per cent.

Revenues and profits – hotel operations

Following the acquisition of Hotellus, Hotel Albert Premier with 288 rooms in the centre of Brussels was added to Pandox' portfolio. The hotel is operated via a management contract with Scandic, which means that the operator manages the hotel under Pandox' conduct. The entire operation was consolidated in the second quarter of 2000. Revenues from the operation during the period from April to December 2000 amounted to SEK 28.2 M with profits of SEK 2.7 M. The hotel is currently undergoing major refurbishment, converting the hotel from a tourist hotel into an international business hotel of high standard. The investment program is to be finished during 2001.

Profits

Group net income rose by SEK 100.3 M compared with the previous year and profits amounted to SEK 183.7 M (SEK 83,4 M). The improvement was mainly achieved through the Hotellus acquisition, a high rate of increase in the value of the portfolio and income-boosting investments. Profits were further boosted by SEK 19.1 M following a change in the depreciation ratio for buildings from 1.5 to 1 per cent. Profits also included a nonrecurring payment of SEK 1.9 M as reimbursement of SPP funds.

Financing and cash flow

In 2000 financial net amounted to SEK -150.7 M (SEK -77.5 M). The Group's interest-bearing liabilities amounted to SEK 2,934.7 M (SEK 1,463.6 M) as at 31 December 2000. The loan portfolio has a distributed due date structure with an average fixed-interest-rate period of 2.2 years. The average interest rate on loans was 5.6 per cent at the end of the year. Financing of the Swedish portfolio was made in Swedish kronor while the foreign portfolio was financed by the local currencies. The properties' mortgaging ratio was 62 per cent. Available liquid funds, including unutilised overdraft facilities of SEK 100 M, amounted to SEK 116.4 M (SEK 53.9 M). Cash flow before changes in working capital and investments amounted to SEK 228.2 M (SEK 119.1 M).

Investments and divestments

The Group's investments, excluding acquisition of hotel properties, amounted to SEK 101.3 M in 2000. The majority of investments concerned product development in a number of hotel properties. The acquisitions of Hotellus included hotel properties with a book value of SEK 2,232.1 M. In November Padox acquired the remaining 50 per cent in Scandic Star Hotel in Sollentuna for SEK 98.8 M. At the end of 2000, the Good Morning Hotel in Boden with 52 rooms was sold, resulting in a small capital gain of SEK 47,000. The book value of all hotel properties, inclusive of hotel equipment, stood at SEK 4,784.5 (SEK 2,393.7M).

Forecast for 2001

Indications of a slowdown in the US economy and its effects on Europe and Europe's hotel market could result in a lower growth. The prioritised cities in Padox largest market, Sweden, will continue to have a favourable development. Padox income and cash flow is expected to continue to grow.

Condensed income statement

	Padox Group	
SEK M	2000	1999
Property operations		
Rental revenue	476.3	254.0
Other property revenue	21.4	18.0
Total property revenue	497.7	272.0
Operating and maintenance costs	-88.9	-54.2
Operating net	408.8	217.8
Depreciation according to plan	-45.81)	-40.32)
Income, property operations	363.0	177.5
Hotel operations		
Operating revenue	28.2	–
Operating costs	-25.5	–
Operating profit, hotel operations	2.7	–
Gross income	365.7	177.5
Administrative costs	-31.8	-21.6
Nonrecurring income/expenses	1.9	5.3
Operating income	335.8	161.2
Financial net	-150.7	-77.5
Income before taxes	185.1	83.7
Tax	-1.4	-0.3
Income/loss for the year	183.7	83.4

- 1) A depreciation ration of 1.5 per cent would have amounted to SEK 64.9 M.
- 2) A depreciation ration of 1 per cent in 1999 would have amounted to SEK M 29.4

Condensed balance sheet

SEK M	Padox Group	
	2000	1999
Assets		
Properties incl. hotel equipment	4,784.5	2,393.7
Other fixed assets	13.0	14.5
Current assets	61.8	17.9
Liquid assets	16.4	3.9
Total assets	4,875.7	2,430.0
Equity and liabilities		
Equity	1,674.4	883.6
Interest-bearing liabilities	2,934.7	1,463.6
Noninterest-bearing liabilities	266.6	82.8
Total equity and liabilities	4,875.7	2,430.0

Condensed cash flow statement

SEK M	Padox	
	2000	1999
Pre-tax profits	185.1	83.7
Depreciation	46.4	41.0
Paid tax	-1.4	-0.3
Nonrecurring revenue/cost	-1.9	-5.3
Cash flow from operating activities	228.2	119.1
Total change in working capital	134.7	-7.7
Cash flow from operating activities after changes in working capital	362.9	111.4
Total investments, net	-2,437.6	-348.9
Cash flow after investments	-2,074.8	-237.5
Total nonrecurring revenue/cost	1.9	5.3
Change in financial fixed assets	10.8	1.4
Change in interest-bearing loans	1,471.1	181.7
Change in deferred tax	6.7	-
New share issue	638.0	-
Dividend	-41.2	-30.0
Total cash flow financing activities	2,085.4	153.1
The period's change in liquid assets	12.6	-79.1

Fixed-interest-rate structure¹⁾, Loan amount SEK M

<u>Until year</u>	<u>SEK</u>	<u>DKK</u>	<u>EUR</u>	<u>GBP</u>	<u>Total</u>	<u>Share</u>	<u>%²⁾</u>
2001	913.3	115.1	271.9	24.2	1,324.5	45	5.4
2002	50.0	59.4	0.2	142.2	109.6	4	4.2
2003	365.0	118.7	84.8	–	592.0	20	6.4
2004	235.0	–	–	–	353.7	12	4.9
2005	175.0	–	51.1	–	226.1	8	5.9
2006 and later	325.0	–	3.8	–	328.8	11	6.4
Total	2,063.3	293.2	411.8	166.4	2,934.7	100	5.6
Share, %	70	10	14	6	100		
Average interest rate, %	5.5	5.1	5.8	7.9	5.6		
Average interest rate period, year	2.4	1.4	1.8	2.7	2.2		

Key data

	2000	1999
Property-related key data		
Book value of properties, incl. equipment, SEK M	4 784.5	2 393.7
Total property revenue, SEK M	497.7	272.0
Operating net, SEK M	408.8	217.8
Adjusted operating net, SEK M	459.4	229.2
Direct yield 1, %	9.6	9.6
Direct yield 2, %	9.3	9.3
Financial key data		
Interest coverage ratio	2.19	2.05
Return on total capital, %	8.1	7.0
Return on equity, %	13.0	9.7
Equity/assets ratio, %	34.3	36.4
Cash flow from operating activities, SEK M	228.2	119.1
Investments, excl. acquisitions, SEK M	101.3	28.6
Property acquisitions, SEK M	2 331	331

Per-share data	2000	1999
Average number of shares (000s)	22,425	15,000
No. of shares, Dec. 31	24,900	15,000
Share price Dec. 31, SEK	96	67
Earnings per share ² , excl. non recurring revenue (000s) SEK	8.10	5.21
Cash flow per share ² , SEK	10.18	7.94
Dividend per share, SEK	3.50 ³	2.75
Shareholders' equity per share, SEK	67.25	58.90
PE ratio	11.9	12.0
PCE ratio	9.4	8.4
Dividend ratio, %	3.6	4.1
Direct share dividend, %	47.4	49.5
1)	Proposed by the Board of Directors.	
2)	Calculated on average no. of shares	

Largest Padox shareholders on 31 December 2000

Name	Number of shares	%
Scandic Hotels AB	5,179,900	20.8
SEB unit trusts	2,105,600	8.5
Brummer & Partners, Zenit fund	2,052,800	8.2
Skanska AB	1,500,000	6.0
Ratos Förvaltnings AB	1,499,500	6.0
Skandia Life Insurance Company	1,145,350	4.6
Länsförsäkringar WASA Life Insurance Company	1,078,000	4.3
Robur unit trusts	1,066,700	4.3
Hagströmer & Qviberg unit trusts	662,300	2.7
Sixth Swedish Pension Fund	551,450	2.2
Handelsbankens unit trusts	543,500	2.2
SIF.	521,200	2.1
Handelsbanken Life Insurance Company	456,000	1.8
Nordbanken unit trusts	450,600	1.8
Swedish Building Workers Union	385,000	1.5
Other foregin shareholders	2,117,235	8.5
Others	3,584,865	14.4
Total	24,900,000	100.0

Share Capital

Year	Transaction	Change in no. of shares	No. of shares	Share capital, SEK
1994	Foundation		2,500	150,000
1995	New issue	1,250,000	1,252,500	75,150,000
1995	Bond issue	1,247,500	2,500,000	150,000,000
1997	Split 4:1	7,500,000	10,000,000	150,000,000
1998	New issue	5,000,000	15,000,000	225,000,000
2000	New issue	9,900,000	24,900 000	373,500,00

Distribution of shareholdings

No. of shares	No. of shareholders	No. of shares	Per cent of shares
More than 100 000	35	21,771,651	87.4
50 001-100 000	8	675,849	2.7
20 001-50 000	20	649 800	2.6
10 001-20 000	27	410,400	1.7
5 001-10 000	41	338,300	1.4
2 001-5 000	83	302,125	1.2
1 001-2 000	145	233,395	1.0
501-1 000	266	213,905	0.8
0-500	1,237	304,675	1.2
Total	1,863	24,900,000	100

Definitions

Property-related

Direct yield 1

Adjusted operating net as a percentage of book value of properties and hotel equipment at year-end. 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 as a percentage of the book value of the properties.

Operating net

Management revenue reduced by operating and maintenance costs, real estate tax, ground rent and property expenses.

Property-related administration

The portion of total administration costs that is related directly to management and development of a property. Other administration costs pertain to central administration and costs of maintaining the company's stock exchange listing.

Adjusted operating net

Operating net adjusted to reflect sales and purchases of properties during the year.

Total property revenue

The sum of rental revenue and other property revenue.

Financial

Return on equity

Income after net financial items and paid tax as a percentage of average equity capital. The average equity capital in 1997 has been adjusted to reflect the issue of new shares.

Return on total capital

Income after net financial items plus financial expense as a percentage of average total assets.

Return on equity

Income after net financial items and paid tax as a percentage of average equity capital.

P/E ratio

Share price divided by net earnings per share.

P/CE ratio

Share price divided by cash flow per share.

Interest-coverage ratio

Income after net financial items plus financial expense as a percentage of financial expense.

Equity/Assets ratio

Equity capital at year-end as a percentage of total assets.

Dividend ratio

Share of profits after tax paid as dividend.

Hotel market-related

Room occupancy

Number of overnight stays sold during a given period, normally one year.

Occupancy rate

Number of rooms occupied divided by the number of available rooms.

Average room price

Total revenue from overnight stays sold divided by number of rooms occupied.

REVPAR (Average revenue per available room)

Total revenue from rooms sold divided by number of available rooms.

Market penetration

The occupancy rate of an individual hotel in relation to the average for the market.

GOP

Net profit in a hotel operating company before depreciation, rent, net financial items and taxes.

Pandox hotel property portfolio

Facility	No. of rooms	Location
Radisson SAS Arlandia Hotel, Arlanda	334	International airport
Scandic Hotel Slussen, Stockholm	292	Downtown
Provobis 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	Southern Stockholm
Scandic Hotel Bromma, Stockholm	144	Western Stockholm
First Hotel Royal Star, Älvsjö	103	Exhibition center
Total Stockholm	1 851	
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
Provobis Star Hotel, Lund	196	Central
Radisson SAS Grand Hotel, Helsingborg	117	Downtown
Provobis Hotel Kramer, Malmö	113	Downtown
First Express, Malmö	101	Downtown
Total Öresund	1 276	
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 Hallandia, Halmstad	133	Downtown
First Hotel, Linköping	133	Downtown
First Hotel Plaza, Karlstad	121	Downtown
Provobis Stora Hotellet, Jönköping	116	Downtown
First Hotel Linné, Uppsala	116	Downtown
Provobis Billingen Plaza, 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
Scandic Hotel, Karlshamn	99	Ring road
Stadshotellet Princess, Sandviken	84	Central
Hotell Sten Stensson Sten, Eslöv	80	Central
Total other locations	633	
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
Total International	1 542	
Total Pandox	8 458	