

Press release from Pandox AB (publ)

August 26, 2002

Interim Report – six months ending June 30, 2002

- **Pandox total property revenue amounted to SEK 279.9 (284.3) M. For comparable units the decrease amounted to 2.5 per cent compared with the previous year.**
- **Income before tax, excluding nonrecurring revenue, amounted to SEK 97.4 (102.7) M.**
- **Cash flow from operating activities amounted to SEK 129.4 (129.8) M, corresponding to SEK 5.21 (5.21) per share.**
- **The hotel properties First Jörgen Kock and Scandic Säffle were sold during the period with a total capital gain of SEK 28.8 M.**

Total property revenue for the first six months of 2002 decreased by 1.5 per cent compared to the previous year and amounted to SEK 279.9 (284.3) M. The discrepancy was due to a weaker hotel market and the reduction in revenue from the two divested hotel properties. For comparable units the decrease amounted to 2.5 per cent. Operating net amounted to SEK 232.3 (237.0) M. The adjusted direct yield for the period was 9.5 (9.7) per cent. Net financial expense for the period amounted to SEK -86.2 (-89.7) M. Corporate group income before tax, exclusive of nonrecurring revenue, amounted to SEK 97.4 (102.7) M. Cash flow amounted to SEK 129.4 (129.8) M.

- "Pandox strategy has had the intended effect. The combination of active ownership, high quality hotel property portfolio and chosen market segment has limited the decrease in revenue and income while cash flow is on a par with last year", says Anders Nissen, Chief Executive Officer, Pandox AB.

Outlook

Economic developments in Pandox' market area remain difficult to predict due to prevailing global uncertainties. Following the steep decline in the hotel market in the autumn, the market has now entered a more normal recessionary pattern where there are as yet no stable trends. However, Pandox' focused strategy, selected market segment and high quality hotel property portfolio create continued excellent conditions for further development of the company. Income after the first six months are in line with the previous forecast and we reiterate the forecast of an income, before tax and exclusive of nonrecurring revenue, of SEK 200 M.

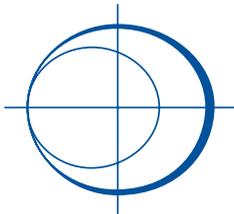
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Encl: Complete interim report.

Pandox



Interim Report
January–June 2002



Radisson SAS Park Avenue, Gothenburg



Scandic Hotel Mölndal



Radisson SAS Park Avenue, Gothenburg



Scandic Hotel Mölndal



Scandic Hotel Crown, Gothenburg

Continued strong cash flow

- Pandox' property revenue in the period amounted to SEK 279.9 M (284.3). For comparable units the decrease was 2.5 per cent on the previous year.
- Income before tax, excluding nonrecurring revenue, totalled SEK 97.4 M (102.7).
- Cash flow from operating activities amounted to SEK 129.4 M (129.8), which corresponds to SEK 5.21 (5.21) per share.
- In the period the hotel properties First Jörgen Kock and Scandic Säffle were sold at a total capital gain of SEK 28.8 M.

Pandox' revenues in the first six months amounted to SEK 279.9 M, corresponding to a drop of 1.5 per cent. The decrease is attributable to a weakening hotel market in which Pandox' hotel property portfolio performed considerably better than the market average. For comparable units the decrease was 2.5 per cent in the period, while in the second quarter the decrease was 2.0 per cent compared with a drop of 3.0 per cent in the first quarter. The improvement in the second quarter is partly attributable to the fact that the Easter holiday fell in the first quarter. Cash flow remains strong and amounted to SEK 129.4 M (129.8).

Cost control remains satisfactory. Higher duties and insurance costs were partly offset by changed priorities without lowering the quality requirements, and by the redistribution of costs between owner and operator. Depreciation is the only growing cost item and is due to cash flow-boosting investments from which the full effect has not yet been received. Financial costs are decreasing, confirming the theory that there is a link between RevPAR development and interest rate change.

Demand in the hotel market depends largely on the development of GNP. However, this financial activity is unevenly distributed depending on, amongst other things, city, location, brand name and hotel size. The changes which are taking place in the world today and their effects on the hotel industry have made access to relevant and accurate information as well as excellent analytical skills and abilities even more important. Pandox pursues a policy of active risk control to minimise losses and to take advantage of opportunities. The company employs, amongst other things, in-house market information systems to monitor trends and changes in the hotel market. The management systems enables the company to react early when negative changes occur and to exploit the hotel business cycle for profitable acquisitions and investments. Current analyses from the US and Europe show a weaker demand for hotel services compared with previous forecasts. This is partly due to the uncertainty in the financial markets. However, the positive outlook for 2003 and 2004 remains unchanged.

The British hotel market, which can be divided into London and the rest of the country, recorded a fall of 6.9 per cent in the first six months. The downward trend in London is levelling out after the dramatic drop caused by the terrorist attacks on 11 September, but the city still recorded a fall of 10.7 per cent compared with the same period last year. There are good chances of an improvement in the autumn.

The German hotel markets fared better than average, partly due to a relatively weak 2001 and partly due to a high proportion of domestic demand which offsets the negative effects of the global decline.

When comparing individual cities, Amsterdam fared well but Paris recorded a drop following a strong spring. Brussels was less hit than other capitals after 11 September but the hotel market remains sluggish. This is due to the country's low domestic share of total demand which makes it dependent on a recovery of global growth. However, the city carries a limited risk due to its high rate of public demand.

In Scandinavia, Copenhagen recorded weak RevPAR growth, above all due to the introduction of new capacity. Sweden continues to perform well and recorded only a minor drop of 0.1 per cent in the first six months of 2002. However, Stockholm is still amongst the worst hit capitals in northern Europe. This is due to an extraordinarily positive beginning of 2001 and a decline in the premium price segment, which is highly exposed to the international market. However, the decline has levelled out and there was strong performance during the summer months. The hotel market around Arlanda International Airport is showing certain signs of improvement. Positive developments continue in Gothenburg which is currently one of Scandinavia's strongest hotel markets. Malmö has peaked and is now facing a period of falling demand.

During the period the refurbishment of five Hilton hotels and the two Scandic hotels in Antwerp and Lübeck continued. The refurbishment of the Hilton hotels is carried out according to plan.

In times of uncertainty the need for a well-functioning active ownership increases. In general the strategic alliances between Pandox and its hotel ope-

rators is working well. Well-developed cooperation models and joint incentives offered by the revenue-based agreements offer all parties the advantages of identifying joint actions in order to limit risks and strive to win market shares. Currently the Pandox portfolio is developing considerably better than the market average which is explained by the high quality of the portfolio and the active efforts carried out. During the period two hotel properties have been divested. The analysing and evaluation of aquisition possibilities is carried out continuously. An other example of Pandox' active ownership is that the company took charge of the operation of the hotel property in Mora on 1 July.

REVENUES AND OPERATING NET – PROPERTY OPERATIONS

Property revenue in the first half of 2002 fell by 1.5 per cent compared with last year and amounted to SEK 279.9 M (284.3). This difference is attributable to a weaker hotel market and loss of revenue from divested properties. For comparable units revenue fell by 2.5 per cent. Property costs excluding depreciation amounted to SEK 47.6 M (47.3).

The operating net stood at SEK 232.3 M (237.0). Adjusted direct yield before administrative costs was 9.5 (9.7) per cent. Adjusted direct yield including property related administrative costs was 9.1 (9.4) per cent.

REVENUE AND INCOME – HOTEL OPERATIONS

Revenue from hotel operations is entirely attributable to Hilton Brussels City, which has 285 rooms and is situated in Brussels' city centre. Revenue in the period January - June 2002 rose by 44 per cent to SEK 25.7 M (17.8). The increase is primarily attributable to the refurbishment of the hotel which has resulted in higher average prices and a growing market share in a falling market. The extensive refurbishment programme which was implemented in 2001 was concluded at the beginning of 2002. Income in the period January - June amounted to SEK 0.3 M, an increase of SEK 0.8 M on the previous year.

INCOME

Group income before tax, excluding nonrecurring revenue, in the period amounted to SEK 97.4 M (102.7), a decrease of SEK 5.3 M. Apart from falling revenue, income was affected by higher depreciation of investment projects which were finalised at the end of 2001. Capital gains from the sale of two hotel properties amounted to SEK 28.8 M (8.6). Due to a loss deduction there is, in principle, no tax payable. The calculated deferred tax expense for the period amounted to SEK 29.3 M (13.4), of which SEK 10.5 M relates to calculated deferred tax on nonrecurring revenue. Income after tax, including nonrecurring revenue, amounted to SEK 96.9 M (97.8).

FINANCING AND CASH FLOW

The financial net in the period January - June 2002 amounted to SEK -86.2 M (-89.7). The Group's interest-bearing liabilities as of 30 June 2002 amounted to SEK 3,082.5 M (3,246.8). 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 5.6 per cent. The mortgaging ratio was 63 per cent.

Available liquid funds, including unutilised overdraft facilities of SEK 100 M, amounted to SEK 206.6 M (168.0). Cash flow before changes in working capital and investments was in line with the previous year and amounted to SEK 129.4 M (129.8).

INVESTMENTS

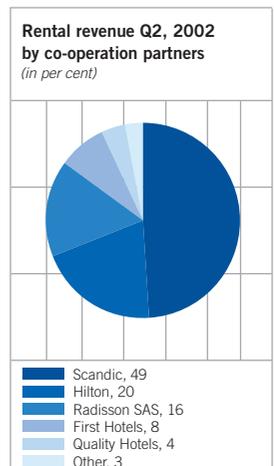
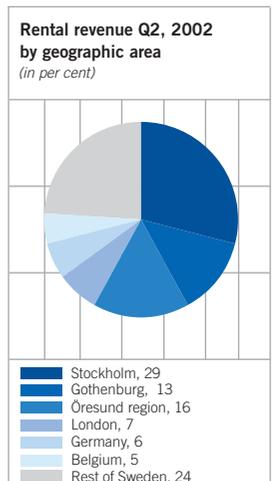
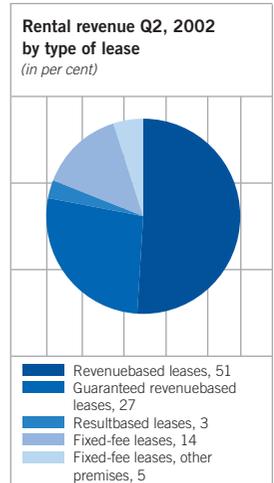
The Group's investments, excluding acquisitions of hotel properties, amounted to SEK 25.1 M in the period. Investments mainly concerned product improvements and the rebranding of a number of hotel properties to the Hilton brand. The hotel properties' book value, including hotel equipment, reached SEK 4,931.8 M (4,984.1).

SECOND QUARTER 2002

Property revenue in the second quarter was on level with the previous year and amounted to SEK 146.7 M (147.2). For comparable units the decrease was 2.0 per cent in the second quarter which is an improvement on the first quarter which saw a decrease of 3 per cent. Income before tax, excluding nonrecurring revenue, amounted to SEK 55.2 M (56.8) and cash flow, excluding nonrecurring revenue, amounted to SEK 71.4 M (70.6).

FORECAST

Economic developments in Pandox' market area remain difficult to predict due to prevailing global uncertainties. Following the sharp decline in the autumn of 2001 the hotel market entered a more normal recession pattern. However, Pandox' focused strategy, selected market segment and high quality hotel property portfolio create excellent conditions for further development of the company. Income after the first six months are in line with the previous forecast and we reiterate the forecast of an income, before tax and exclusive of nonrecurring revenue, of SEK 200 M



Condensed income statement

SEK M	April–June		January–June		Full year 2001	Rolling 12-month
	2002	2001	2002	2001		
Property operations						
Rental revenue	139.7	141.3	266.8	272.5	551.1	545.5
Other property revenue	7.0	5.9	13.1	11.8	24.0	25.3
Total property revenue	146.7	147.2	279.9	284.3	575.1	570.8
Operating and maintenance costs	-24.6	-23.7	-47.6	-47.3	-96.7	-97.0
Operating net	122.1	123.5	232.3	237.0	478.4	473.8
Depreciation according to plan ¹⁾	-16.0	-13.8	-31.7	-27.0	-56.2	-61.0
Income, property operations	106.1	109.7	200.6	210.0	422.2	412.8
Hotel operations						
Operating revenue	15.6	12.6	25.7	17.8	39.7	47.6
Operating costs	-14.3	-11.5	-25.4	-18.3	-39.3	-46.4
Operating profit, hotel operations	1.3	1.1	0.3	-0.5	0.4	1.2
Gross income	107.4	110.8	200.9	209.5	422.6	414.0
Administrative costs ¹⁾	-8.5	-8.7	-17.3	-17.1	-33.9	-34.0
Nonrecurring income/expenses	28.8	-0.1	28.8	8.6	8.6	28.8
Operating income	127.7	102.0	212.4	201.0	397.3	408.8
Financial net	-43.7	-45.2	-86.2	-89.7	-178.1	-174.6
Income before taxes	84.0	56.8	126.2	111.3	219.2	234.2
Paid tax	0.0	-0.1	–	-0.1	-0.2	–
Deferred tax ²⁾	-21.0	-7.3	-29.3	-13.4	-28.2	-44.9
INCOME AFTER TAX	63.0	49.4	96.9	97.8	190.8	189.3

1) Total depreciation in the period amounted to SEK -31.9 M (-27.3), of which SEK -31.7 M (-27.0) in hotel operations and SEK 0.2 M (0.3) in administrative costs.

2) The deferred tax for the second quarter and the first six months of 2002 respectively includes an estimated tax on non-recurring revenue of SEK 10.5 M.

Per-share data

	January–June		Full year 2001	Rolling 12-month
	2002	2001		
Number of shares (in thousands)	24,900	24,900	24,900	24,900
Income per share exclusive of non-recurring items, SEK	3.16	3.58	7.31	6.87
Cash flow per share SEK	5.21	5.21	10.73	11.87
Shareholders equity per share	71.36	67.20	71.17	71.36
After dilution				
Income per share exclusive of non-recurring items, SEK	3.10	3.51	7.17	6.80
Cash flow per share, SEK	5.09	5.10	10.52	11.75
Shareholders equity per share	69.95	65.88	69.77	69.95

Condensed balance sheet

SEK M	June, 30 2002	June, 30 2001	December, 31 2001
Assets			
Properties incl. hotel equipment	4,931.8	4,984.1	5,036.8
Other fixed assets	7.2	13.0	5.4
Current assets	107.5	58.3	37.1
Liquid assets	106.6	68.0	86.7
Total assets	5,153.1	5,123.4	5,166.0
Equity and liabilities			
Equity ¹⁾	1,776.8	1,673.5	1,772.1
Deferred tax liabilities, net	66.3	22.1	37.0
Interest-bearing liabilities	3,082.5	3,246.8	3,178.5
Noninterest-bearing liabilities	227.5	181.0	178.4
Total equity and liabilities	5,153.1	5,123.4	5,166.0

1) The company applies the same accounting principles as in the annual report 2001.

2) Pandox applies the Swedish Accounting Standards Council's recommendation on quarterly reports RR:20.

SEK M	June, 30 2002	June, 30 2001	December, 31 2001
Change in equity capital			
The Group			
Equity, opening balance	1,772.1	1,670.8	1,670.8
Dividend	-99.6	-87.1	-87.1
Translation differences	7.4	-8.0	-2.4
Net income/loss for the period	96.9	97.8	190.8
Equity, closing balance	1,776.8	1,673.5	1,772.1

Condensed cash flow statement

SEK M	January–June 2002	January–June 2001	Full year 2001
Pre-tax profits	126.2	111.3	219.2
Depreciation	31.9	27.3	56.8
Paid tax	–	-0.1	-0.2
Nonrecurring revenue/cost	-28.8	-8.6	-8.6
Cash flow from operating activities	129.4	129.8	267.2
Total change in working capital	19.1	-97.1	-82.2
Cash flow from operating activities after changes in working capital	148.5	32.7	185.0
Investments	-25.1	-88.7	-149.1
Acquisitions of hotel properties and hotel equipment	–	-141.9	-141.9
Sale of fixed assets	31.3	24.3	24.2
Cash flow after investments	154.7	-173.6	-81.8
Total nonrecurring revenue/cost	28.8	8.6	8.6
Change in financial fixed assets	2.7	-10.0	6.7
Change in interest-bearing loans	-66.7	313.7	223.9
Dividend	-99.6	-87.1	-87.1
Total cash flow financing activities	-163.6	216.6	143.5
The period's change in liquid assets	19.9	51.6	70.3

Key data*

SEK M	January –June 2002 2001		Full year 2001	Rolling 12-month
Property-related key data				
Book value of properties, incl. equipment	4,931.8	4,984.1	5,036.8	4,931.8
Total property revenue	279.9	284.3	575.1	570.8
Operating net	232.3	237.0	478.4	473.8
Adjusted operating net	230.2	242.6	484.3	471.6
Direct yield 1, %	9.6	9.7	9.6	9.6
Direct yield 2, %	9.2	9.4	9.3	9.2
Financial key data				
Interest coverage ratio	2.46	2.23	2.24	2.33
Return on total capital, %	8.0	8.1	8.0	8.0
Return on equity, %	11.0	11.7	11.0	11.0
Equity/assets ratio, %	34.5	32.7	34.3	34.5
Cash flow from operating activities	129.4	129.8	267.2	295.6
Investments, excl. acquisitions	25.1	88.7	149.1	85.5
Property acquisitions	–	141.9	141.9	–

* For definitions see Pandox Annual Report 2001.

Interest-rate structure¹

SEK M	SEK	DKK	EUR	GBP	Total	Share, %	Interest rate, % ²
Due date							
2002	826.0	99.3	182.0	6.3	1,113.6	36	4.8
2003	298.6	–	75.9	–	374.5	12	5.6
2004	229.0	123.3	–	–	352.3	11	5.2
2005	180.9	61.6	52.4	147.4	442.3	14	6.3
2006	380.0	–	–	–	380.0	12	6.3
2007 and later	325.0	–	94.8	–	419.8	14	6.6
Total	2,239.5	284.2	405.1	153.7	3,082.5	100	5.6
Share, %	73	9	13	5	100		
Average interest rate, %	5.6	4.8	5.3	7.2	5.6		
Average interest rate period, year	2.2	1.5	3.0	2.9	2.3		

1) Converted to SEK

2) Average interest rate.

The Pandox share

In the first half of 2002 Pandox recorded a total yield of 19 per cent, including a dividend of SEK 4.00 per share. The share price has risen by 13 per cent while the Affärsvärlden General Index fell by 23.5 per cent. Since its flotation, Pandox' stock market value has seen an increase from SEK 520 M to SEK 2,116 M. As of July 1, 2002 the Pandox share is listed on the Attract 40 list on the Stockholm Stock Exchange.

SHARE PRICE TREND

Since its flotation in June 1997, the value of Pandox shares has risen by 78 per cent, from SEK 47.70 (adjusted for new share issue) to SEK 85.00 on 30 June 2002. During the same period, the Affärsvärlden General Index rose by 1.8 per cent and the Carnegie Real Estate Index saw a rise of 64.1 per cent.

The share increased by 13.3 per cent in the first half of 2002, while the Affärsvärlden General Index fell by 23.5 per cent and a 7.0 per cent rise was recorded by the Carnegie Real Estate Index. The highest price paid for a Pandox share in 2002 was SEK 90 and the lowest price paid was SEK 73. On 30 June 2002 Pandox' market capitalisation stood at SEK 2,116 M.

TRADING VOLUME

During the first quarter 7,797,709 Pandox shares were traded on the Stockholm Stock Exchange at a value of SEK 652 M, corresponding to 31 per cent of all Pandox shares.

SHARE CAPITAL

Pandox' share capital stood at SEK 373.5 M as of 30 June 2002 spread over 24.9 million shares. All shares carry equal rights to participate in the company's assets and earnings. Each share has a nominal value of SEK 15.

SHAREHOLDERS

Around 90 (90) per cent of the shares are held by institutional investors and foreign shareholders represent 10 (8.5) per cent of all shareholders.

Shareholders holding fewer than 500 shares each represented 1.5 per cent of all shares in the company.

DIVIDEND POLICY

The Board of Directors' intention is that the dividend distributed to the shareholders should amount to between 30 and 50 per cent of net income from current operations.

In connection with dividend proposals, the Board takes into account Pandox' growth opportunities, investment requirements and financial situation.



Largest Pandox shareholders on June 30, 2002

	No. of shares	%
Scandic Hotels	5,179,900	20.8
SEB unit trusts	4,714,555	18.9
Zenit, Brummer & Partners	2,344,500	9.4
Skandia Life Insurance Company	1,374,901	5.5
Handelsbanken unit trusts	882,975	3.5
Hagströmer & Qviberg unit trusts	749,100	3.0
Second Swedish Pension Fund	669,617	2.7
Odin Norden	666,600	2.7
Boston Safe Deposit & Trust Co.	621,800	2.5

	No. of shares	%
Robur unit trusts	597,700	2.4
Sixth Swedish Pension Fund	537,450	2.2
Alsback Förvaltning	450,000	1.8
Nordea Sweden Fund	406,400	1.6
Pictet & Cie	284,300	1.1
Sirius International Försäkrings AB	250,000	1.0
Other foreign shareholders	1,273,892	5.1
Other	3,896,310	15.6
Total	24,900,000	100.0

Pandox hotel properties

JUNE 30, 2002

Property	Number of rooms	Location
Radisson SAS Arlandia Hotel, Arlanda	334	International airport
Hilton Stockholm Slussen	292	Downtown
Scandic Hotel Star, 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 Hotel, Kista	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
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 Hotel Star, Lund	196	Central
Radisson SAS Grand Hotel, Helsingborg	117	Downtown
Scandic Hotel Kramer, Malmö	113	Downtown
Hotel Högvakten, Helsingborg	42	Downtown
Total Öresund	1,217	
Scandic Hotel Grand, Örebro	219	Downtown
Quality 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 Väst, 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	131	Downtown
Elite Stora Hotellet, Jönköping	116	Downtown
First Hotel Linné, Uppsala	116	Downtown
Scandic Hotel Billingen, Skövde	106	Downtown
Total region centers	2,307	
First Hotel Mora, Mora	135	Central
First Hotel Park Astoria, Enköping	134	Central
Stadshotellet Princess, Sandviken	84	Central
Total other locations	353	
Hilton London Docklands	368	Docklands
Hilton Brussels City	285	Downtown
Scandic Hotel Grand Place, Bryssel	100	Downtown
Scandic Hotel Antwerp	204	Ring road
Hilton Bremen	235	Downtown
Hilton Dortmund	190	Exhibition center
Scandic Hotel Lübeck	158	Ring road
Total international	1,540	
Total Pandox	8,277	

FINANCIAL REPORT DATES

Interim nine-monthly report	24 October 2002
Press release of unaudited earnings, whole year	13 February 2003
Annual general meeting	27 March 2003

