



Interim Report January–March 2002



Hilton Stockholm Slussen



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Radisson SAS Arlanda



Radisson SAS Arlanda



Elite Store Hotellet Jönköping

Interim Report January–March 2002

- Pandox total property revenue amounted to SEK 133.2 (137.1) M. For comparable units and adjusted for the calendar effect the decrease amounted to 1.8 per cent compared with the previous year.
- Income before tax, excluding non recurring revenue, amounted to SEK 42.2 (45.7) M.
- Cash flow from operating activities amounted to SEK 58.0 (59.2) M, corresponding to SEK 2.33 (2.38) per share.
- Property revenue and income before tax was affected negatively to by just over SEK 2 M due to Easter occurring in different quarters over the years.

Pandox' revenue fell by 2.8 per cent, or SEK 3.9 M. This discrepancy was due to a weaker hotel market and the fact that Easter was in April in 2001 which had an estimated negative effect of just over SEK 2 M on sales in the period. Income before tax amounted to SEK 42.2 M, a reduction of SEK 3.5 M. Cash flow was only marginally affected.

RevPAR (revenue per available room) in Pandox' market area, Northern Europe, fell by around 10 per cent overall in the first quarter of 2002 compared with the previous year due to a weaker global economy and lower economic activity. In Stockholm, RevPAR fell by 17 per cent in the first three months due to falling occupancy rates and average prices. The largest discrepancy, around 20 per cent, was recorded by the deluxe segment as a consequence of a reduction in international travel. The Gothenburg hotel market fell by 3 per cent, above all through the addition of new capacity. The hotel markets in Malmö and Swedish regional and university cities seem to have levelled out and are likely to remain relatively stable.

Copenhagen's hotel market fell by just over 15 per cent, measured in RevPAR, as a consequence of new capacity in the form of two new international hotels and the reduction in international travel. Outside Scandinavia the negative effects of 11th September – a strong reduction in international travel – have more or less been eliminated and demand has returned to a normal recession pattern. In most large international markets demand is expected to level out in the second half of 2002 and there are signs which indicate that 2003 could become a good year for the hotel industry. Brussels and London also follow this trend closely. The German hotel markets where Pandox is represented had a worse start in 2002 than in 2001, but this discrepancy was mainly due to the different scheduling of large trade fairs year after year, which creates an irregular revenue pattern.

In the present turbulent economic climate,

Pandox' strategy has had the intended effect. The selected market segment with large hotels in strong, natural locations under well-known brand names has limited the fall in revenue. Active ownership with strategic alliances and variable lease agreements with incentives for both parties to continuously develop hotel operations, have created high-standard hotel products, which limit the risk. Furthermore, until now we have seen falling interest rates, a normal occurrence in times of worsening economic conditions, and this has cut Pandox' financial costs and thus compensated the weaker hotel market to some extent.

Pandox' Swedish hotel portfolio and the hotels in Brussels developed considerably better than the market average. In Germany, developments are on level with the market, while the hotel properties in Copenhagen, London and Antwerp recorded a weaker development than the general market. The problems faced by the two latter hotel properties have already been identified and measures are being implemented.

The hotel property portfolio is currently undergoing a number of large investment programmes which will strengthen the market position of each hotel and create continued opportunities for high value increases. Following a comprehensive investment programme, the conversion of Hilton Brussels City is complete. The repositioning from a tourist hotel to a hotel of excellent international standard is currently taking place. Sales have increased substantially in a weakening market and the trend is clear – the hotel is taking market shares from competitors in its segment. Hilton's first hotel in Stockholm has opened and the first conversion phase has concluded. Hilton London Docklands, Hilton Bremen and Hilton Dortmund are all in their first conversion phase. The effects of the ongoing measures are expected to materialise in the autumn at the earliest.

The international hotel markets in which Pandox

is represented – Brussels, London, Copenhagen and Stockholm – are still difficult to forecast even if the levelling out trend is becoming more discernible. Pandox predicts that international travel will continue to fall in the first six months of the year and then level out and that there are good chances of growth in the final quarter of the year. The domestic markets in Sweden and Germany are predicted to remain stable. The scenario could, however, deteriorate due to global risks such as political instability and terrorist threats.

REVENUE AND OPERATING NET – PROPERTY OPERATIONS

Property revenue in the first quarter of 2002 fell by 2.8 per cent on the previous year and amounted to SEK 133.2 M (137.1). This discrepancy was due to a weakened hotel market and the fact that the entire Easter holiday fell in March in 2002, which cut revenues by just over SEK 2 M. Revenue fell by 3 per cent for comparable units. Adjusted for the Easter effect, the reduction was 1.8 per cent. Property costs excluding depreciation amounted to SEK 23.0 M (23.6).

Operating net amounted to SEK 110.2 M (113.5). Adjusted direct yield before administrative costs amounted to 9.6 (9.7) per cent. Adjusted direct yield including property-related administrative costs amounted to 9.3 (9.4) per cent.

REVENUE AND INCOME – HOTEL OPERATIONS

Revenue from hotel operations is in its entirety attributable to Hilton Brussels City, which has 285 rooms and is situated in Brussels' city centre. The hotel is operated through a management agreement, which means that the operation is managed by an operating company owned by Pandox, but that the day-to-day running of the hotel is handled by an external management company. Revenue from hotel operations in the period rose by nearly 100 per cent to SEK 10.1 M (5.2). This increase is above all attributable to the conversion of the hotel which has led to higher average prices and a larger market share in a shrinking market. The extensive refurbishment programme, which the property underwent in 2001, was completed at the beginning of 2002. A loss of SEK -1.1 M was recorded in the period, an improvement of SEK 0.5 M on the previous year.

INCOME

Group income before tax, excluding non-recurring items, amounted to SEK 42.2 M (45.7), corresponding to a reduction of SEK 3.5 M. This change is attributable to the calendar and the weaker hotel market. Apart from falling revenue, income was affected by a higher depreciation rate due to investment pro-

jects which were completed at the end of 2001. Due to loss deductions, no tax liabilities occurred in principle. Calculated deferred tax for the period amounted to SEK 8.3 M (6.1).

Pandox applies the Swedish Financial Accounting Standards Council's recommendation on income tax (RR:9). All comparative figures in the income statement and balance sheet have been adjusted in accordance with this accounting principle.

FINANCING AND CASH FLOW

Financial net in the period amounted to SEK -42.5 M (-44.5). The Group's interest-bearing liabilities on 31 March 2002 amounted to 3,138.1 M (2,932.8). 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 5.5 per cent. The financing of the Swedish properties is arranged in Swedish kronor and foreign properties are essentially financed in local currencies. The mortgaging ratio was 63 per cent.

Available liquid funds, including the unutilised part of an overdraft facility of SEK 100 M, amounted to SEK 232.6 M (113.8). Cash flow from operating activities before changes in working capital and investments in the period fell by 2 per cent to SEK 58.0 M (59.2).

INVESTMENTS

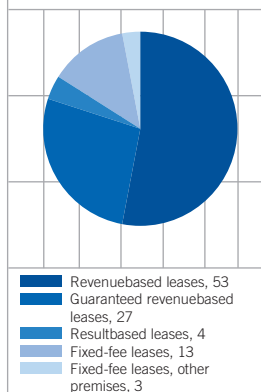
The Pandox Group's investments, excluding hotel property acquisitions, amounted to SEK 9.3 M in the period. Investments were principally made in product improvement and conversion to the Hilton brand name for a number of hotel properties. The book value of the hotel properties including hotel equipment was SEK 4,981.0 M (4,817.4).

OUTLOOK

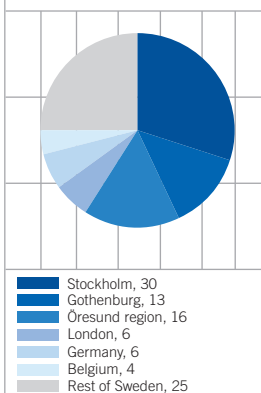
Economic developments in Pandox' market area remain difficult to predict due to prevailing global uncertainties. Following the steep decline in the hotel market in the autumn, the market has now entered a more normal recessionary pattern where there are as yet no stable trends.

However, Pandox' focused strategy, selected market segment and high quality hotel property portfolio create continued excellent conditions for further development of the company. With the current hotel property portfolio, income before tax in 2002 is forecast to reach SEK 200 M.

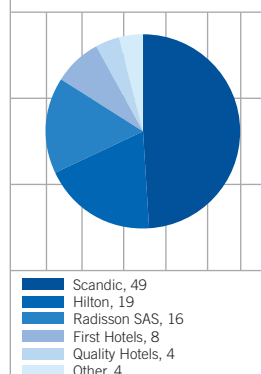
**Rental revenue Q1, 2002
by type of lease**
(in per cent)



**Rental revenue Q1, 2002
by geographical area**
(in per cent)



**Rental revenue Q1, 2002
by co-operating partners**
(in per cent)



Condensed income statement

SEK M	January–March 2002	2001	Full year 2001	Rolling 12-month
Property operations				
Rental revenue	127.1	131.1	551.1	547.1
Other property revenue	6.1	6.0	24.0	24.2
Total property revenue	133.2	137.1	575.1	571.3
Operating and maintenance costs	-23.0	-23.6	-96.7	-96.1
Operating net	110.2	113.5	478.4	475.2
Depreciation according to plan ¹⁾	-15.7	-13.2	-56.2	-58.8
Income, property operations	94.5	100.3	422.2	416.4
Hotel operations				
Operating revenue	10.1	5.2	39.7	44.6
Operating costs	-11.2	-6.8	-39.3	-43.6
Operating profit, hotel operations	-1.1	-1.6	0.4	1.0
Gross income	93.4	98.7	422.6	417.4
Administrative costs ¹⁾	-8.7	-8.5	-33.9	-34.2
Nonrecurring income/expenses	–	8.7	8.6	-0.1
Operating income	84.7	98.9	397.3	383.1
Financial net	-42.5	-44.5	-178.1	-176.1
Income before taxes	42.2	54.4	219.2	207.0
Paid tax	–	–	-0.2	-0.1
Deferred tax ²⁾	-8.3	-6.1	-28.2	-32.4
INCOME AFTER TAX	33.9	48.3	190.8	174.5

1) Total depreciation in the period amounted to 15.8 M (13.5), of which SEK 15.7 M (13.2) in hotel operations and SEK 0.1 M (0.3) 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–March 2002	2001	Full year 2001	Rolling 12-month
Number of shares (in thousands)	24,900	24,900	24,900	24,900
Income per share exclusive of non-recurring items, SEK	1.36	1.59	7.31	7.01
Cash flow per share SEK	2.33	2.38	10.73	10.68
Shareholders equity per share	72.79	68.50	71.17	72.79
After dilution				
Income per share exclusive of non-recurring items, SEK	1.33	1.56	7.17	6.94
Cash flow per share, SEK	2.28	2.33	10.52	10.57
Shareholders equity per share	71.36	67.15	69.77	71.36

Condensed balance sheet

SEK M	March, 31 2002	March, 31 2001	December, 31 2001
Assets			
Properties incl. hotel equipment	4,981.0	4,817.4	5,036.8
Other fixed assets	1.7	14.9	5.4
Current assets	94.0	85.0	37.1
Liquid assets	132.6	13.8	86.7
Total assets	5,209.3	4,931.1	5,166.0
Equity and liabilities			
Equity ¹⁾	1,812.4	1,703.8	1,772.1
Deferred tax liabilities, net ¹⁾	45.3	14.8	37.0
Interest-bearing liabilities	3,138.1	2,932.8	3,178.5
Noninterest-bearing liabilities	213.5	279.7	178.4
Total equity and liabilities	5,209.3	4,931.1	5,166.0

1) Pandox applies the Swedish Financial Accounting Standards Council's recommendation on income tax (RR:9). All comparative figures have been adjusted in accordance with this accounting principle.

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

SEK M	March, 31 2002	March, 31 2001	December, 31 2001
Change in equity capital			
The Group			
Equity, opening balance	1,772.1	1,670.8	1,670.8
Dividend	–	–	-87.1
Translation differences	6.4	-15.3	-2.4
Net income/loss for the period	33.9	48.3	190.8
Equity, closing balance	1,812.4	1,703.8	1,772.1

Condensed cash flow statement

SEK M	January–March 2002	January–March 2001	Full year 2001
Pre-tax profits	42.2	54.4	219.2
Depreciation	15.8	13.5	56.8
Paid tax	–	–	-0.2
Nonrecurring revenue/cost	–	-8.7	-8.6
Cash flow from operating activities	58.0	59.2	267.2
Total change in working capital	34.7	1.1	-54.0
Cash flow from operating activities after changes in working capital	92.7	60.3	213.2
Investments	-8.7	-70.9	-149.1
Acquisitions of hotel properties and hotel equipment	–	–	-141.9
Sale of fixed assets	–	24.2	24.2
Cash flow after investments	84.0	13.6	-53.6
Total nonrecurring revenue/cost	–	8.7	8.6
Change in financial fixed assets	2.3	-16.9	6.7
Change in interest-bearing loans	-32.1	-1.9	223.9
Change in deferred tax	-8.3	-6.1	-28.2
Dividend	–	–	-87.1
Total cash flow financing activities	-38.1	-24.9	115.3
The period's change in liquid assets	45.9	-2.6	70.3

Key data*

SEK M	January–March		Full year	Rolling
	2002	2001	2001	12-month
Property-related key data				
Book value of properties, incl. equipment, SEK M	4 981.0	4 817.4	5 036.8	4 981.0
Total property revenue, SEK M	133.2	137.1	575.1	571.3
Operating net, SEK M	110.2	113.5	478.4	475.2
Adjusted operating net, SEK M	110.2	112.8	484.3	477.4
Direct yield 1, %	9.6	9.7	9.6	9.6
Direct yield 2, %	9.3	9.4	9.3	9.3
Financial key data				
Interest coverage ratio	1.98	2.21	2.24	2.16
Return on total capital, %	7.6	8.3	8.0	7.6
Return on equity, %	10.0	11.3	11.0	10.0
Equity/assets ratio, %	34.8	34.6	34.3	34.8
Cash flow from operating activities, SEK M	58.0	59.2	267.2	265.9
Investments, excl. acquisitions, SEK M	9.3	70.9	149.1	86.9
Property acquisitions, SEK M	–	–	141.9	141.9

* For definitions see Pandox Annual Report 2001.

Interest-rate structure¹

SEK M	SEK	DKK	EUR	GBP	Total	Share,%	% ²
Due date							
2002	952.2	160.8	185.0	14.4	1,312.4	43	4.7
2003	213.8	–	77.3	–	291.1	9	5.4
2004	229.0	123.4	–	–	352.4	11	5.2
2005	180.9	–	52.1	149.1	382.1	12	6.5
2006	380.0	–	–	–	380.0	12	6.2
2007 and later	325.0	–	95.1	–	420.1	13	6.6
Total	2,280.9	284.2	409.5	163.5	3,138.1	100	5.5
Share, %	73	9	13	5	100		
Average interest rate, %	5.6	4.4	5.2	7.3	5.5		
Average interest rate period, year	2.2	0.9	3.0	3.0	2.2		

1) Converted to SEK.

2) Average interest rate.

Pandox-share

Pandox' market capitalisation has increased from SEK 520 M to SEK 2,079 M since Pandox was listed on the Stockholm Stock Exchange. In 2002, the share price rose by 11 per cent while the Affärsvärlden General index saw a fall of 3 per cent.

SHARE PRICE TREND

Since its flotation in June 1997 the value of Pandox' shares has risen by 75 per cent, from SEK 47.70 (adjusted for new issue of shares) to SEK 83.50 on 31 March 2002. During the same period, the Affärsvärlden General Index rose by 31 per cent and the Carnegie Real Estate Index saw a rise of 72 per cent.

In the first quarter of 2002, the share price rose by 11.3 per cent, while the Affärsvärlden General Index fell by 2.9 per cent and a 10.7 per cent increase was recorded by the Carnegie Real Estate Index. The highest price paid for a Pandox share so far in 2002 was SEK 90 and the lowest price paid was SEK 73. The company's market capitalisation stood at SEK 2,079 M as of 31 March 2002.

TRADING VOLUME

During Q1 5,695,604 Pandox shares were traded on the Stockholm Stock Exchange at a value of SEK 477 M, corresponding to 23 per cent of all Pandox shares.

SHARE CAPITAL

Pandox' share capital stood at SEK 373.5 M as of 31 March 2001 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

The number of shareholders in Pandox stood at 2,374 (1,863) on 31 March 2002. Around 90 per cent (90) of the shares are held by institutional investors and foreign shareholders represent 10 per cent (8.5) of all shareholders. Shareholders that hold fewer than 500 shares each stands for 1.5 per cent of the number of shares.

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 income after paid tax 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 March 31, 2002

	No. of shares	%
Scandic Hotels	5,179,900	20.8
SEB unit trusts	4,129,313	16.6
Zenit, Brummer & Partners	2,344,500	9.4
Skandia Life Insurance Company	1,268,950	5.1
Handelsbanken unit trusts	822,975	3.3
Hagströmer & Qviberg unit trusts	771,100	3.1
Odin Norden	684,400	2.7
Robur unit trusts	597,700	2.4
D. Carnegie AB	562,200	2.3

	No. of shares	%
Sixth Swedish Pension Fund	537,450	2.2
Länsförsäkringar Liv	517,100	2.1
Second Swedish Pension Fund	471,382	1.9
Alsback Förvaltning	450,000	1.8
Nordea Sweden Fund	436,000	1.8
Alecta Pensionsförsäkring	265,551	1.1
Other foreign shareholders	1,811,039	7.3
Others	4,050,440	16.3
Total	24,900,000	100.0

Pandox hotel properties

MARCH 31, 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
First Hotel Jörgen Kock, Malmö	101	Downtown
Hotel Högvakten, Helsingborg	42	Downtown
Total Öresund	1,318	
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	121	Downtown
Elite Stora Hotellet, Jönköping	116	Downtown
First Hotel Linné, Uppsala	116	Downtown
Scandic Hotel Billingen, Skövde	106	Downtown
Total region centers	2,297	
First Hotel 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	
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	8,469	

FINANCIAL REPORT DATES

Interim six-month report

August 26, 2002

Interim nine-month report

October 24, 2002

