

Press release from Padox AB (publ)

October 22, 2001

Interim Report – nine months ending September 30, 2001

- **Income after tax for the period January – September 2001, excluding nonrecurring revenue, totalled SEK 132.4 M (112.5), corresponding to earnings per share of SEK 5.32 (5.21).**
- **Cash flow from operating activities increased to SEK 197.1 M (164.7), which corresponds to SEK 7.92 (7.63) 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 nine months of 2001 amounted to SEK 430.3 M (349.3). The operating net rose by SEK 69.4 M to SEK 358.7 M (289.3). 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 4.3 percent.

The adjusted direct yield for the period was 9.6% (9.5).

Net financial expense for the period amounted to SEK –136.5 (-104.4).

Corporate group income, after tax, exclusive of nonrecurring revenue, for the period improved by SEK 19.9 M and amounted to SEK 132.4 M (112.5).

Starting in 2001 the Swedish Financial Accounting Standards Council's recommendation on income tax (RR:9) is applied. 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 Hotel 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.

Outlook for 2001

Padox 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. Padox market segment is expected to show continued good demand. Padox income after the first nine 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.

Padox AB (publ)
Interim Report

January–September 2001

Increased revenue, cash flow and income

- Income after tax for the period January to September 2001 amounted to SEK 132.4 M (112.5), excluding nonrecurring items, corresponding to earnings per share of SEK 5.32 (5.21).
- Cash flow from operating activities increased to SEK 197.1 M (164.7), which corresponds to SEK 7.92 (7.63) 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 and a capital gain of SEK 8.6 M.

Padox revenue, cash flow and income continue to grow, with revenue increasing by SEK 81 M compared with the same period last year. Income before tax, excluding nonrecurring items, rose by SEK 23 M while cash flow saw a rise to SEK 197 M. The improved figures were mainly attributable to the acquisition of the Hotellus portfolio on 1 April 2000 but the increase in the value of the hotel property portfolio through active ownership has also been positive and, for comparable units, reached 4.3 per cent.

Padox 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. Padox' strategy is to focus on ownership of 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 capitals and other major cities in northern Europe. At present, Padox owns 46 hotel properties, comprising around 8,450 rooms and around 75 per cent of revenue is generated by 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 brands, like Hilton, Scandic, Radisson SAS and Holiday Inn. The lease structure, which consists of around 85 per cent of turnover-based leases, means that Padox is linked to the underlying hotel market.

An important issue at the moment is to survey and assess the current changes and patterns in the hotel market's business cycle. Just as important is the assessment of future demand to enable us to reduce risks and exploit changes in the market for profitable acquisitions and investments. Demand in the hotel sector is generally created by economic activity i.e. the hotel market's cycles are linked to the development of the GDP. This is a widely accepted fact. However, subsequent factors that may effect the RevPAR (Revenue Per Available Room) development in a specific month are significantly more complex. Factors creating preconditions for occupancy and average rates are local conditions, new capacity in the market, exchange rate changes, how developed a market is with regard to brands and segments, as well as extraordinary events. Changes in demand as a result of the economic downturn and the terrorist attack in New York have, up to now, mainly been attributed to reduced revenue in the higher price segment as well as in the northern European regions which have a high proportion of American tourists. Since Padox' portfolio has a relatively

low exposure to these types of revenue the negative effects have been limited to hotel properties in London and Antwerp.

Sweden is Pandox' largest market and the Stockholm market the most important. The hotel market in Stockholm shows continued growth with regard to RevPAR compared with last year. The segment which has been affected the most up to now is the high price segment as well as the hotel market around Arlanda International Airport. Pandox forecasts a decline in the fourth quarter for the whole market while Pandox' selected market segments will perform better in comparison.

The hotel market in Brussels continues to be strong and all indications are that developments in 2001 will be no different to the previous year. Demand in Copenhagen is rising while occupancy rates are falling as a result of new capacity. Average prices currently compensate for the falling occupancy rates, resulting in certain growth. The Pandox hotel Scandic Copenhagen with 484 rooms has attained a strong market position and has up to now seen strong growth. Pandox estimates that revenue in the last quarter of this year will be lower compared with the same period in previous years.

As a result of its economic downturn, Germany has recorded a gradual fall in demand during 2001. The forecast for the whole year is between -6 and -8 per cent and the fourth quarter will be the most disappointing. Pandox' three German hotels anticipate a reduction in line with the average.

London has seen the worst development: a high proportion of tourists from the US which often belong to the higher price segment, new capacity in the market, a strong pound plus a downturn in the local economy have all made negative contributions to the hotel industry. The development of RevPAR stood at -6.3 per cent for the first eight months compared with the same period last year. For the remainder of the year this figure is expected to fall to between minus 15 and minus 20 per cent. Around 7 per cent of Pandox' total income is generated in London. However, Holiday Inn Nelson Dock is expected to see losses slightly above the market average.

The most significant event in the existing portfolio in this reporting period is the completion of the former Albert Premier in Brussels. The hotel, located in the centre of Brussels with 287 rooms, was converted from a tourist hotel into an international hotel with high standard during the last 18 months. The hotel's future market position is to compete with hotels in the upper full service segment. In September the hotel also changed its name to Hilton Brussels City which means that it will now be marketed through one of the world's best-known distribution systems.

Revenue and operating net – property operations

Property revenue for the period January to September 2001 totalled SEK 430.3 M (349.3), an increase of SEK 81.0 M. Operating net increased by SEK 69.4 M to SEK 358.7 M (289.3). 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 in the current portfolio. For comparable units, the rate by which the value of the portfolio was increased in the period was 4.3 per cent. Adjusted direct yield in the period, before administrative costs, amounted to 9.6 per cent (9.5). Adjusted direct yield including property-related administrative costs amounted to 9.3 per cent (9.2).

Revenue and income – hotel operations

Revenue from hotel operations are wholly attributable to the former Hotel Albert Premier, which has 287 rooms and is situated in the centre of Brussels. The hotel is operated through a management agreement, which means that the operator is operating the hotel under the supervision of Pandox. From mid-September the hotel is operated by the Hilton Group under the name Hilton Brussels City. Revenue from hotel operation activities for the period January to September 2001 amounted to SEK 28.1 M with an income of SEK 0.4 M. This positive result was achieved despite the fact that the hotel underwent an extensive refurbishment and development programme in this period.

Income

Operating income in the period amounted to SEK 301.5 M, an increase of SEK 64.0 M on the previous year. Financial net stood at SEK -136.5 M (-104.4) and income before tax was SEK 165.0 M (133.1). The improvement is mainly attributable to the acquisition of Hotellus, a fast increase of the value of the portfolio and revenue-boosting investments. Income was also improved by a nonrecurring revenue item 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 amounts to SEK -23.8 M (-20.3) resulting in income after tax of SEK 141.0 M (112.5).

Financing and cash flow

Financial net in the period amounted to SEK -136.5 M (-104.4). The Group's interest-bearing liabilities as of 30 September 2001 amounted to SEK 3,224.4 M (2,955.5). The loan portfolio has a distributed due-date structure with an average fixed-interest rate period of 2.4 years. The average interest rate on loans was 5.76 per cent with a mortgaging ratio of 64 per cent. Available liquid funds, including the unutilised part of an overdraft facility of SEK 100 M (50), amounted to SEK 163.0 M (150.7). Cash flow from operating activities before changes in working capital and investments in the period was SEK 197.1 M (164.7).

Investments and divestments

Pandox Group's investments amounted to SEK 118.4 M in the period. Investments mainly concerned product improvements in a number of hotel properties. The largest investments were made in Radisson SAS Arlandia and Hilton Brussels City. In 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 in 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 5,055.0 M (4,634.8).

Forecast

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 expected to show continued good demand. Pandox income after the first nine 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	July–September		January–September	Full year	
	2001	2000	2001	2000	2000
Property operations					
Rental revenue	139.2	130.0	411.6	336.5	476.3
Other property revenue	6.8	2.9	18.7	12.8	21.4
Total property revenue	146.0	132.9	430.3	349.3	497.7
Operating and maintenance costs	-24.3	-18.3	-71.6	-60.0	-88.9
Operating net	121.7	114.6	358.7	289.3	408.8
Depreciation according to plan ¹⁾	-13.2	-11.8	-40.2	-31.1	-45.8
Income, property operations	108.5	102.8	318.5	258.2	363.0
Hotel operations					
Operating revenue	10.3	7.5	28.1	19.4	28.2
Operating costs	-9.3	-6.6	-27.7	-18.0	-25.5
Operating profit, hotel operations	1.0	0.9	0.4	1.4	2.7
Gross income	109.5	103.7	318.9	259.6	365.7
Administrative costs ¹⁾	-8.9	-9.4	-26.0	-22.1	-31.8
Nonrecurring income/expenses	0.0	–	8.6	0.0	1.9
Operating income	100.6	94.3	301.5	237.5	335.8
Financial net	-46.8	-41.8	-136.5	-104.4	-150.7
Income before taxes	53.8	52.5	165.0	133.1	185.1
Paid tax	-0.1	-0.1	-0.2	-0.3	-1.4
Deferred tax ²⁾	-11.1	-5.9	-23.8	-20.3	-27.0
INCOME AFTER TAX	42.6	46.5	141.0	112.5	156.7

1) Total depreciation in the period amounted to 40.9 M (31.9), of which SEK 40.2 M (31.1) in hotel operations and SEK 0.7 M (0.8) in administrative costs. Depreciation according to plan of buildings was carried out by 1 per cent.

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–September		Full year
	2001	2000	2000
Average number of shares (in thousands)	24,900	21,600	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	5.32	5.21	6.90
Cash flow per share ¹⁾ , SEK	7.92	7.63	10.18
Shareholders equity per share	70.52	66.24	68.04

1) Calculation based on average number of shares.

Condensed balance sheet

SEK M	September, 30 2001	September, 30 2000	December, 31 2000
Assets			
Properties incl. hotel equipment	5,055.0	4,634.8	4,784.5
Deferred tax claim, net ¹⁾	–	26.4	14.5
Other fixed assets	12.3	14.1	13.0
Current assets	94.3	92.7	61.9
Liquid assets	62.8	100.7	16.4
Total assets	5,224.4	4,868.7	4,890.3
Equity and liabilities			
Equity ¹⁾	1,755.8	1,649.3	1,694.1
Deferred tax liabilities, net ¹⁾	9.3	–	–
Interest-bearing liabilities	3,224.4	2,955.5	2,934.7
Noninterest-bearing liabilities	234.9	263.9	261.5
Total equity and liabilities	5,224.4	4,868.7	4,890.3

1) As of 2001 Padox 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. Shareholders' equity on 31 December 2000 was increased by SEK 19.7 M.

2) Padox applies the Swedish Accounting Standards Council's recommendation on quarterly reports (R:20), as to the rest the same accounting principles as in 2000 are applied.

Change in equity capital

SEK M	January–September 2001	January–September 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	7.8	9.6	10.2
New issue	–	638.0	638.0
Net income/loss for the period	141.0	112.5	156.7
Equity, closing balance	1,755.8	1,649.3	1,694.1

Condensed cash flow statement

SEK M	January–September 2001	January–September 2000	Full year 2000
Pre-tax profits	165.0	133.1	185.1
Depreciation	40.9	31.9	46.4
Paid tax	-0.2	-0.3	-1.4
Nonrecurring revenue/cost	-8.6	–	-1.9
Cash flow from operating activities	197.1	164.7	228.2
Total change in working capital	-130.7	110.2	134.7
Cash flow from operating activities after changes in working capital	66.4	274.9	362.9
Investments	-118.4	-103.0	-101.3
Acquisitions of hotel properties and hotel equipment	-141.9	-2,169.3	-2,340.3
Sale of fixed assets	24.2	–	4.0
Cash flow after investments	-169.7	-1,997.4	-2,074.8
Total nonrecurring revenue/cost	8.6	–	1.9
Change in financial fixed assets	6.5	2.6	10.8
Change in interest-bearing loans	297.3	1,488.9	1,471.1
Change in deferred tax	-9.3	5.9	6.7
New share issue	–	638.0	638.0
Dividend	-87.1	-41.2	-41.2
Total cash flow financing activities	207.4	2,094.2	2,085.4
The period's change in liquid assets	46.3	96.8	12.6

This report has not been audited by the company auditors.

Key data*

SEK M	January–September	January–September	
	Full year 2001	2000	2000
Property-related key data			
Book value of properties, incl. equipment, SEK M	5,055.0	4,634.8	4,784.5
Total property revenue, SEK M	430.3	349.3	497.7
Operating net, SEK M	358.7	290.2	408.8
Adjusted operating net, SEK M	364.4	331.1	459.4
Direct yield 1, %	9.6	9.5	9.6
Direct yield 2, %	9.3	9.2	9.3
Financial key data			
Interest coverage ratio	2.19	2.28	2.19
Return on total capital, %	8.0	7.9	8.1
Return on equity, %	11.0	10.8	11.6
Equity/assets ratio, %	33.6	33.9	34.6
Cash flow from operating activities, SEK M	197.1	164.7	228.2
Investments, excl. acquisitions, SEK M	118.4	103.0	101.3
Property acquisitions, SEK M	141.9	2,169.3	2,340.0

For definitions see Pandox Annual Report 2000.

Interest-rate structure

Interest-rate structure ¹⁾ , Loan amount SEK M						
Until year	SEK	DKK	EUR	GBP	Total	Share,% Int.rate% ²⁾
2001	732.5	87.7	170.8	0.0	991.0	31 5.33
2002	218.7	65.5	36.1	20.8	341.1	11 5.49
2003	295.9	0.0	87.2	156.5	539.6	17 6.40
2004	235.0	131.0	0.0		366.0	11 5.12
2005	120.9	0.0	56.3		177.2	5 5.82
2006 and later	705.0	0.0	104.5		809.5	25 6.19
Total	2,308.0	284.2	454.9	177.3	3,224.4	100 5.76
Share, %	72	9	14	5	100	
Average interest rate, %	5.71	4.62	5.45	8.45	5.76	
Average interest rate period, year	2.3	1.3	3.3	1.3	2.4	

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

Share price development

Pandox has been listed on the OM Stockholm Stock Exchange since 1997.

Since its flotation the value of Pandox shares has risen by 53 per cent, from SEK 47.7 (adjusted for new issue of shares) to SEK 73 on 28 September 2001. During the same period, the Affärsvärlden General Index rose by 11.5 per cent. In 2001 the share has seen a drop of 24 per cent while the Affärsvärlden General Index fell by 31 per cent. The highest price paid for a Pandox share this year was SEK 96.0 and SEK 66.0 the lowest. Up to now 4,412,922 Pandox shares have been traded this year which corresponds to 17.7 per cent of all Pandox shares. At the end of September the company' market capitalisation stood at SEK 1,818 M.

Share capital

As of 30 September Pandox' share capital stood at SEK 373.5 M spread over 24,900,000 shares, each with a nominal value of SEK 15. All shares carry equal rights to participate in the Company's assets and earnings. A block of shares consists of 100 shares.

Share ownership

The number of shareholders as of 30 September 2001 stood at 1,857. The proportion of institutional investors amounted to 90 per cent of the share capital while the proportion of foreign investors stood at 14 per cent. 66 per cent of all Pandox shareholders own no more than 500 shares each.

Largest Pandox shareholders on 31 september 2001.

Name	No. of shares	Share,%
Scandic Hotels	5,179,900	20.8
Brummer & Partners, Zenit	2,179,900	8.8
SEB unit trust	1,997,800	8.0
Skanska AB	1,500,000	6.0
Skandia, Life Insurance company	1,443,650	5.8
Länsförsäkringar Life Insurance company	1,078,000	4.3
Robur unit trust	933,000	3.7
Banco Hedge	908,800	3.6
Hagströmer & Qviberg unit trust	691,100	2.8
Sixth Swedish Pension Fund	551,450	2.2
Fortis Bank NV	507,400	2.0
Pictet & Co, Geneve	493,800	2.0
Handelsbanken Life Insurance company	456,000	1.8
Nordea Sverigefond	452,800	1.8
Chase Manhattan Bank	409,983	1.6
Other foreign shareholders	2,085,744	8.4
Other	4,030,673	16.2
Total	24,900,000	100.0

Pandox hotel property portfolio, September 2001

Facility	Location	No. of rooms
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 Hotel, 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 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, 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 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	
Holiday Inn Nelson Dock, London	368	Docklands
Hilton Brussels City, 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	8,471	

