

Pandox owns nine hotel properties with 1,851 rooms in the largest hotel market in Scandinavia – Stockholm



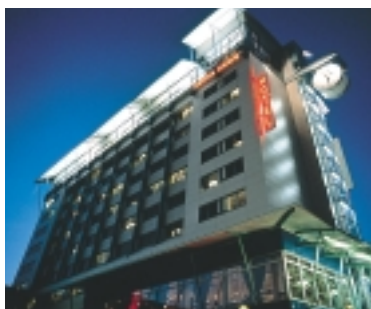
Radisson SAS Arlandia Hotel, 334 rooms
Arlanda International airport



Scandic Hotel Slussen, 292 rooms
Stockholm Downtown



Provobis Star Hotel, 269 rooms
Sollentuna Exhibition center



Scandic Hotel Järva Krog, 215 rooms
Northern Stockholm



Scandic Hotel Park, 198 rooms
Stockholm Downtown



Scandic Hotel Upplands-Väsby, 150 rooms
Northern Stockholm



Quality Hotel Nacka, 146 rooms
Southern Stockholm



Scandic Hotel Bromma, 144 rooms
Western Stockholm



First Hotel Royal Star, 103 rooms
Stockholm Exhibition center

Continued strong development

- *Income after tax for the period January – March 2000, excluding nonrecurring revenue, amounted to SEK 23.4 M (17.8), corresponding to earnings per share of SEK 1.56 (1.19).*
- *The cash flow from operating activities was SEK 2.24 per share (1.83).*
- *Pandox strategy has been reformulated to, among other things, extend the geographic area.*
- *Hotellus International AB was acquired and will be consolidated as of the second quarter of 2000.*

Revenue and operating net – hotel property operations

Property revenue in the first quarter of 2000 amounted to SEK 74.5 M (64.2).

Property expenses excluding depreciation totalled SEK 15.3 M (13.2).

The operating net rose by SEK 8.2 M to SEK 59.2 M (51.0). The increase is an effect of rising revenue from revenue- and resultbased lease agreements, renegotiation of leases and the surplus from hotel properties acquired in 1999.

The adjusted direct yield for the period was 9.9 per cent (9.4). The adjusted direct yield including property-related administrative costs was 9.5 per cent (9.1)

Revenue and income

Consolidated income after tax, excluding nonrecurring revenue, improved by SEK 5.6 M compared with the preceding year and amounted to SEK 23.4 M (17.8).

Income after tax for the corresponding period of last year, including nonrecurring revenue of SEK 4.1 M from the sale of properties, totalled SEK 21.9 M. The increase is mainly attributable to an improved operating net in hotel property operations.

Financing and cash flow

Net financial items for the period amounted to SEK –20.5 M (–19.0). The Group's interest-bearing liabilities on 31 March 2000 totalled SEK 1,457.8 M (1,340.3). The loan portfolio has a staggered maturity structure and an average fixed interest period of 2.8 years. The average interest rate on the loans was 5.78 per cent. The mortgaging ratio in the properties was 61 per cent.

Disposable liquid assets, including unutilized overdraft facilities of SEK 50 M (25), amounted to SEK 77.5 M (101.3). The period's cash flow from operating activities before change in working capital and investments was SEK 33.6 M (27.5).

Investments

The Pandox Group's investments during the period, excluding property acquisitions, amounted to SEK 10.8 M and mainly pertained to hotel product improvements in a number of properties.

The hotel market

The new millennium has started on a high note for Pandox. First quarter revenue rose 16 per cent compared with the same period of last year. Growth has been generated by a robust hotel market – which is benefit-

ing Pandox via resultbased leases – profitable acquisitions and increased value of the portfolio.

Demand for hotel rooms has continued to rise. Revenue per available room (REVPAR) in Sweden on a rolling 12-month basis has increased by over 8 per cent.

Pandox active ownership has increased the value of the portfolio, most noticeably in the form of increased revenue from cash flow-enhancing investments and renegotiation of lease agreements. At present, active ownership of the portfolio accounts for 44 per cent of total revenue growth.

Acquisition of Hotellus

Pandox's strategy was evaluated during the past year. Based on this work the Board decided to reformulate the strategy to, among other things, extend the geographic strategy to encompass northern Europe. The motive was that a larger geographic area would provide greater scope for continued market growth and a wider spread of risks, and offer better potential to exploit the hotel market business cycle for profitable acquisitions.

In February 2000 an agreement was signed with all of the shareholders in



The Holiday Inn Nelson Dock in London with 368 rooms, is one of 16 hotel properties included in Pandox portfolio as from 1 April after the acquisition of Hotellus International AB.

Hotellus International AB for the acquisition of the company including 16 hotel properties, of which 8 are located outside Sweden. Pandox's pro forma income and cash flow per share for 1999 was thus increased by 12 and 7 öre, respectively, compared with the outcome for 1999. The acquisition was carried out at the beginning of April and will be consolidated as of the second quarter of 2000.

Through the acquisition of Hotellus, Pandox has obtained a portfolio of prominent and centrally located hotel properties in key hotel markets. The acquisition has created a large pure hotel property company with well known brands and operations in northern Europe. Pandox's property portfolio as per 1 April, including Hotellus, included 47 hotel properties with a total of 8,494 hotel rooms and combined total floor space of 516,292 sq.m. The portfolio is of high quality. The average hotel has 180 rooms, which is more than three times the size of the average hotel in Sweden. A full 98 per cent of hotel operations in the properties are conducted under well known brands, and around 95 per cent are situated in strong, natural hotel locations.

The acquisition has created a solid plat-

form for the reformulated strategy. The revenue structure is strong, with around 55 per cent of revenues generated in international hotel markets such as Stockholm, Gothenburg, Copenhagen, London and Brussels.

Pandox's market capitalization has significantly increased, creating conditions for greater share liquidity and stronger interest from foreign investors.

Since Hotellus was not consolidated in the first quarter of 2000, Hotellus's interim report for the first quarter of 2000 has been attached for the sake of completeness, see pp. 6–8.

Integration in progress

The integration of the hotel property portfolios and organizations of Pandox and Hotellus is in full swing. A new organization has been created with focus on growth and cash flow-enhancing activities. The majority of positions have been filled and additional recruitment is underway. The process of aligning Hotellus's hotel property portfolio with Pandox's management systems and work methods has high priority. Work on the Pandox model has been started, strengthening the focus on the most significant issues.

Another key task is to build up knowledge about, and networks in, our new geographic market area. Pandox's market information system (P@ MIS) is currently being extended to cover all of northern Europe. Another work group is mapping European hotel markets in order to create a basis for strategic decisions about prioritized locations and collaboration partners. In addition, Pandox's hotel property index is being supplemented with information about interesting hotel properties.

As part of the international expansion, the company has changed name to Pandox AB.

Forecast

Income after tax for the year 2000, including Hotellus during nine months, is expected to reach SEK 140 M. This corresponds to earnings per share of SEK 6.24 (5.21) and cash flow per share of SEK 9.15 (7.94) calculated on the average number of shares.

Stockholm, 26 April 2000

Anders Nissen
Managing Director

Condensed income statement

SEK M	Jan-March 2000	Jan-March 1999	Full year 1999
Property operations			
Rental revenue	69.3	59.9	254.0
Other property revenue	5.2	4.3	18.0
Total property revenue	74.5	64.2	272.0
Operating and maintenance costs ¹⁾	-15.3	-13.2	-54.2
Operating net	59.2	51.0	217.8
Depreciation ²⁾	-10.1	-9.5	-40.3
Income, property operations	49.1	41.5	177.5
Administrative costs ²⁾	-5.2	-4.7	-21.6
Nonrecurring revenue/expenses	0	4.1	5.3
Operating income	43.9	40.9	161.2
Net financial items	-20.5	-19.0	-77.5
Income after financial items	23.4	21.9	83.7
Tax ³⁾	0	0	-0.3
Income after tax	23.4	21.9	83.4

1) Operating and maintenance costs have been annualized in accordance with the most recent forecast.

2) Planned depreciation of buildings is carried out at 1.5 per cent and amounted to SEK 8.2 M (7.5) for the period. Total depreciation for the period amounted to SEK 10.2 M (9.6), of which property operations accounted for SEK 10.1 M (9.5) and administrative costs for SEK 0.1 M (0.1). If Pandox, like Hotellus, had applied 1 per cent depreciation of buildings, depreciation for the period would have been SEK 2.7 M (2.5) lower and income for the period SEK 26.1 M.

3) For an account of the Group's tax situation, see the 1999 annual report.

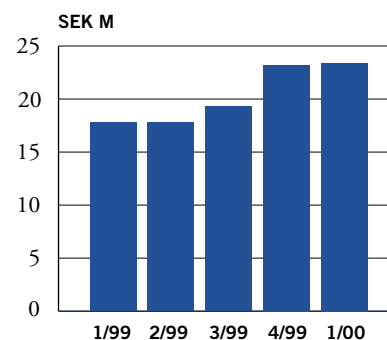
Condensed balance sheet

SEK M	Jan-March 2000	Jan- March 1999	Full year 1999
Assets			
Properties incl. hotel equipment	2,394.3	2,172.6	2,393.7
Other fixed assets	14.4	16.6	14.5
Current assets	15.8	18.5	17.9
Liquid assets	27.5	76.3	3.9
Total assets	2,452.0	2,284.0	2,430.0
Equity and liabilities			
Equity	907.0	852.1	883.6
Interest-bearing liabilities	1,457.8	1,340.3	1,463.6
Noninterest-bearing liabilities	87.2	91.6	82.8
Total equity and liabilities	2,452.0	2,284.0	2,430.0

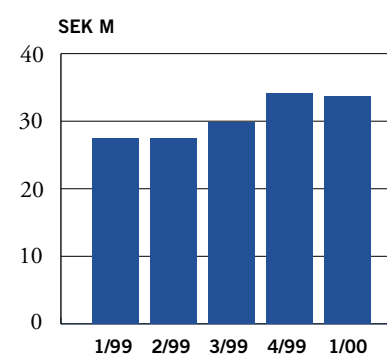
Condensed cash flow statement

SEK M	Jan- March 2000	Jan-March 1999	Full year 1999
Income after tax	23.4	21.9	83.4
Nonrecurring revenue/expenses	0.0	-4.1	-5.3
Depreciation	10.2	9.7	41.0
Cash flow from operating activities	33.6	27.5	119.1
Total change in working capital	6.5	0.4	-7.8
Cash flow from operating activities after change in working capital	40.1	27.9	111.3
Total investments, net	-10.8	-97.1	-348.8
Cash flow after investments	29.3	-69.2	-237.5
Total nonrecurring revenue/expenses	0.0	4.1	5.3
Change in financial fixed assets	0.1	0.0	1.4
Change in interest-bearing loans	-5.8	58.4	181.7
Dividend	0.0	0.0	-30.0
Total cash flow from financing activities	-5.7	58.4	153.1
The period's change in liquid assets	23.6	-6.7	-79.1

Net income excl. nonrecurring revenue per quarter

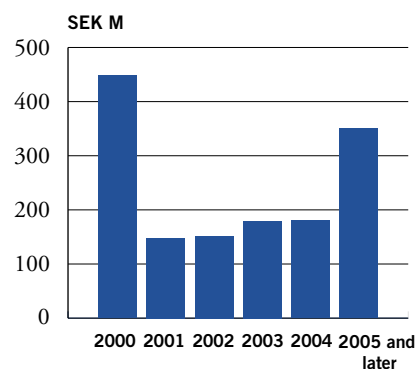


Cash flow per quarter



Fixed interest rate structure

Average interest rate 5.78 %



Average interest rate % 4,57 6,20 6,26 6,31 6,25 6,44

% 31 10 11 12 12 24

Key ratios

	Jan-March 2000	Jan- March 1999	Full year 1999
Property related key ratios			
Book value of properties incl. equipment, SEK M	2,394.3	2,172.6	2,393.7
Total property revenue, SEK M	74.5	64.2	272.0
Operating net, SEK M	59.2	51.0	217.8
Adjusted operating net, SEK M	59.2	51.0	229.2
Direct yield 1, %	9.9	9.4	9.6
Direct yield 2, %	9.5	9.1	9.2

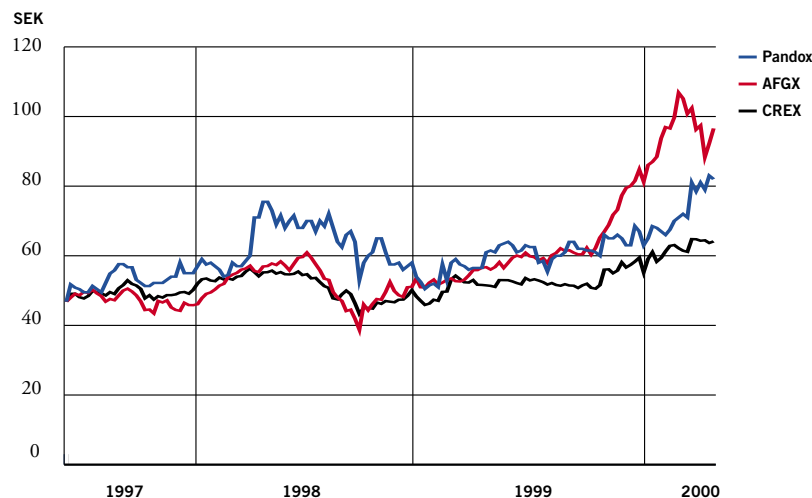
Financial key ratios

Interest coverage ratio, times	2.13	2.11	2.05
Return on total capital, %	7.2	7.4	7.0
Return on equity, %	10.5	10.4	9.7
Equity/assets ratio, %	37.0	37.3	36.4
Cash flow from operating activities, SEK M	33.6	27.5	119.1
Investments, SEK M	10.8	7.1	28.6
Property acquisitions, SEK M	0	101	331

Data per share (SEK)

Net income for the period, excl. nonrecurring revenue	1.56	1.19	5.21
Cash flow from operating activities	2.24	1.83	7.94
Equity	60.47	56.80	58.90

Pandox share price trend



Definitions

Property-related

Total property revenue: The sum of rental revenue and other property revenue.

Operating net: Property revenue minus operating and maintenance costs, property tax, ground rent and other property expenses.

Adjusted operating net: Operating net adjusted for properties sold and acquired 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 administrative costs that is directly related to management and development of the properties. Other administrative costs pertain to central administration and costs for maintaining the company's stock exchange listing.

Financial

Interest coverage ratio: Income after net financial items plus financial expenses, in relation to financial expenses.

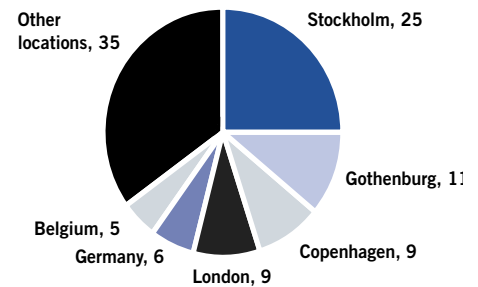
Return on equity: Income after net financial items and paid tax in relation to average equity. Average equity has been adjusted for the new share issue.

Return on total capital: Income after net financial items plus financial expenses, in relation to average total assets.

Equity/assets ratio: Equity at the end of the period in relation to total assets.

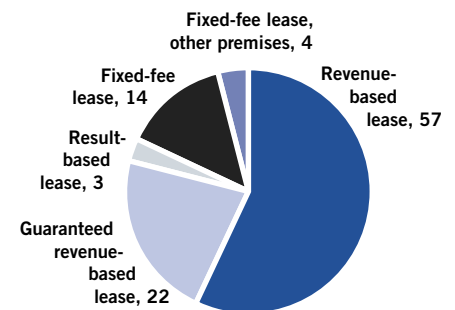
Distribution of rental revenues, %

Proforma incl. Hotellus



Rental revenues by type of lease, %

Proforma incl. Hotellus



Largest shareholders

i Pandox	%
Scandic Hotels	20.8
Zenit Fond	10.7
Nordisk Renting	9.3
Skanska	6.0
Ratos	6.0
Länsförsäkringar Wasa Liv	4.3
SPP	2.9
Hagströmer & Qviberg mutual funds	2.6
Foreign owners	4.5
Others	32.9
Total	100.0

Source: Statistics Sweden, Pandox

Hotellus January–March 2000

- *Income before tax for the period January – March 2000 was SEK 14.8 M (14.2) including depreciation of buildings at 1 per cent.*
- *The cash flow from operating activities amounted to SEK 19.5 M (18.0).*

Revenue and operating net – hotel property operations

Rental revenue amounted to SEK 51.9 M, an increase of SEK 9.5 M compared with the corresponding period of the previous year. The operating net rose by SEK 8.4 M to SEK 41.8 M (33.4). The increase is mainly attributable to the surplus from hotel properties acquired in 1999 and higher revenue from revenuebased lease agreements.

Revenue and income – hotel operations

Since 31 December 1999, Hotellus operates the Hotel Albert Premier in Brussels through a management agreement with Scandic Hotel. Revenues for the period amounted to SEK 8.2 M and income to SEK –0.1 M, in line with the established plan.

Income

The Hotellus Group's income after tax for the period amounted to SEK 14.8 (14.2) M. The change is primarily an effect of a higher operating net and the change in net financial items. Income was charged with depreciation of buildings at 1 per cent. An adjustment to Pandox's principle for depreciation of buildings at 1.5 per cent would have increased the period's depreciation by SEK 2.3 (1.9) and decreased income by SEK 12.5 M (12.3).

Financing and cash flow

Net financial items for the period totalled SEK –18.1 M (–12.2). The change is a result of the increase in borrowing to finance hotel property acquisitions. The Group's interest-bearing liabilities as per 31 March 2000 amounted to SEK 1,360.3 M, of which SEK 592.0 M referred to borrowing in foreign currencies. Hotellus's policy is to hedge its total currency exposure inclu-

ding equity through borrowing in local currency and forward exchange agreements. The loan portfolio has an average fixed interest period of 1.7 years and an average interest rate of 5.1 per cent. The mortgaging rate in the properties was 63.0 per cent.

Disposable liquid assets including unutilized overdraft facilities amounted to SEK 63.1 M.

The period's cash flow from operating activities before change in working capital was SEK 19.5 M (18.0).

Hotel property portfolio

Hotellus's hotel property portfolio as per 31 March 2000 included a total of 16

hotel properties with a total of 3,589 hotel rooms and aggregate floor space of 224,223 sq.m. The book value of the properties was SEK 2,169.3 M.

The period's investments totalled SEK 40.4 M, of which SEK 19.3 M referred to the new construction project in Mölndal which is scheduled for completion in April 2000. Other investments mainly pertained to capacity extensions in Scandic Hotel Crown Gothenburg and Scandic Hotel Copenhagen.

Stockholm, 26 April 2000
Hotellus International AB

Board of Directors

Key ratios – Hotellus	Jan-March 2000	Jan- March 1999	Full year 1999
Book value of properties incl. equipment, SEK M	2,169.3	1,665.1	2,175.1
Rental revenue, SEK M	51.9	42.4	181.1
Operating net, SEK M	41.8	33.4	148.4
Adjusted direct yield, %	8.7	8.3	9.0
Interest coverage ratio, times	1.8	1.9	2.4
Equity/assets ratio, %	36.6	46.7	37.7
Cash flow from operating activities, SEK M	19.5	18.0	85.3
Investments excl. acquisitions, SEK M	40.4	12.0	116.1

Fixed interest structure on 31 March 2000

Loan amount in each currency translated to SEK M

Year	SEK	DKK	GBP	EUR	Total	%
2000	367.0	108.1	29.0	264.2	768.3	56
2001	50.0	55.7	0	0	105.7	8
2002	0	0	0	0	0	0
2003	0	0	138.2	75.6	213.8	16
2004 and later	100.0	111.5	0	61.0	272.5	20
Total	517.0	275.3	167.2	400.8	1,360.3	100

Average

- interest rate, %	4.6	4.7	7.0	5.5	5.1
- fixed interest period, yrs	1.2	1.9	3.3	1.5	1.7

Condensed income statement - Hotellus

SEK M	Jan-March 2000	Jan- March 1999	Full year 1999
Property operations			
Rental revenue	51,9	42,4	181,1
Other property revenue	0	0	0
Total property revenue	51,9	42,4	181,1
Operating and maintenance costs ¹⁾	-10.1	-9.0	-32.7
Operating net	41.8	33.4	148.4
Depreciation ²⁾	-4,7	-3,8	-15,5
Income, property operations	37.1	29.6	132.9
Hotel operations			
Operating revenue	8.2	0	0
Operating expenses	-8.3	0	0
Income, hotel operations	-0.1	0	0
Gross income	37.0	0	132.9
Administrative costs ²⁾	-4,1	-3,2	-16,9
Nonrecurring revenue/expenses	0	0	0
Operating income	32,9	26,4	116,0
Net financial items	-18.1	-12.2	-46.2
Income after financial items	14.8	14.2	69.8
Tax	0	0	1.1
Net income for the period	14.8	14.2	70.9

1) Operating and maintenance costs have been annualized in accordance with the most recent forecast.

2) Planned depreciation of buildings is carried out at 1 per cent and amounted to SEK 4.7 for the period. If Hotellus, like Pandox had applied a depreciation rate of 1.5 percent, depreciation for the period would have been SEK M 2.3 (1.9) higher and income would decrease to SEK M 12.5 (12.3).

Condensed balance sheet – Hotellus

SEK M	Jan-March 2000	Jan- March 1999	Full year 1999
Assets			
Properties incl. hotel equipment	2,169.3	1,665.1	2,175.1
Other fixed assets	0.0	0	0
Current assets	38.9	12.0	37.6
Liquid assets	44.1	2.5	19.1
Total assets	2,252.3	1,679.6	2,231.8
Equity and liabilities			
Equity	824.8	784.4	841.1
Interest-bearing liabilities	1 360.3	877.9	1,341.5
Noninterest-bearing current liabilities	67.2	17.3	49.2
Total equity and liabilities	2,252.3	1,679.6	2,231.8

Condensed cash flow statement – Hotellus

SEK M	Jan-March 2000	Jan- March 1999	Full year 1999
Income excluding nonrecurring revenue/expenses	14.8	14.2	69.8
Depreciation	4.7	3.8	15.5
Cash flow from operating activities	19.5	18.0	85.3
Total change in working capital	16.7	43.8	-11.8
Cash flow from operating activities after change in working capital	36.2	61.8	73.5
Total acquisitions and investments, net	-33.9	-12.0	-556.8
Cash flow after investments	2.3	49.8	-483.3
Dividend ¹⁾	-29.9	0	0
Change in financial assets	12.8	0	17.8
Change in interest-bearing loans	39.9	-51.9	480.7
Total cash flow from financing activities	22.8	-51.9	498.5
The period's change in liquid assets	25.1	-2.1	15.2

1) Dividend paid to the previous owners of Hotellus concerning the income of 1999.

PANDOX HOTEL PROPERTY PORTFOLIO AS PER 1 APRIL

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 ¹⁾	215	Northern Stockholm
Scandic Hotel Park, Stockholm ¹⁾	198	Downtown
Scandic Hotel, Upplands-Väsby	150	Northern Stockholm
Quality Hotel Nacka, Stockholm	146	Southern Stockholm
Scandic Hotel Bromma, Stockholm ¹⁾	144	Western Stockholm
First Hotel Royal Star, Älvsjö	103	Exhibition center
Total Stockholm	1,851	
Scandic Hotel Crown, Gothenburg ¹⁾	322	Downtown
Radisson SAS Park Avenue, Gothenburg	318	Downtown
Scandic Hotel Mölndal ^{1) 2)}	208	Downtown
Summa Göteborg	848	
Scandic Hotel St. Jörgen, Malmö	265	Downtown
Provobis Hotel Kramer, Malmö	113	Downtown
First Express, Malmö	101	Downtown
Total Malmö	479	
Scandic Hotel Grand, Örebro ¹⁾	219	Downtown
Radisson SAS Hotel, Luleå	209	Downtown
Scandic Hotel Winn, Karlstad	199	Downtown
Provobis Star Hotel, Lund	196	Central
Radisson SAS Hotel, Östersund	177	Downtown
Scandic Hotel Ferrum, Kiruna ¹⁾	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
Radisson SAS Grand Hotel, Helsingborg	117	Downtown
Provobis Stora Hotellet, Jönköping	116	Downtown
First Hotel Linné, Uppsala	116	Downtown
Provobis Billingen Plaza, Skövde	106	Downtown
Total regional centers	2,620	
First Resort Mora, Mora	135	Central
First Hotel Park Astoria, Enköping	134	Central
Scandic Hotel Säffle ¹⁾	101	Central
Scandic Hotel, Karlshamn	99	Ring road
Stadshotellet Princess, Sandviken	84	Central
Hotell Sten Stensson Sten, Eslöv	80	Central
Good Morning Hotell, Boden	51	Central
Total other locations	684	
Scandic Hotel Copenhagen ¹⁾	470	Downtown
Holiday Inn Nelson Dock, London ¹⁾	368	Docklands
Hotel Albert Premier, Brussels ¹⁾	287	Downtown
Scandic Hotel Grand Place, Brussels ¹⁾	100	Downtown
Holiday Inn Antwerpen ¹⁾	204	Ring road
Holiday Inn Crowne Plaza, Bremen ¹⁾	235	Downtown
Holiday Inn Crowne Plaza, Dortmund ¹⁾	190	Exhibition center
Holiday Inn Lübeck ¹⁾	158	Ring road
Total International	2,012	
Total Pandex	8,494	

1) Consolidated in Pandex's income statement and balance sheet as of 1 April.

2) Under construction, scheduled to open on 30 April 2000.

Financial calendar

Interim report January– June	28 August 2000
Interim report January– September	27 October 2000
Year-end report 2000	22 February 2001



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