



Hotel Berlin, Berlin



## Year-End Report 2009

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- Despite the troubled global climate, Pandox' cash flow from current operations increased to SEK 446.4 million, representing an improvement of SEK 1.9 million.
- Property management revenues amounted to SEK 895.2 million, representing a decline of 2.3 percent. For comparable units, including an adjustment for currency effects, the decrease was 7 percent compared with last year.
- Revenues from Pandox' own operations fell by SEK 10.3 million to SEK 1,095.0 million.
- Profit before tax, excluding non-recurring items, amounted to SEK 252.5 million (280.4). The decline is attributable to the poorer hotel economic climate and that several major refurbishment projects were carried out during the year.
- Profit before tax, including non-recurring items, amounted to SEK 332.0 million, of which SEK 79.5 million pertains to capital gains further to the sale of shares in the hotel property company HOST Hotels & Resorts Inc.
- Pandox signed an agreement in May with Choice Hotels Scandinavia to take over the operations of Quality Park Hotel in Södertälje.
- Pandox became new owner of the hotel property Vildmarkshotellet in Kolmården on 1 September. The purchase price was SEK 160 million.

Global demand in the hotel sector has fallen substantially since the end of 2008 as a result of a troubled surrounding world with a broad financial crisis and subsequent economic downturn. In general, revenues in North America and Europe have declined by almost 18 percent, while the markets where Pandox is represented decreased by about 10 percent. Pandox' hotel property portfolio has performed better than others in this unsettled global climate. The relative decline amounts to 7 percent for comparable units and adjusted for currency effects. The driving force behind the relatively good developments is a combination of Pandox' active ownership, the good quality of the portfolio, the business model with a mix of leases and own operations. It is satisfying to observe that several of the major investments carried out by Pandox in recent years are showing positive developments. All in all, the Company's cash flow has increased, albeit marginally, while property management revenues have declined.

### **United States**

RevPAR in the United States fell by 17 percent during the period compared with the same period 2008, and was spread equally between price and volume. The luxury segment was affected hardest, with a fall in RevPAR of 24 percent. The current trend is a diminishing rate of growth. New York, which is placed in the beginning of the economic cycle, recovered well in the last quarter of the year, and is relatively close to stabilisation of its revenues.

### **Europe**

Europe has experienced similar developments as in the United States. The pattern normally progresses with a time-lapse of about six months, but this time the markets have developed almost in parallel. London managed well in 2009, and declined by only 3 percent, which was entirely attributable to lower average rates. Berlin and Brussels both fell in volume and price. Brussels came out worst with a decrease in RevPAR of 16 percent, while Berlin declined by 9 percent. The current trend in Europe is characterised by a lower rate of downturn. In London, RevPAR has even started to rise, although most of the other markets are uneven.

All of the major markets in Scandinavia experienced lower revenues during the year. Copenhagen suffered already in the last quarter of 2008, and lost 11 percent in 2009 despite several large international congresses at the end of the year. Stockholm and

Helsinki fell by 10.9 percent and around 16 percent respectively, due primarily to less international travel, while Oslo managed slightly better due to a strong domestic market.

The Swedish regional cities, which are normally stable, also experienced downward trends of 5 to 10 percent depending on their location. Relatively few markets have shown positive developments.

#### **Pandox' portfolio**

As indicated above, Pandox' portfolio has developed better than the market. In general, the hotels in Malmö, Gothenburg and Swedish regional cities have shown relatively stable trends compared with last year. Pandox' Stockholm hotels have developed slightly less well than the market, although with relatively large individual differences among the hotels. The Hilton Stockholm Slussen and the newly refurbished Quality Hotel Park in Södertälje came out best, while the hotels in northern Stockholm showed poorer trends.

All Pandox hotels in Gothenburg have performed better than the market as a whole, with only a marginal downturn compared with last year. Pandox' Malmö hotels have also shown strong trends, due partly to good demand in conjunction with the U21 European Football Championship and considerable interest from Denmark. In a tough Copenhagen market with fewer international meetings the Scandic Copenhagen and Clarion Collection Hotel 27 reported relatively weak results for the period.

Pandox' four German hotels have seen uneven trends. Hotel Berlin, Berlin, which is run as own operations and has undergone substantial repositioning, generated stable cash flows compared with last year. The Hilton London Docklands has managed the downturn well, but has nonetheless lost to competitive groups.

Pandox' Belgian hotel portfolio has developed unevenly. Hotel Bloom and the Crowne Plaza Brussels City Centre have defended their positions and taken market shares. After a difficult start, the Hilton Brussels City has increased its volumes and is well-placed as 2010 gets under way. Similar patterns can be seen at the Scandic Grand Place. The Holiday Inn Brussels Airport was totally refurbished during the year with the goal of becoming Brussels Airport's best medium-priced hotel. Revenues subsequently declined more than the market, but the hotel is showing good growth further to the launch of the new product in the autumn. In Antwerp, the market is under considerable pressure in both price and volume. The Pandox-owned Scandic Antwerp has managed to maintain volumes, while the Crowne Plaza Antwerp, which is run as own operations, has lost market shares due primarily to a fall in the number of meetings in the city. After a good start, revenues within Montreal's hotel market decreased by almost 14 percent in 2009. Hyatt performed better than the market, due mainly to greater focus on "revenue management", while the InterContinental developed less well due entirely to the hotel's total refurbishment during the year.

#### **Accounting principles**

Pandox does not apply IFRS. As an unlisted company, Pandox is not subjected to IFRS reporting requirements. Pandox applies the Swedish Annual Reports Act and generally accepted accounting principles, as well as the recommendations of the Swedish Accounting Standards Board unless otherwise stated. The Group's properties are reported in the balance sheet at their acquisition cost less accumulated depreciation.

#### **Revenues and operating net – property operations**

Property management revenues for the year amounted to SEK 895.2 million (915.5). For comparable units and currencies, the portfolio declined by -7 percent. This fall is principally attributable to the generally poorer underlying hotel economic climate in all of Pandox' sub-markets. In particular, the refurbishment projects at the InterContinental Montreal and Holiday Inn Brussels Airport simultaneously reduced the revenue capacity in the portfolio during the year. However, at the hotel property level in each respective sub-market, there are relatively large differences in results depending on their location, market segment, type of agreement and operator. Property costs excluding depreciation amounted to SEK 117.0 million (132.8).

The operating net declined in total by SEK 4.5 million to SEK 778.2 million (782.7). For comparable units, the operating net decreased by SEK 16.5 million, or by 2.1 percent. Direct yield for the period before administrative costs was 8.4 percent (9.2).

### **Revenues and profit – hotel operations**

Total revenues from hotel operations amounted to SEK 1,095.0 million (1,105.3). For comparable units and adjusted for currency effects, revenues fell by about 13 percent, due primarily to the weaker hotel economic climate and a shortfall in revenues and profits subsequent to extensive refurbishments at the InterContinental Montreal and Holiday Inn Brussels Airport. The overall loss from hotel operations amounted to SEK -34.0 million (20.8).

### **Profit**

The Group's profit for 2009 before tax and excluding non-recurring items amounted to SEK 252.5 million (280.4).

### **Financing and cash flow**

Net financial items relating to current operations for the period January-December 2009 amounted to SEK -229.8 million (-294.7). The Group's interest-bearing liabilities amounted as of 31 December 2009 to SEK 6,850.5 million (6,808.6). The loan portfolio has a spread due-date structure with an average fixed-capital period of 7.5 years and an average fixed-interest period of 2.3 years. The average interest rate on loans at 31 December 2009 was 2.63 percent. Financing of Swedish properties has been made in Swedish kronor (SEK), while properties outside Sweden have essentially been financed in each respective local currency. Available liquid funds, including unutilised bank overdraft and credit facilities totalling SEK 1,182 million amounted to SEK 1,508 million (1,521). Further to the end of the year, agreements for further credit facilities for a total of SEK 300 million have been signed. Available liquid funds, including unutilised bank overdraft and credit facilities now amount to SEK 1,808 million. Cash flow before changes in working capital and investments, excluding non-recurring items and tax, amounted to SEK 446.4 million (444.5).

### **Investments**

The Padox Group's investments, excluding acquisitions, amounted for the year to SEK 312.5 million (269.3). Investments pertained primarily to refurbishment programs at the Holiday Inn Brussels Airport, Hotel Berlin, Berlin, InterContinental Montreal, Hyatt Regency Montreal and the Radisson Blu Basle, as well as product improvements in a large number of properties. The net book value of hotel properties, including furniture, fixtures and equipment, amounted to SEK 9,348.0 million (9,212.5). The market value of the hotel properties significantly exceeds their book value.

### **Fourth quarter 2009**

Property management revenues for the fourth quarter amounted to SEK 243.3 million (252.0), representing a decrease of SEK 8.7 million. Profit before tax, excluding non-recurring items, was SEK 110.9 million (86.6), and cash flow excluding non-recurring items amounted to SEK 162.9 million (133,9).

### **Outlook for 2010**

Revenues in the hotel sector are expected to be gradually more stable in 2010. If one studies New York, which is placed in the beginning of the economic cycle, and assuming that revenues will even out during the spring, the prerequisites are that the same pattern will spread to Europe during the summer and autumn – which is good news. At the same time, prices are under pressure, which will reduce productivity and subsequently profitability. Padox forecasts that the Company will continue to produce stable cash flows in 2010.

Stockholm, 9 February 2010  
Padox AB  
*Anders Nissen*  
CEO

## Condensed Income Statement

SEK million	October-December 2009	October-December 2008	Full Year 2009	Full Year 2008
<b>Property Operations</b>				
Rental revenue	231.8	241.5	850.6	872.3
Other property revenue	11.5	10.5	44.6	43.2
<b>Total property revenue<sup>1)</sup></b>	<b>243.3</b>	<b>252.0</b>	<b>895.2</b>	<b>915.5</b>
Property costs	-26.9	-31.6	-117.0	-132.8
<b>Operating net</b>	<b>216.4</b>	<b>220.4</b>	<b>778.2</b>	<b>782.7</b>
Depreciation	-52.0	-47.3	-193.6	-163.8
Income from property operations	164.4	173.1	584.6	618.9
<b>Hotel operations</b>				
Operating revenue <sup>1)</sup>	292.5	333.3	1,095.0	1,105.3
Operating costs <sup>2)</sup>	-295.1	-323.1	1,129.0	-1,084.5
Operating income, hotel operations	-2.6	10.2	-34.0	20.8
Gross income	161.8	183.3	550.6	639.7
Administrative costs	-18.9	-17.2	-68.3	-64.6
Non-recurring income/costs <sup>3)</sup>	-	6.9	-	6.9
Operating income	142.9	173.0	482.3	582.0
Net financial items current operations	-32.0	-79.5	-229.8	-294.7
Capital gain on sale of shares <sup>4)</sup>	6.8	-	79.5	-
Income before tax	117.7	93.5	332.0	287.3
Tax	-7.9	-15.4	-20.4	-22.2
Deferred tax	21.7	74.9	-10.1	34.2
<b>NET INCOME</b>	<b>131.5</b>	<b>153.0</b>	<b>301.5</b>	<b>299.3</b>

<sup>1)</sup> Specification of external revenue:				
Revenue from property operations	243.3	252.0	895.2	915.5
Of which internal rents	-55.6	-62.1	-211.7	-216.7
Revenue from hotel operations	292.5	333.3	1,095.0	1,105.3
Total external revenue	480.2	523.2	1,778.5	1,804.1

<sup>2)</sup> Internal rentals from operating own-managed companies are included in revenue under rental revenues and as a cost under operating costs of hotel operating companies.

<sup>3)</sup> 2008: Compensation for lease of parking spaces and sale of minor office property in Östersund.

<sup>4)</sup> 2009: Capital gain on sale of shares in HOST Hotels & Resorts Inc.

## Interest Rate Structure<sup>1)</sup>

SEK million	SEK	DKK	EUR	GBP	CHF	CAD	USD	Total Share, %	Int, % <sup>2)</sup>	
Year due										
2010	834.9	449.8	1,578.3	251.9	62.6	137.7	447.1	3,762.3	54.9	1.6
2011	125.0	-	23.8	-	-	119.0	-	267.8	3.9	4.6
2012	225.0	-	-	-	62.6	-	-	287.6	4.2	4.2
2013	75.0	-	208.5	-	-	-	-	283.5	4.1	5.1
2014	350.0	-	417.0	-	-	-	-	767.0	11.2	3.2
2015 and later	350.0	140.1	614.0	-	125.2	253.0	-	1,482.3	21.7	3.9
<b>Total</b>	<b>1,959.9</b>	<b>589.9</b>	<b>2,841.6</b>	<b>251.9</b>	<b>250.4</b>	<b>509.7</b>	<b>447.1</b>	<b>6,850.5</b>	<b>100.0</b>	<b>2.6</b>
Share, %	29	9	40	4	4	7	7	100		
Average interest rate, %	3.4	2.2	2.4	1.2	3.1	3.5	0.7	2.6		
Average fixed period, years	2.6	1.5	2.3	0.1	3.1	4.1	0.1	2.3		

<sup>1)</sup> Converted to SEK <sup>2)</sup> Average interest rate in percent

## Condensed Balance Sheet

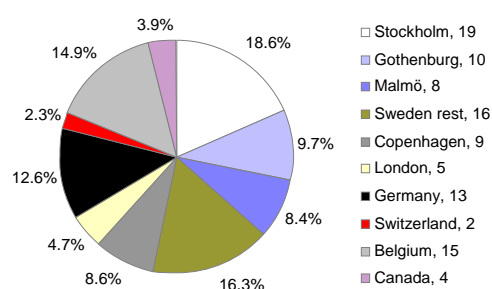
SEK million	31 December 2009	31 December 2008
<b>Assets</b>		
Hotel properties including equipment	9,348.0	9,212.5
Other fixed assets	627.1	560.1
Deferred tax receivable	216.2	234.5
Current assets	158.4	241.2
Cash and bank	326.4	347.7
<b>Total assets</b>	<b>10,676.1</b>	<b>10,596.0</b>
<b>Equity and liabilities</b>		
Shareholders' equity	2,996.7	2,729.2
Deferred tax liability	363.0	335.2
Interest-bearing liabilities	6,850.5	6,808.6
Non-interest-bearing liabilities	465.9	723.0
<b>Total equity and liabilities</b>	<b>10,676.1</b>	<b>10,596.0</b>

The Company applies the same accounting principles as in the latest Annual Report & Accounts.

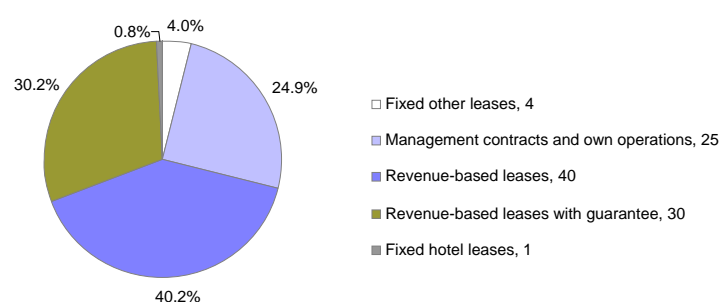
## Key Ratios

SEK million	Full Year 2009	Full Year 2008
<b>Property-related key data</b>		
Book value of properties including hotel equipment	9,348.0	9,212.5
Total property revenue	895.2	915.5
Operating net	778.2	782.7
Direct yield, %	8.4	9.2
<b>Financial key data</b>		
Interest coverage ratio, times (excluding one-off items)	4.5 (2.9)	2.5 (2.5)
Return on total capital, %	5.5	6.2
Return on equity, %	11.2	10.8
Equity/asset ratio, %	28.1	25.8
Cash flow excluding non-recurring items and tax	446.4	444.5
Investments excluding acquisitions	312.5	269.3
Property acquisitions	163.3	370.9

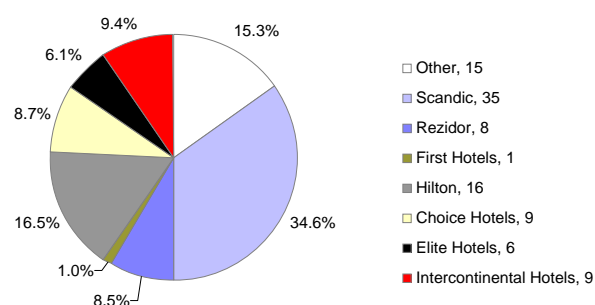
Rental revenue per geographical area January-December 2009



Rental revenue per type of lease January-December 2009



Rental revenue per cooperation partner January-December 2009



# Pandox Hotel Properties

As at 31 December 2009

<b>Name and location</b>	<b>No. of rooms</b>	<b>Situation</b>
Radisson Blu Hotel Arlandia, Arlanda	335	International airport
Hilton Stockholm Slussen	289	City centre
Scandic Järva Krog, Stockholm	215	Stockholm north
Scandic Park, Stockholm	201	City centre
Scandic Upplands-Väsby	150	Stockholm north
Mr Chip Hotel, Kista	150	Stockholm north
Quality Hotel Nacka, Stockholm	164	Sickla, Nacka
Scandic Skogshöjd, Södertälje	225	Södertälje, city centre
Quality Hotel Park, Södertälje	157	Södertälje, city centre
<b>Total Stockholm</b>	<b>1,886</b>	
Scandic Crown, Gothenburg	338	City centre
Elite Park Avenue Hotel, Gothenburg	317	City centre
Scandic Mölndal	208	City centre
<b>Summa Gothenburg</b>	<b>863</b>	
Scandic Copenhagen	484	City centre
Copenhagen Hotel Twentyseven	200	City centre
Scandic S:t Jörgen, Malmö	288	City centre
Radisson Blu Hotel, Malmö	229	City centre
Scandic Star, Lund	196	City centre
Clarion Hotel Grand, Helsingborg	164	City centre
Scandic Kramer, Malmö	113	City centre
<b>Summa Öresund region</b>	<b>1,674</b>	
Scandic Grand Hotel, Örebro	221	City centre
Scandic Winn, Karlstad	199	City centre
Scandic Swania, Trollhättan	198	City centre
Clarion Hotel Grand, Östersund	176	City centre
First Hotel Grand, Borås	158	City centre
Scandic Plaza, Borås	135	
Elite Stora Hotellet, Jönköping	135	City centre
Scandic Hallandia, Halmstad	154	City centre
Clarion Hotel Plaza, Karlstad	131	City centre
Scandic Billingen, Skövde	107	City centre
Vildmarkshotellet Kolmården	213	Resort
<b>Total regional cities Sweden</b>	<b>1,827</b>	
Hilton London Docklands	365	Docklands
Crowne Plaza Brussels	354	City centre
Hilton Brussels City centre	283	City centre
Hotel Bloom! Brussels	305	City centre
Scandic Hotel Grand Place, Brussels	100	City centre
Holiday Inn Brussels Airport	310	International airport
Crowne Plaza Antwerp	264	Ring road
Scandic Antwerp	204	Ring road
Hotel Berlin, Berlin	701	City centre
Hilton Bremen	235	City centre
Hilton Dortmund	190	Exhibition centre
Scandic Lübeck	158	Ring road
Radisson Blu Hotel, Basel	205	City centre
InterContinental Montréal	357	City centre
Hyatt Regency Montréal	605	City centre
<b>Asset management:</b>		
Pelican Bay at Lucaya, Bahamas	184	Resort
<b>Total international</b>	<b>4,820</b>	
<b>TOTAL PANDOX</b>	<b>11,070</b>	

