



Newly refurbished Quality Hotel Park in Södertälje, Sweden



Year-End Report 2008

Year-End Report – January-December 2008

- Pandox' property management revenues amounted to SEK 915.5 million (782.2), representing an increase of SEK 89m and growth of 11 percent for comparable units.
- Operating revenues from own operations, including management agreements, rose to SEK 1,105.3m (788.8). The Group's total revenues were SEK 1,804.1m (1,410.7).
- Profit before tax and non-recurring items improved to SEK 280.4m (259.4).
- Cash flow from current operations, excluding non-recurring items, increased to SEK 444.5m (389.0).
- The hotel property in Östersund has been leased as of 1 January to Choice Hotels under the Clarion brand name. Operations have been run directly by Pandox since 2004 under the Radisson SAS brand name.
- Pandox signed an agreement with Scandic in May regarding the operations of Hotell Skogshöjd in Södertälje. Pandox remains an active property owner and will carry out an investment program of approximately SEK 20m.
- The Hyatt Regency in Montreal with 605 rooms was acquired in June at a purchase price of 58.5 million Canadian dollars, equivalent to approximately SEK 371m. In conjunction with the acquisition, a management agreement was taken over with Hyatt, who will run and develop the hotel in close cooperation with Pandox.

2008 was a new successful year for Pandox with an increase in revenues, profits and cash flows. Property management revenues improved by SEK 133m to SEK 915m and profits amounted to SEK 280.4m (259.4). Cash flow was strengthened and amounted to SEK 444.5m (389.0), representing an improvement of 14 percent. For comparable units, Pandox' property portfolio showed underlying growth of 11 percent.

RevPAR under pressure

The American hotel market, which always lies first in the hotel economic cycle, saw the start of a downturn in RevPAR in the last quarter of the year. However, average rates for the full-year increased slightly while occupancy fell by more than 4 percent – resulting in an overall decline of RevPAR of 1.9 percent. The two large metropolises of New York and London showed similar patterns with a downturn in revenues in the third quarter – a trend that became more significant in the last quarter of the year. Major markets in Europe experienced good growth until September, after which the market lost momentum.

Brussels, with a considerable proportion of meeting volume, achieved good growth of more than 5 percent in the reporting period, although the market turned downwards in the fourth quarter. The hotel market in Berlin continues to grow, driven primarily by a large proportion of domestic demand.

The spread effects from the financial crisis have been visible in Scandinavia since the end of the summer. Most markets experienced growth up until September, but the fourth quarter showed distinct signs of a downturn in the capital city regions, and in Copenhagen in particular. Gothenburg was also hit as a consequence of the problems experienced by industry and commerce in the region, while Malmö and Swedish regional towns and cities have been stable.

Pandox' portfolio can summarise a good year

Pandox' portfolio has shown good developments in the turbulent global situation. Growth for the year was 17 percent overall, and 11 percent for comparable units – which implies that most of Pandox' hotels have performed better than their respective sub-markets.

In Stockholm, the Radisson SAS Arlandia, Scandic Upplands-Väsby and the Scandic Park have shown strong development, while the Quality Hotel Nacka has kept pace with its competition group. The Scandic Mölndal and Scandic Crown in Gothenburg both performed better than the market, while the Elite Park Avenue developed in line with the market.

The hotels in Malmö have done well in general, and the Scandic S:t Jörgen's strong trend has been maintained. The Scandic Copenhagen performed well in a market that started to weaken significantly, and has gained market shares. Similar patterns have been shown by the Hilton Bremen and Hotel Berlin, which increased their RevPAR by nine and four percent respectively during the year as a positive effect of a re-positioning towards the meeting segment.

The market has started to decline in London, although the Hilton Docklands has developed better than the average. Pandox' Belgian portfolio continues to develop better than its competitors. The Holiday Inn Brussels Airport has improved its average rate, thus providing improved profits. The Crowne Plaza continues to gain market shares with its strong meeting product, and the newly refurbished Hotel BLOOM!, which has become Brussels' leading lifestyle hotel, has got off to a fantastic start since opening in April.

Montreal, which had a weak start to the year, has recovered with the help of a number of international meetings, which in turn has had good effects on the InterContinental with its proximity to the Palais des Congrès. The Hyatt Montreal, which has had an unlucky year with a fire in the pool area (before Pandox took over) and a strike, has recovered and achieved results as forecasted. Hotels with a negative development the last year include Crowne Plaza Antwerp and Scandic Antwerp which both have underperformed their competitive set. Both hotels are objects for active measures. Park Södertälje has shown a similar trend however because of the refurbishment program.

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 915.5m (782.2). For comparable units, the portfolio grew by more than 11 percent. This increase is due to a good underlying hotel economic climate in all of Pandox' sub-markets during the first three quarters of the year, new agreements with better conditions, and that last year's refurbishment projects have been run with high capacity. Property costs excluding depreciation amounted to SEK 132.8m (126.3). The increase is mainly due to the acquisitions and higher property taxes in the Company's Belgian portfolio.

The operating net rose by SEK 126.8m to SEK 782.7m (655.9), and for comparable units the operating net improved by SEK 84m, representing 13 percent. Direct yield for the period was 9.2 percent (8.6).

Revenues and profit – hotel operations

Total revenues from hotel operations amounted to SEK 1,105.3m (788.8), and the profit amounted to SEK 20.8m (20.6). The virtually unchanged profit is due to the absence of profit contributions from the sold operations in Östersund and Skogshöjd Södertälje, and that the total refurbishments of the Quality Park Hotel in Södertälje and Holiday Inn Brussels Airport have been carried out with reduced revenue capacity.

Profit

The Group's profit for the period January-December 2008 before tax, and excluding non-recurring items, amounted to SEK 280.4m (259.4).

Financing and cash flow

Net financial items relating to current operations for the period January-December 2008 amounted to SEK -294.7m (-232.4). The Group's interest-bearing liabilities amounted as of 31 December 2008 to SEK 6,808.6m (5,516.8). The loan portfolio has a spread due-date structure with an average fixed-capital period of 8.5 years and an average fixed-interest period of 1.7 years. The average interest rate on loans at 31 December 2008 was 3.6 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 credit facilities totalling SEK 1,172.9m amounted to SEK 1,520.6m (673.3). Cash flow before changes in working capital and investments, excluding non-recurring items and tax, amounted to SEK 444.5m (389.0).

Investments

The Padox Group's investments, excluding acquisitions, amounted for the year to SEK 269.3m (274.9). Investments pertained primarily to refurbishment programs in the Quality Hotel Park in Södertälje, Holiday Inn Brussels Airport, Hotel Bloom in Brussels and the InterContinental Montreal, as well as product improvements in a number of properties. The Hyatt Regency Montreal, with 605 rooms, was acquired during the year. The purchase price was 58.5 million Canadian dollars, equivalent to approximately SEK 371m.

The book value of hotel properties, including furniture, fixtures and equipment, amounted to SEK 9,212.5m (8,223.8). The market value of the hotel properties significantly exceeds their book value.

Fourth quarter 2008

Property management revenues for the fourth quarter amounted to SEK 252.0m (223.1), representing an increase of SEK 28.9m. Profit before tax, excluding non-recurring items, was SEK 86.6m (81.6), and cash flow excluding non-recurring items amounted to SEK 133.9m (116.7).

Outlook for 2009

Padox' forecast for the hotel market 2009 is that all quarters will be poorer than the previous year. The worst affected will be the high-price hotels with large meeting capacity in major international markets. International markets such as London and New York are expected to experience a fall in RevPAR of more than 10 percent, while locations that have a large proportion of domestic guests will manage better. In the troubled global situation, Padox' cash flow will remain relatively stable as a consequence of high quality in the hotel property portfolio, positive effects of the investment and acquisition activities that the Company has carried out in recent years, and that the largest cost item – interest – is expected to decrease. The coming year appears initially to be challenging, but will probably also offer many business opportunities for a player such as Padox.

Stockholm, 10 February 2009

Padox AB

Anders Nissen
CEO

Condensed Income Statement

SEK million	October-December 2008	October-December 2007	Full Year 2008	Full Year 2007
Property Operations				
Rental revenue	241.5	214.1	872.3	747.5
Other property revenue	10.5	9.0	43.2	34.7
Total property revenue¹⁾	252.0	223.1	915.5	782.2
Property costs	-31.6	-37.6	-132.8	-126.3
Operating net	220.4	185.5	782.7	655.9
Depreciation	-47.3	-35.1	-163.8	-129.3
Income from property operations	173.1	150.4	618.9	526.6
Hotel operations				
Operating revenue ¹⁾	333.3	274.2	1,105.3	788.8
Operating costs ²⁾	-323.1	-262.0	-1,084.5	-768.2
Operating income, hotel operations	10.2	12.2	20.8	20.6
Gross income	183.3	162.6	639.7	547.2
Administrative costs	-17.2	-14.6	-64.6	-55.4
Non-recurring income/costs ³⁾	6.9	3.4	6.9	3.4
Operating income	173.0	151.4	582.0	495.2
Net financial items	-79.5	-66.4	-294.7	-232.4
Income after financial items	93.5	85.0	287.3	262.8
Tax	-15.4	-7.0	-22.2	-8.2
Deferred tax	74.9	12.6	34.2	-24.6
NET INCOME	153.0	90.6	299.3	230.0

¹⁾ Specification of external revenue:				
Revenue from property operations	252.0	223.1	915.5	782.2
Of which internal rents	-62.1	-51.6	-216.7	-160.3
Revenue from hotel operations	333.3	274.2	1,105.3	788.8
Total external revenue	523.2	445.7	1,804.1	1,410.7

²⁾ 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.

³⁾ 2008: Compensation for lease of parking spaces and sale of minor office property in Östersund.
2007: Compensation for transferral of a rental agreement to a new legal entity.

Interest Rate Structure¹⁾

SEK million	SEK	DKK	EUR	GBP	CHF	CAD	USD	Total Share, %	Int, % ²⁾	
Year due										
2009	1,786.5	137.3	2,062.7	176.2	66.1	-	377.6	4,606.4	67.7	3.4
2010	250.0	-	-	-	-	-	-	250.0	3.7	4.8
2011	125.0	-	30.1	-	-	119.0	-	274.1	4.0	4.7
2012	225.0	-	-	-	66.1	-	-	291.1	4.3	4.0
2013	75.0	-	437.4	-	-	-	-	512.4	7.5	4.4
2014 and later	200.0	146.8	164.0	-	132.2	231.6	-	874.6	12.8	4.0
Total	2,661.5	284.1	2,694.2	176.2	264.4	350.6	377.6	6,808.6	100.0	3.6
Share, %	39	4	40	3	4	5	6	100		
Average interest rate, %	3.7	4.8	3.5	4.7	2.9	4.3	2.9	3.6		
Average fixed period, years	1.4	3.6	1.4	0.2	3.8	6.5	0.1	1.7		

¹⁾ Converted to SEK ²⁾ Average interest rate in percent

Condensed Balance Sheet

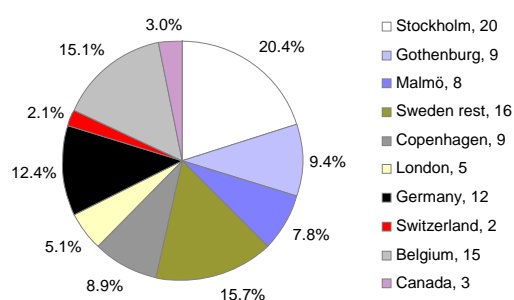
SEK million	31 December 2008	31 December 2007
Assets		
Hotel properties, including equipment	9,212.5	8,223.8
Other fixed assets	560.1	15.7
Deferred tax receivable	234.5	123.3
Current assets	241.2	223.1
Cash and bank	347.7	272.8
Total assets	10,596.0	8 858.7
Equity and liabilities		
Shareholders' equity	2,729.2	2,407.7
Deferred tax liability	335.2	352.5
Interest-bearing liabilities	6,808.6	5,516.8
Non-interest-bearing liabilities	723.0	581.7
Total equity and liabilities	10,596.0	8 858.7

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

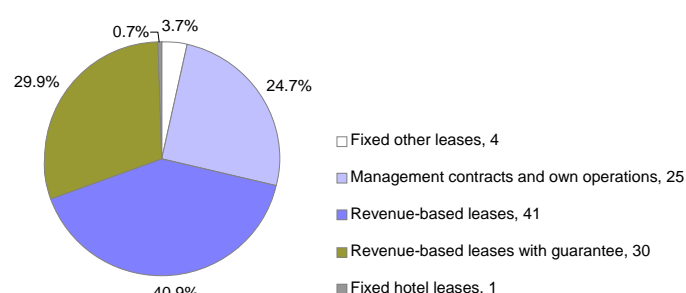
Key Ratios

SEK million	Full Year 2008	Full Year 2007
Property-related key data		
Book value of properties including hotel equipment	9,212.5	8,223.8
Total property revenue	915.5	782.2
Operating net	782.7	655.9
Direct yield, %	9.2	8.6
Financial key data		
Interest coverage ratio, times	2.5	2.7
Return on total capital, %	6.2	6.1
Return on equity, %	10.8	11.0
Equity/asset ratio, %	25.8	27.2
Cash flow excluding non-recurring items and tax	444.5	389.0
Investments excluding acquisitions	269.3	275.1
Property acquisitions	370.9	1,063.4

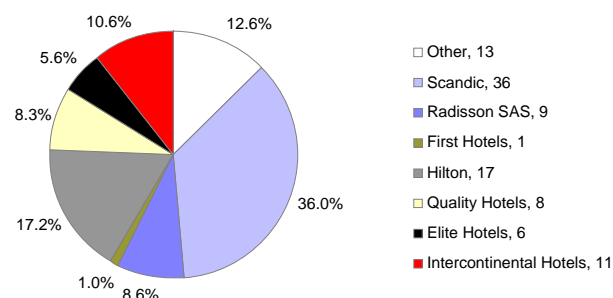
Rental revenue per geographical area January-December 2008



Rental revenue per type of lease January-December 2008



Rental revenue per cooperation partner January-December 2008



Pandox Hotel Properties

As at 31 December 2008

Name and location	No. of rooms	Situation
Radisson SAS Arlandia Hotel, Arlanda	335	International airport
Hilton Stockholm Slussen	288	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	162	Sickla, Nacka
Scandic Skogshöjd, Södertälje	225	Södertälje, city centre
Quality Hotel Park, Södertälje	149	Södertälje, city centre
Total Stockholm	1,875	
Scandic Crown, Gothenburg	338	City centre
Elite Park Avenue Hotel, Gothenburg	315	City centre
Scandic Mölndal	208	City centre
Summa Gothenburg	861	
Scandic Copenhagen	484	City centre
Copenhagen Hotel Twentyseven	200	City centre
Scandic S:t Jörgen, Malmö	288	City centre
Radisson SAS Hotel, Malmö	229	City centre
Scandic Star, Lund	196	City centre
Clarion Hotel Grand, Helsingborg	164	City centre
Scandic Kramer, Malmö	113	City centre
Summa Öresund region	1,674	
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	155	City centre
Clarion Hotel Plaza, Karlstad	131	City centre
Scandic Billingen, Skövde	107	City centre
Total regional cities Sweden	1,615	
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	262	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 SAS Hotel, Basel	205	City centre
InterContinental Montréal	357	City centre
Hyatt Regency Montréal	605	City centre
Asset management:		
Pelican Bay at Lucaya, Bahamas	186	Resort
Total international	4,820	
TOTAL PANDOX	10,845	

