



The recently acquired Radisson SAS Hotel in Malmö

Year-End Report 2006

Year-End Report 2006

- Pandox' property management revenues amounted to SEK 634.9m (574.0), representing for comparable units an increase of SEK 51.2m or 9.7 percent. The Group's total revenues amounted to SEK 967.5m (778.6).
- Pre-tax income, excluding non-recurring items, amounted to SEK 226.1m (222.9), and cash flow from ongoing operations was SEK 317.6m (301.4). Last year's results include 12 hotel properties that were sold at the end of June 2005.
- Pandox sold the operations of Mora Hotell in January 2006, generating a capital gain of SEK 8.0m.
- In June 2006, Pandox acquired the hotel property and operations of Hotel Berlin with 701 rooms at an acquisition cost of approximately EUR 100m.
- The hotel property Scandic Plaza in Borås with 135 rooms was acquired in July at a purchase cost of SEK 138m.
- The Radisson SAS property in Malmö with 229 rooms was acquired in September at a cost of SEK 260m.

Demand within the hotel market continued to develop positively in 2006, resulting in a solid rise in revenues in Pandox portfolio. Adjusted for the 12 hotel properties that were sold in the summer of 2005 and the four transactions carried out over the last twelve months, Pandox has achieved underlying value growth of 9.7 percent. The trend continues to be strong and value growth for the fourth quarter was more than 12 percent. Income after net financial items and before non-recurring revenue amounted to SEK 226.1m (222.9), while cash flow was SEK 317.6m (301.4). Last year's results include six months' income from the twelve sold hotel properties.

Rate of growth in the United States declines

The rate of growth in the US economy declined during the year, due partly to a decrease in private consumption and stagnating house prices. The dollar is expected to remain weak against the euro in the short term. The American hotel market, which has experienced a rise in RevPAR for three successive years, continues to show good growth with improved average rates in particular. New York, which usually lies ahead in this economic cycle, experienced a new record year with more than 12 percent growth in RevPAR. Trends show a certain weakening in room occupancy and a decline in the rate of growth of average rates.

Good growth in Europe

Europe is in general experiencing good trends with growth in both room occupancy and average rates in the larger cities. RevPAR increased by about 9 percent during the year. Demand in Brussels developed better than the previous year with a rise of 9 percent, while London rose by 17 percent. In Berlin, which benefited from the football World Cup, RevPAR rose by 19 percent. Other markets with positive trends included Frankfurt and Paris, which increased by 5 percent and 13 percent respectively.

Sweden continues to experience good growth (+8 percent). Unlike 2005, it is primarily average rates that are behind the rise in RevPAR. Stockholm had a very strong hotel year that was in line with the country's rate of growth. The trend is that average rates are having a greater significance for improvements in revenue.

Gothenburg increased by 11 percent in 2006 and Malmö saw growth of 6 percent. Both locations are currently at historically record levels.

Good year-end for Pandox' properties

Pandox' Stockholm hotels follow similar patterns and are performing in line with or better than the market. Most of the development and refurbishment program at the Elite Park Avenue in Gothenburg has now been completed, which contributed positively to revenues after lower capacity during the previous year.

The rent for the Scandic St Jörgen has been temporarily reduced due to the refurbishment and development program currently in progress in the property. The Scandic Kramer continues to develop better in a strong Malmö market. Despite having undergone a major refurbishment of its banquet and conference facilities, the Scandic Copenhagen increased its revenues compared with last year. The Copenhagen Hotel 27 is currently undergoing a complete refurbishment program where the first phase has been completed with more than 70 new rooms in operation. The new hotel product has been well-received by the market. The second phase of the refurbishment has been started and is expected to be finished in the beginning of the summer of 2007. The German hotels developed well, thanks partly to the football World Cup.

The Hilton Docklands declined slightly compared with the market due to greater competition from in particular two new Hilton hotels in the neighbourhood. The hotel has also undergone major refurbishment where 118 rooms were unavailable for two months.

The hotel market in Brussels is developing well with growth in both room occupancy and average rates compared with last year. The Crowne Plaza continues to do well despite the hotel being refurbished during the year. The Hilton Brussels City is performing well in the market, due primarily to good volume growth. Pandox' hotel in Antwerp has declined slightly compared with the market, while the Scandic Grand Place is doing better than the market.

Accounting principles

Pandox does not apply IFRS. As an unlisted company, Pandox is not subject to IFRS accounting requirements, and prepares its accounts in accordance with the Swedish Annual Accounts Act and generally accepted accounting principles, as well as the recommendations of the Swedish Accounting Standards Board, unless otherwise stated.

Revenues and operating net – property operations

Property revenue for the year amounted to SEK 634.9m (574.0). For comparable units, the value-growth of the portfolio rose by 9.7 percent despite several major refurbishment projects being in progress. This increase is attributable to a good underlying hotel economic cycle in all of Pandox' sub-markets, new agreements with better conditions, and that last year's two major refurbishment projects are now operating with greater capacity. Property costs, excluding depreciation, amounted to SEK 111.5m (103.8).

The operating net increased by SEK 53.2m to SEK 523.4m (470.2). For comparable units, the operating net improved by SEK 46.7m. Adjusted direct yield before administrative costs was 8.1 percent (8.5) for the period.

Revenues and income – hotel operations

Revenues from hotel operations come from the Hilton Brussels City, which is operated through a management agreement with Hilton, as well as five hotels that are directly operated by Pandox: Crowne Plaza Brussels, Royal Crown Brussels, Radisson SAS Hotel Östersund, Copenhagen Hotel 27, and Hotel Berlin which is included as of June.

Total revenues from operational activities for the year amounted to SEK 420.0m (250.2), and income increased by SEK 1.5m to SEK 12.3m (10.8).

Income

Consolidated income for the Group for 2006 before tax and excluding non-recurring items amounted to SEK 226.1m (222.9). For comparable units, income improved by approximately SEK 23m. Income after tax, including non-recurring items, was SEK 201.6m.

Financing and cash flow

Net financial items relating to current operations for the period January-December 2006 amounted to SEK -166.4m (-137.4). The Group's interest-bearing liabilities amounted as of 31 December 2006 to SEK 4,398.5m (3,165.3). The loan portfolio has a spread due-date structure with an average fixed-interest period of 2.9 years (3.8). The average interest rate on loans at 31 December was 4.3 percent (4.1). Financing of Swedish properties has been made in Swedish kronor, while properties outside Sweden have essentially been financed in each respective local currency. Available liquid funds, including an unutilised bank overdraft facility and credit facilities for a total of SEK 501.4m, amounted to SEK 675.5m (992.0). Cash flow before changes in working capital, investments and excluding non-recurring items and tax improved by SEK 16.2m and amounted to SEK 317.6m (301.4).

Investments

The Padox Group's investments amounted for the year to SEK 282.6m (165.1). These investments essentially pertained to the refurbishment programs of the Crowne Plaza in Brussels, Elite Park Avenue in Gothenburg, Scandic St Jörgen in Malmö, Scandic Hallandia in Halmstad, Scandic Copenhagen, and Copenhagen Hotel 27. The book value of hotel properties, including furniture, fixtures and equipment, amounted to SEK 6.907.5m (5,477.5).

In June 2006, Padox acquired the hotel property and operations of Hotel Berlin with 701 rooms at an acquisition cost of approximately EUR 100m. The hotel property Scandic Plaza in Borås with 135 rooms was acquired in July at a purchase cost of SEK 138m. The Radisson SAS property in Malmö with 229 rooms was acquired in September at a cost of SEK 260m.

Asset management

Padox has an asset management assignment since 2005 to assist the owner Sundt AS and support the management of the Hotel Pelican Bay on Grand Bahama Island. The hotel, which has 186 rooms including 90 suites, has experienced positive development and gained market shares during the past year.

Fourth quarter 2006

Property revenue for the fourth quarter amounted to SEK 184.0m (140.5), representing an improvement of SEK 43.5m due partly to the three new acquisitions during the year. For comparable units, revenue increased by more than 12 percent in the fourth quarter. Pre-tax income, excluding non-recurring items, amounted to SEK 65.2m (51.5) and cash flow, excluding non-recurring items, was SEK 90.1m (71.7).

Outlook for 2007

The favourable economic climate with a higher level of activity is expected to continue in 2007, which in turn will provide further demand in the hotel sector. Income will also generally improve due to relatively low additional capacity along with the potential for higher prices. Liquidity within the hotel property market is expected to remain high despite the risk of a rise in interest rates. In this favourable market picture, Padox holds a strong position that is forecasted to result in greater revenues and improved income compared with 2006, as well as good potential to continue to make profitable acquisitions.

Stockholm, 14 February 2007
Padox AB

Anders Nissen
Chief Executive Officer

Condensed Income Statement

SEK Million	October-December 2006	October-December 2005	Full Year 2006	Full Year 2005
Property Operations				
Rental revenue	175.4	134.9	605.0	548.8
Other property revenue	8.6	5.6	29.9	25.2
Total property revenue¹⁾	184.0	140.5	634.9	574.0
Property costs	-34.3	-25.9	-111.5	-103.8
Operating net	149.7	114.6	523.4	470.2
Depreciation	-24.9	-20.2	-91.3	-78.2
Income from property operations	124.8	94.4	432.1	392.0
Hotel operations				
Operating revenue ¹⁾	131.8	81.8	420.0	250.2
Operating costs ²⁾	-128.2	-79.3	-407.7	-239.4
Operating income, hotel operations	3.6	2.5	12.3	10.8
Gross income	128.4	96.9	444.4	402.8
Administrative costs	-15.1	-12.4	-51.9	-42.5
Non-recurring income/costs ³⁾	0.7	1.7	39.9	444.4
Operating income	114.0	86.2	432.4	804.7
Net financial items	-48.1	-33.0	-166.4	-137.4
Income after financial items	65.9	53.2	266.0	667.3
Tax ⁴⁾	-0.8	-15.7	0.8	-15.8
Deferred tax	-23.1	60.1	-65.2	36.8
NET INCOME FOR THE PERIOD	42.0	97.6	201.6	688.3

¹⁾ Specification of external revenue:				
Revenue from property operations	184.0	140.5	634.9	574.0
Of which internal rents	-28.2	-12.0	-87.4	-45.6
Revenue from hotel operations	131.8	81.7	420.0	250.2
Total external revenue	287.6	210.2	967.5	778.6

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⁾ 2006: Result of divestment of hotel operator Mora Hotell SEK +8,0m, sale of shares in Norgani Hotels AS SEK +10,3m, divestment of land in Uppsala SEK +21,0m and other SEK +0,7m. 2005: The result of selling 12 hotel properties to Norgani.

⁴⁾ In 2006 figure, a repaid capital tax amount of SEK 4,3m is included and is related to the sale of 12 hotel properties last year.

Interest rate structure¹⁾

SEK million	SEK	DKK	EUR	GBP	CHF	Total	Share, %	Int., % ²⁾
Year due								
2007	1 094.3	-	933.1	220.2	50.7	2 298.3	52.3	4.2
2008	100.0	162.7	-	-	-	262.7	6.0	4.8
2009	125.0	-	-	-	-	125.0	2.8	4.6
2010	250.0	-	-	-	-	250.0	5.7	4.8
2011	125.0	-	32.3	-	-	157.3	3.6	5.1
2012 och senare	500.0	121.4	531.8	-	152.0	1 305.2	29.7	4.1
Total	2 194.3	284.1	1 497.2	220.2	202.7	4 398.5	100.0	4.3
Share, %	50	6	34	5	5	100		
Average interest rate, %	4.3	3.9	4.2	6.1	2.6	4.3		
Average fixed period, years	2.6	4.6	3.2	0.2	5.3	2.9		

¹⁾ Converted to SEK

²⁾ Average rate of interest in percent

Condensed Balance Sheet

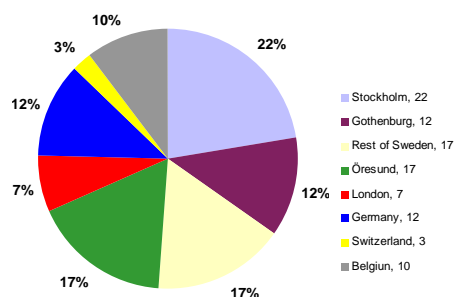
SEK million	31 December 2006	31 December 2005
Assets		
Hotel properties, including equipment	6 907.5	5 477.5
Other fixed assets	35.9	6.8
Deferred tax receivable	120.7	106.9
Current assets	190.6	201.7
Liquid funds	174.1	236.4
Total assets	7 428.8	6 029.3
Equity and liabilities		
Shareholders' equity	2 272.3	2 307.7
Deferred tax liability	279.7	208.6
Interest-bearing liabilities	4 398.5	3 165.3
Non-interest-bearing liabilities	478.3	347.7
Total equity and liabilities	7 428.8	6 029.3

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

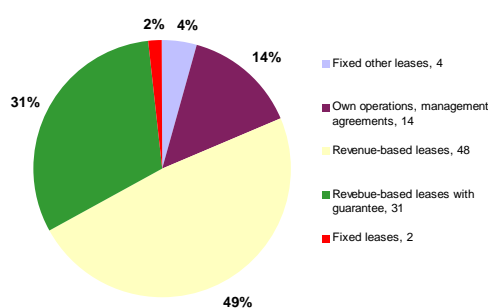
Key Data

SEK million	Full Year 2006	Full Year 2005
Property-related key data		
Book value of properties including hotel equipment	6 907.5	5 477.5
Total property revenue	634.9	574.0
Operating net	523.4	470.2
Adjusted operating net	561.0	433.3
Direct yield, %	8.1	8.5
Financial key data		
Interest coverage ratio, times	2.4	2.6
Return on total capital, %	5.9	6.4
Return on equity, % (excluding non-recurring items)	10.4	12.6
Equity/asset ratio, %	30.6	38.2
Cash flow, excluding non-recurring items and tax	317.6	301.4
Investments, excluding acquisitions	282.6	165.1
Property acquisitions	1 327.8	661.3

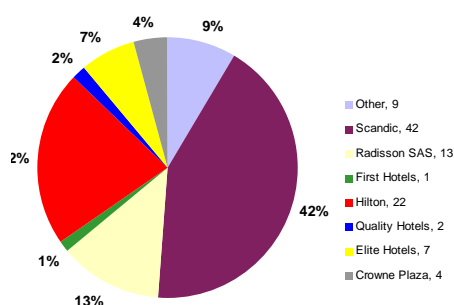
Rental revenue per geographical area



Rental revenue per type of lease



Rental revenue per cooperation partner



Pandox Hotel Properties

As at 31 December 2006

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	198	City centre
Scandic Upplands Väsby	150	Stockholm north
Mr Chip Hotel, Kista	150	Stockholm north
Quality Hotel Nacka, Stockholm	162	Sickla, Nacka
Total Stockholm	1 498	
Scandic Crown, Gothenburg	338	City centre
Elite Park Avenue Hotel, Gothenburg	291	City centre
Scandic Mölndal	208	City centre
Total Gothenburg	837	
Scandic Copenhagen	484	City centre
Copenhagen Hotel 27	200	City centre
Scandic S:t Jörgen, Malmö	265	City centre
Radisson SAS, Malmö	229	City centre
Scandic Star, Lund	196	Central
Radisson SAS Grand Hotel, Helsingborg	164	City centre
Scandic Kramer, Malmö	113	City centre
Total Öresund region	1 651	
Scandic Grand Hotel, Örebro	219	City centre
Scandic Winn, Karlstad	199	City centre
Scandic Swania, Trollhättan	196	City centre
Radisson SAS Hotel, Östersund	177	City centre
First Hotel Grand, Borås	158	City centre
Scandic Plaza, Borås	135	City centre
Elite Stora Hotellet, Jönköping	135	City centre
Scandic Hallandia, Halmstad	130	City centre
Radisson SAS Plaza, Karlstad	131	City centre
Scandic Billingen, Skövde	106	City centre
Total regional and other towns in Sweden	1 586	
Hilton London Docklands	365	Docklands
Crowne Plaza Brussels	354	City centre
Hilton Brussels City centre	283	City centre
Royal Crown Plaza Brussels	307	City centre
Scandic Hotel Grand Place, Brussels	100	City centre
Scandic Hotel Antwerpen	204	Ring road
Hotel Berlin	701	City centre
Hilton Bremen	235	City centre
Hilton Dortmund	190	Exhibition centre
Scandic Hotel Lübeck	158	Ring road
Radisson SAS Hotel, Basel	205	City centre
Asset management:		
Pelican Bay at Lucaya, Bahamas	186	Resort
Total international	3 288	
TOTAL PANDOX	8 860	

