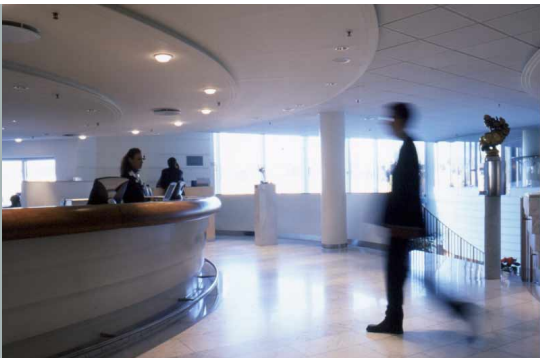




2002



Year-end report

Year-end report 2002

- Pandox' property revenue amounted to SEK 562.2 M (575.1), representing a decrease of 2 per cent against comparable units last year.
- Income before tax, and excluding non-recurring revenue, amounted to SEK 202.2 M (210.6).
- Cash flow from operating activities amounted to SEK 265.8 M (267.2), corresponding to SEK 10.68 per share (10.73).
- The hotel properties First Hotel Jörgen Kock and Scandic Hotel Säftele were sold during the year, with a total capital gain of SEK 28.8 M.
- The Board of Directors proposes the payment of a dividend of SEK 4.25 per share (4.00).

The hotel market in 2002

The prevailing global uncertainty along with anxiety on the political scene and in the financial markets have led to lower demand in the hotel industry. Revenues within the hotel market have gradually decreased since the beginning of 2001. The large international hotel markets crash-landed further to the terrorist attacks of 11 September, and have subsequently settled into a normal recessional pattern. The downturn has however levelled out in the United States, and the fourth quarter 2002 was better than 2001 – albeit due primarily to the same period last year containing the negative effects related to 11 September. All in all, revenues decreased by 2.5 per cent compared with 2001, and by slightly more than 9 per cent compared with 2000. The downward trend is therefore easing off, but it is still too early to say that it has levelled out.

The European hotel markets followed a similar pattern. When studying last year's trends compared with 2000 it can be seen that in principle all large cities have witnessed negative growth. A similar comparison between 2002 and 2001 does not provide any concrete trend in general. The decline in London has become less strong, while Paris reports certain growth, and locations such as Brussels and Frankfurt continue to experience even further downturn. One possible explanation is that volumes are relatively stable in Europe, while the ability to defend one's prices varies from one location to another. There is currently an absence of stable trends, and differences between international and

domestic market segments remain. The former is the result of macro-economic conditions and is curbed by the threat of war. Domestic demand is still stable, but the risk for negative effects is increasing in pace with the continuing international anxiety.

The international downturn has so far had a limited effect on the Swedish market. The hardest hit was, and continues to be, the high-price segment as well as hotels located in northern Stockholm and around Arlanda International Airport. Stockholm started the year with relatively weak activity, due primarily to the comparison being made with the beginning of 2001 which was extraordinarily strong. Demand has since been good and the third quarter witnessed growth of approximately 8 per cent in RevPAR, (average revenue per available room) due amongst other items to a strong tourist summer. Gothenburg has experienced similar trends as Stockholm, and the market on the whole is growing compared with last year. The opposite has however occurred in Malmö, where the market has peaked and is expected to decline, from historically high levels, over quite a long period of time. One reason for this situation is the considerable growth in new capacity in Copenhagen, which has affected the market in the form of lower RevPAR.

The classic Swedish hotel markets in and around regional cities declined slightly during the year, due primarily to a weak start.

The trend is that international demand continues to remain weak, while domestic markets in Scandinavia and Germany are

relatively stable. In Sweden, the development of larger cities with a high share of business travelers is at present below average.

Revenue and operating net - Property operations

Property revenue in 2002 amounted SEK 562.2 M (575.1) representing a decrease of 2.2 per cent compared with the previous year. This decline is attributable to a weaker hotel market, but in which the Pandox hotel portfolio performed better than the market in general. For comparable units, the value growth of the portfolio was -2.0 per cent. Property costs excluding depreciation amounted to SEK 93.2 M (96.7).

Operating net fell by SEK 9.4 M to SEK 469.0 M (478.4). The decrease in revenue has been partially compensated by lower property costs. Adjusted direct yield before administrative costs amounted in the period to 9.4 per cent (9.6). Adjusted direct yield including property-related administrative costs amounted to 9.1 per cent (9.3).

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 First Hotel Mora, which is directly operated by Pandox. The operational activities in First Hotel Mora, which was acquired on 1 July 2002, are included in the accounts for the latter six months of the year. Total revenues from hotel operations for 2002 amounted to SEK 60.1 M (39.7). Income rose by SEK

1.5 M to SEK 1.9 M (0.4), attributable essentially to the Hilton Brussels City.

Income

Consolidated income for the Group for 2002, before tax and excluding non-recurring revenue, amounted to SEK 202.2 M (210.6), which is in line with the previously presented forecast of SEK 200 M. Net income after tax and including non-recurring revenue amounted to SEK 186.7 M (190.7), representing a decrease of SEK 4.0 M compared with last year. The decline in income is essentially due to less revenue, an increase in the depreciation charge and higher deferred tax, which have been partially compensated by an improvement in net financial items as well as total non-recurring revenue of SEK 28.8 M. Due to a loss deduction, there is in principle no tax payable. Deferred tax calculated for the period amounts to SEK 44.2 M (28.3), of which SEK 10.5 M concerns estimated deferred tax on the non-recurring revenue.

Financing and cash flow

Net financial items for the year 2002 amounted to SEK -171.0 M (-178.1). The Group's interest-bearing liabilities amounted as per 31 December 2002 to SEK 3,070.6 M (3,178.5). The loan portfolio has a spread due-date structure with an average fixed-interest period of 2.1 years. The average interest rate on loans was 5.7 per cent at the end of the year. Financing of Swedish properties has been made in Swedish kronor, while properties outside Sweden have essentially been financed in each respective currency. The properties' mortgaging ratio was 62 per cent. Available liquid funds, including an unutilised overdraft facility of SEK 100 M and a short-term investment of SEK 100 M amounted to SEK 313.2 M (186.7). Cash flow before changes in working capital and investments was in line with the previous year and amounted to SEK 265.8 M (267.2).

Investments and divestments

The Pandox Group's investments amounted in 2002 to SEK 67,3 M (149.1). These investments pertained on the whole to product improvements and the re-profiling to Hilton of a number of properties, as well as the extension of 19 new rooms and conference facilities at the Elite Stora Hotellet in Jönköping. The First Jörgen Kock in Malmö and Scandic Säfte hotel properties were divested in 2002 resulting in a total capital gain of SEK 28.8 M. These divestments are a part of Pandox' strategy to concentrate on ownership in prioritised locations and segments.

The hotel properties' book value, including furniture, fixtures and equipment amounted to SEK 4,961.3 M (5,036.8).

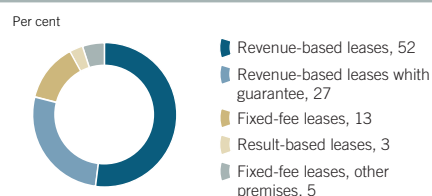
The Parent Company

Property activities in the Group's property-owning companies are administered by staff employed in the Parent Company, Pandox AB. The cost of these services has been invoiced to the Group's subsidiaries. Invoicing in 2002 amounted to SEK 29.5 M (31.0). Net income for the year after tax amounted to SEK 129.5 M (99.5).

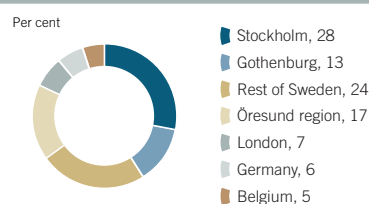
Fourth quarter 2002

Property revenue for the fourth quarter amounted to SEK 141.1 M (144.8), representing a decline of SEK 3.7 M, but of which SEK 2.6 is explained by the divestment of properties. For comparable units, the decrease was 0.5 per cent in the fourth quarter - compared with 3 per cent in the first quarter, 2 per cent in the second quarter, and 2.5 per cent in the third quarter. Income before tax and excluding non-recurring revenues was SEK 52.8 M (54.2), and cash flow excluding non-recurring revenues declined marginally to SEK 68,7 M (70,2).

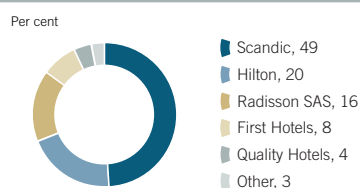
Rental revenue 2002 by type of lease



Rental revenue in 2002 by geographical area



Rental revenue 2002 by co-operating partners



Significant events further to the end of the financial year

In January 2003, the hotel property First Hotel Park Astoria in Enköping was sold for SEK 24,6 M, resulting in a capital gain of SEK 7,5 M. The purchaser will take possession of the property on 1 April 2003.

Outlook

Pandox forecasts continued uncertainty in the international hotel markets and relatively stable domestic demand in 2003. Pandox' focused strategy, high quality hotel property portfolio, lease structure and active ownership limits the risks and create continued good potential for the further development of the company.

Condensed income statement

SEK M	October–December		Full year	Full year
	2002	2001	2002	2001
Property operations				
Rental revenue	134.5	139.5	536.2	551.1
Other property revenue	6.6	5.3	26.0	24.0
Total property revenue	141.1	144.8	562.2	575.1
Operating and maintenance costs	-23.2	-25.1	-93.2	-96.7
Operating net	117.9	119.7	469.0	478.4
Depreciation according to plan ¹⁾	-15.9	-16.0	-63.2	-56.2
Income from property operations	102.0	103.7	405.8	422.2
Hotel operations				
Operating revenue	21.5	11.6	60.1	39.7
Operating costs	-20.4	-11.6	-58.2	-39.3
Operating income, hotel operations	1.1	0.0	1.9	0.4
Gross income	103.1	103.7	407.7	422.6
Administrative costs ¹⁾	-8.6	-7.8	-34.5	-33.9
Non-recurring revenue/expense	–	–	28.8	8.6
Operating income	94.5	95.9	402.0	397.3
Net financial items	-41.7	-41.7	-171.0	-178.1
Income before tax	52.8	54.2	231.0	219.2
Tax	-0.1	–	-0.1	-0.2
Deferred tax ²⁾	-5.0	-8.0	-44.2	-28.3
NET INCOME FOR THE PERIOD/YEAR	47.7	46.2	186.7	190.7

1) Total depreciation in the period amounted to SEK -63.7 M, of which SEK -63.2 M (-56,2) in hotel operations and SEK 0.5 M (-0.5) in administrative costs.

2) The deferred tax for the year 2002 respectively includes an estimated tax on non-recurring revenue of SEK 10.5 M.

Data per share

	Full year 2002	Full year 2001
Number of shares (in thousands)	24,900	24,900
Earnings per share including non-recurring revenue, SEK	7.50	7.66
Earnings per share excluding non-recurring revenue, SEK	6.76	7.31
Cash flow per share, SEK	10.68	10.73
Shareholders' equity per share, SEK	74.46	71.17
After dilution		
Number of shares (in thousands)	25,400	25,400
Earnings per share including non-recurring revenue, SEK	7.35	7.51
Earnings per share excluding non-recurring revenue, SEK	6.63	7.17
Cash flow per share, SEK	10.47	10.52
Shareholders' equity per share, SEK	72.99	69.77

Condensed balance sheet

SEK M	31 December 2002	31 December 2001
Assets		
Properties, including hotel equipment	4,961.3	5,036.8
Other fixed assets	6.9	5.4
Current assets	29.6	37.1
Liquid funds	213.2	86.7
Total assets	5,211.0	5,166.0
Equity and liabilities		
Shareholders' equity	1,853.9	1,772.0
Deferred tax liability, net	83.5	37.0
Interest-bearing liabilities	3,070.6	3,178.5
Non-interest-bearing liabilities	203.0	178.5
Total equity and liabilities	5,211.0	5,166.0

1) The Company applies the same accounting principles as in the latest annual report.

2) The Company's interim reports are prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20 - Interim Reports.

SEK M	31 December 2002	31 December 2001
Changes in shareholders' equity		
The Group		
Opening balance	1,772.0	1,670.8
Dividend	-99.6	-87.2
Translation differences including tax effect	-5.2	-2.3
Net income for the year	186.7	190.7
Closing balance	1,853.9	1,772.0

Condensed cash flow statement

SEK M	Full year 2002	Full year 2001
Pre-tax profits	231.0	219.2
Depreciation	63.7	56.8
Paid tax	-0.1	-0.2
Items not affecting cash flow	-28.8	-8.6
Cash flow from current operations	265.8	267.2
Total change in working capital	78.1	-82.1
Cash flow from current operations after change in working capital	343.9	185.1
Investments	-67.3	-149.1
Acquisitions of property and hotel equipment	-	-141.9
Divestment of fixed assets	60.0	32.8
Cash flow after investments	336.6	-73.1
Change in financial fixed assets	-3.2	6.7
Change in interest-bearing loans	-107.9	223.9
Dividend	-99.6	-87.2
Total cash flow from financing operations	-210.7	143.4
Change in liquid funds for the year	125.9	70.3

This report has not been audited by the Company's auditors.

Key data

SEK M	Full year 2002	Full year 2001
Property-related key data		
Book value of properties including hotel equipment	4,961.3	5,036.8
Total property revenue	562.2	575.1
Operating net	469.0	478.4
Adjusted operating net	467.0	484.3
Direct yield 1, %	9.4	9.6
Direct yield 2, %	9.1	9.3
Financial key data		
Interest coverage ratio, times	2.32	2.24
Return on total capital, %	7.8	8.0
Return on shareholders' equity, %	10.3	11.1
Equity/assets ratio, %	35.6	34.7
Cash flow before changes in working capital and investments	265.8	267.2
Investments, excluding acquisitions	67.3	149.1
Property acquisitions	-	141.9

* For definitions, please refer to Pandox' Annual Report.

Interest-rate structure ¹⁾

SEK M	SEK	DKK	EUR	GBP	Total	Share, %	% ²⁾
Year due							
2003	1,017.3	98.4	196.3	10.6	1,322.6	43	5.1
2004	229.0	185.6	1.6	-	416.2	14	5.2
2005	180.9	-	53.0	141.5	375.4	12	6.6
2006	480.0	-	3.4	-	483.4	16	6.3
2007	150.0	-	55.2	-	205.2	7	6.0
2008 and later	175.0	-	92.8	-	267.8	8	6.8
Total	2,232.2	284.0	402.3	152.1	3,070.6	100	5.7
Share, %	73	9	13	5	100		
Average interest rate, %	5.8	4.6	5.3	7.5	5.7		
Average fixed period, years	2.1	0.9	3.5	2.4	2.1		

1) Converted to SEK.

2) Average interest rate in per cent.

The Pandox share

Pandox' trading volume has successively increased and as of July 2002, the Pandox share is listed on the Attract 40 list of the Stockholm Stock Exchange.

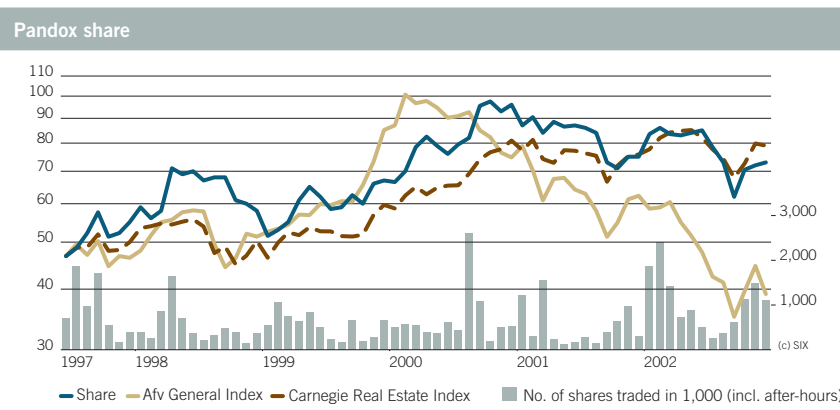
Share price trend

Since its flotation in June 1997 the value of Pandox' shares has risen by 53 per cent, from SEK 47.70 (adjusted for new issue of shares) to SEK 73 on 31 December 2002. During the same period, the Affärsvärlden General Index decreased by 16 per cent and the Carnegie Real Estate Index saw a rise of 60 per cent. Since its flotation in 1997, the yield of the Pandox share amounts to 81 per cent.

The share price fell by 3 per cent in 2002, while the Affärsvärlden General Index fell by 37 per cent and a 4 per cent increase was recorded by the Carnegie Real Estate Index. The highest price paid for a Pandox share in 2002 was SEK 90 and the lowest price paid was SEK 56. At the end of the year the company's market capitalisation stood at SEK 1,817 M.

Trading volume

During the year 12.7 M Pandox shares were traded on the Stockholm Stock Exchange at a value of SEK 996.6 M, corresponding to 51 per



cent of all Pandox shares. Pandox shares are traded in lots of 100.

Share capital

Pandox' share capital stood at SEK 373.5 M as of 31 December 2002 spread over 24.9 M shares. All shares carry equal rights to participate in the Company's assets and earnings. Each share has a nominal value of SEK 15.

Shareholders

The number of shareholders in Pandox stood at 2,641 (1,921) at the end of the year. Around 91 per cent (92) of the shares are held by institutional

investors and foreign shareholders represent 13 per cent (12) of all shareholders. 1.6 per cent of shareholders hold fewer than 500 shares each.

Dividend policy

The Board of Directors have decided to change the dividend policy to the payment of a dividend of approximately 50 per cent from current operations after paid tax. Furthermore, the Board of Directors will, for future dividend payments, consider the development possibilities, investment needs and financial situation of the company.

Largest shareholders in Pandox as of 31 December 2002

Namn	No. of shares	% of shares
Scandic Hotels	5,179,900	20.8
SEB Aktiefonder [Unit Trusts]	4,654,521	18.7
Zenit, Brummer & Partners	2,410,900	9.7
Livförsäkrings AB Skandia [Life Insurance]	1,715,791	6.9
Andra AP-fonden [Second Swedish National Pension Fund]	994,019	4.0
Handelsbanken Fonder [Unit Trusts]	807,367	3.2
Boston Safe Deposit & Trust Co.	761,950	3.1
Odin Fonder [Unit Trusts]	697,000	2.8
Robur Aktiefonder [Unit Trusts]	663,600	2.7
Carlsson Småbolagsfond [SME Unit Trusts]	401,000	1.6
Bengt Norman and family	375,000	1.5
Pictet & Cie	335,500	1.3
Nordea Sverigefond [Sweden Fund]	295,800	1.2
Wasa fastighetsfond [Property Fund]	235,500	0.9
Tredje AP-fonden [Third Swedish National Pension Fund]	212,900	0.9
Other foreign shareholders	1,370,472	5.5
Other	3,788,780	15.2
Total	24,900,000	100.0

Pandox hotel properties

AS OF 31 DECEMBER 2002

Property	No. of rooms	Location
Radisson SAS Arlandia Hotel, Arlanda	337	International airport
Hilton Stockholm Slussen	288	Downtown
Scandic Hotel Star, Sollentuna	269	Exhibition centre
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	Sickla-Nacka
Scandic Hotel Bromma, Stockholm	144	Western Stockholm
First Hotel Royal Star, Älvsjö	103	Exhibition centre
Total Stockholm	2,000	
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 Hotel Star, Lund	196	Central
Radisson SAS Grand Hotel, Helsingborg	117	Downtown
Scandic Hotel Kramer, Malmö	113	Downtown
Hotel Högvakten, Helsingborg	42	Downtown
Total Öresund	1,217	
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 Väst, Kalmar	148	Ring road
Scandic Hotel, Karlstad	143	Ring road
Scandic Hotel Hallandia, Halmstad	133	Downtown
First Hotel, Linköping	133	Downtown
Radisson SAS Plaza, Karlstad	131	Downtown
Elite Stora Hotellet, Jönköping	135	Downtown
First Hotel Linné, Uppsala	116	Downtown
Scandic Hotel Billingen, Skövde	106	Downtown
Total regional centres	2,326	
First Hotel Mora, Mora	135	Central
First Hotel Park Astoria, Enköping	134	Central
Stadshotellet Princess, Sandviken	84	Central
Total other locations	353	
Hilton London Docklands	368	Docklands
Hilton Brussels City	285	Downtown
Scandic Hotel Grand Place, Brussels	100	Downtown
Scandic Hotel Antwerp	204	Ring road
Hilton Bremen	235	Downtown
Hilton Dortmund	190	Exhibition centre
Scandic Hotel Lübeck	158	Ring road
Total international	1,540	
Total Pandox	8,295	

Financial Reporting Calendar

Annual report, to be distributed	Week 11 2003
Annual General Meeting of Shareholders	25 March 2003
Interim report, 3 months	28 April 2003
Interim report, 6 months	21 August 2003
Interim report, 9 months	23 October 2003

Annual General Meeting

The Annual General Meeting will be held at 17:00 hrs on Tuesday 25 March 2003 at Hilton Stockholm Slussen, Auditoriet, Guldgränd 8, Stockholm.

