

Press release from Padox Hotellfastigheter AB (publ)

7 February 2000

Year-end report January – December 1999

- **Income after tax amounted to SEK 83.4 M (61.5), corresponding to earnings per share, excluding non recurring revenue of SEK 5.21 (4.00).**
- **The operating net rose by SEK 31.0 M to SEK 217.8 M (186.8).**
- **The cash flow from operating activities was SEK 119.1 M (96.8), or SEK 7.94 per share (6.46).**
- **The Board proposes a dividend of SEK 2.75 (2.00) per share.**
- **Padox expands its strategy – acquires Hotellus.**

Total property revenue for 1999 reached SEK 272.0 M (234,6). The operating net increased by SEK 31.0 M to SEK 217.8 M (186.8). The increase is mainly attributable to acquired hotel properties and the robust hotel market, which generated increased revenue from turnover and income-based lease agreements.

Direct yield, adjusted for acquired and divested properties, for the period was 9.6% (9.3). Net financial items amounted to SEK –77.5 M (-71.3).

Consolidated income after tax improved by SEK 21.9 M to SEK 83.4 M (61.5).

Padox acquired four hotel properties during the year – Provobis Star Lund, Scandic Hallandia in Halmstad, First Grand Hotel Borås and Quality Hotel Nacka – for a combined acquisition cost of SEK 331 M. A hotel property, the 52-room Hotel Bohème in Gothenburg, and equipment in a hotel operating company was sold for a total capital gain of SEK 5.3 M.

Padox has reached an agreement with the shareholders of Hotellus International AB to acquire the company. For information regarding the acquisition, please refer to today's separate press release.

Padox Board of Directors has decided to expand the current strategy of the company, to include an extension of the geographic strategy to encompass northern Europe. A more detailed account can be found in the year end report.

“1999 was another successful year for Padox. For the fourth consecutive year, our disposable cash flow increased by more than 20%. Income growth has been achieved in a good hotel market through profitable acquisitions and feasible developments in our hotel property portfolio. The prospects for further growth in earnings in 2000 are favourable”, says Anders Nissen, Managing Director of Padox Hotellfastigheter AB.

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Attachment: Full Year-end Report.

Year-End Report 1999

Pandox Hotellfastigheter AB (publ), 1 January – 31 December 1999

- **Income after tax amounted to SEK 83.4 M (61.5), including non recurring revenue of SEK 5.3 M (1.4), corresponding to earnings per share of SEK 5.21 (4.00).**
- **The operating net rose by SEK 31.0 M to SEK 217.8 M (186.8).**
- **The cash flow from operating activities was SEK 119.1 M (96.8), or SEK 7.94 per share (6.46).**
- **The Board proposes a dividend of SEK 2.75 (2.00) per share.**

Hotel market 1999

The Swedish hotel market continued to develop favourably in 1999. The number of rooms sold increased by 3% to 14.9 million, corresponding to an occupancy rate of 47%. Occupancy growth for large hotels in Pandox prioritised areas exceeded the national average, with an occupancy rate of 62%.

Revenue and operating net – property operations

Total property revenue for 1999 amounted to SEK 272.0 M (234.6). Property expenses excluding depreciation totalled SEK 54.2 M (47.8).

The operating net rose by SEK 31.0 M to SEK 217.8 M (186.8). The increase compared with 1998 is largely attributable to the surplus from hotel properties acquired in 1998 and 1999 and the robust hotel market, which generated increased revenue from turnover and income-based lease agreements.

Adjusted for acquired and divested properties, the operating net amounted to SEK 229.2 M (194.6). The adjusted direct yield before administrative costs for the period was 9.6% (9.3). The adjusted direct yield including property-related administrative costs was 9.2% (8.9).

Revenue and income – hotel operations

As of 1 January 1999 Pandox conducts no hotel operations. In 1998, Pandox operated Hotell Park Astoria in Enköping.

Income

Consolidated income after tax improved by SEK 21.9 M over the preceding year, and net income for the period was SEK 83.4 M (61.5). The increase in earnings is mainly due to a higher operating net from property operations, and primarily from acquisitions. Net financial items decreased by SEK 6.2 as a result of increased borrowing pertaining to acquired properties. Income was also affected by a capital gain of SEK 4.1 M from the sale of Hotel Bohémé and SEK 1.2 M in proceeds from the acquisition and sale of the hotel operating company and FF&E (Furniture, Fixture and Equipment) in connection with the Quality Hotel Nacka acquisition. In total, nonrecurring income amounted to SEK 5.3 M (1.4).

Financing and cash flow

Net financial items in 1999 amounted to SEK -77.5 M (-71.3). The Group's interest-bearing liabilities as per 31 December 1999 totalled SEK 1,463.6 M (1,281.8). The loan portfolio has a distributed maturity structure with an average fixed interest rate of 2.9 years. The average interest rate at year-end was 5.62 per cent. The debt ratio for the properties was 61 per cent.

Disposable liquid assets, including unutilised overdraft facilities of SEK 50 M, amounted to SEK 53.9 M (107.9). Cash flow for the period, before change in working capital, was SEK 119.1 M (96.8).

Property portfolio

In 1999, Pandox acquired four hotel properties. Pandox took over the Provobis Star Hotel in Lund in January, the Scandic Hallandia in Halmstad on 1 April and First Grand Hotel in Borås on 1 July. In September an agreement was signed for the acquisition of Quality Hotel Nacka (formerly Fogg's Hotel) from AMF-p and hotel operations from the previous operator. When the hotel was taken over on 1 October, hotel operations were transferred to Choice Hotels Scandinavia ASA, which assumed tenancy on the same date. During the year, the 52-room Hotell Bohème in Gothenburg was sold for a capital gain of SEK 4.1 M. Pandox property holdings as per 31 December 1999 consist of 31 hotel properties with a combined 4,905 hotel rooms and floor space of 292,069 sq.m. The properties book value including hotel FF&E was SEK 2,393.7 M (2,085.2). Total investments during the period amounted to SEK 28.6 M (22.6) mainly pertaining to hotel product improvements in a number of properties.

Pandox expands its strategy

Pandox Board of Directors has decided to extend the geographical strategy to include northern Europe. A wider geographical area will provide a better scope for continued market growth and diversification of risk. Furthermore, the business cycle for hotels provides increased opportunities for profitable acquisitions. The Nordic markets are increasingly integrated and the hotel market in these countries is becoming more homogeneous. Several of the major hotel markets in northern Europe, for example Germany and Austria, are in an early growth phase and are expected to expand both faster and for a longer period of time than the Nordic markets. A hotel property company that invests in northern Europe is assumed to attract more interest from foreign investors, thus increasing the liquidity of the Pandox share.

The new strategy states that Pandox shall own hotel properties in Stockholm, Gothenburg, Malmö, Swedish regional and university cities, as well as the capitals and other major cities in northern Europe. The hotel properties should be centrally located in major cities with good hotel market growth, as well as other natural locations such as airports and larger convention centres. The hotels should consist of minimum 100 rooms. More than 50 percent of the area should be related to the hotel operation. The hotel operation should be

focused on the business and leisure segment.

In order to strengthen its focus and increase its future potential, in all establishments outside Sweden, Padox intends to work with operators that have a strong brand identity. This collaboration will take place under customary contractual forms.

During 1999 Padox working methods were further standardised and documented in order to create a platform for knowledge transfer in preparation for internationalisation. The market communications system is being extended to include all countries in northern Europe.

Acquisition of Hotellus International AB

Padox has reached an agreement with all shareholders of Hotellus International AB to acquire their shares in Hotellus.

The acquisition will be financed through a combination of newly issued shares in Padox and cash. The number of shares in Padox will increase by 9,900,000 shares and new debt will be raised to finance the cash element, which totals approximately SEK 104 M.

Hotellus is a pure hotel property company which owns 16 hotel properties, whereof eight in Sweden, three in Germany, three in Belgium, one in Copenhagen and one in London. The company's geographic strategy encompass northern Europe. Hotellus hotel property portfolio constitutes an excellent platform for the extended strategy and is expected to increase revenue and cash flow of Padox.

For more information concerning the acquisition, please refer to today's press release.

Forecast for 2000

The hotel market in Padox prioritised market segment is expected to maintain continued growth in 2000. Padox earnings and cash flow per share, on an annual basis, is expected to increase by more than 10 percent, in the year 2000 compared to pro forma 1999, upon completion of the acquisition of Hotellus.

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK M	1999	1998
<i>Property operations</i>		
Rental revenue	254.0	218.5
Other property revenue	18.0	16.1
Total property revenue	272.0	234.6
Property expenses	-54.2	-47.8
Operating net	217.8	186.8
Depreciation ¹	-40.3	-36.0
Income, property operations	177.5	150.8
<i>Hotel operations</i>		
Operating revenue	0.0	18.5
Operating expenses ²	0.0	-18.7
Income, hotel operations	0.0	-0.2
Gross income	177.5	150.6
Administrative costs ¹	-21.6	-19.2
Nonrecurring revenue/expenses	5.3	1.4
Operating income	161.2	132.8
Net financial items	-77.5	-71.3
Income after financial items	83.7	61.5
Tax ²	0.3	0.0
Income after tax	83.4	61.5

¹ Depreciation of buildings is carried out at 1.5 per cent and amounted to SEK 33.0 M. Total depreciation for the period amounted to SEK 41.0 M, of which property operations accounted for SEK 40.3 M and administrative costs for SEK 0.7 M. (1998 a total of SEK 36.7 M, of which 36.0 M in property operations, SEK 0.2 M in hotel operations and SEK 0.5 M in administrative costs).

² Tax refers to estimated tax in companies acquired during the year. Pandox has substantial loss carryforwards, for which reason no tax expense normally arises.

CONDENSED CONSOLIDATED BALANCE SHEET

SEK 000s	31 Dec. 1999	31 Dec. 1998
<i>Assets</i>		
Properties including equipment	2,393.7	2,085.2
Other fixed assets	14.5	16.5
Current assets	17.9	14.6
Liquid assets	3.9	82.9
Total assets	2,430.0	2,199.2
<i>Equity and liabilities</i>		
Equity	883.6	830.1
Interest-bearing liabilities	1,463.6	1,281.8
Noninterest-bearing liabilities	82.8	87.3
Total equity and liabilities	2,430.0	2,199.2

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

SEK 000s	1999	1998
Income after tax	83.4	61.5
Nonrecurring income/expenses	-5.3	-1.4
Depreciation	41.0	36.7
Cash flow from operating activities before change in working capital and investments	119.1	96.8
<i>Total change in working capital</i>	<i>-7.7</i>	<i>-172.0</i>
Cash flow from operating activities after change in working capital	111.4	-75.2
<i>Total acquisitions, sales and investments, net</i>	<i>-348.8</i>	<i>-247.8</i>
Cash flow after investments	-237.4	-323.0
<i>Total nonrecurring income/expenses</i>	<i>5.3</i>	<i>1.4</i>
Change in financial fixed assets	1.4	1.0
Change in interest-bearing loans	181.7	203.5
New share issue	0.0	204.5
Dividend	-30.0	-18.8
<i>Total external financing</i>	<i>153.1</i>	<i>390.2</i>
The year's change in liquid assets	-79.0	68.6

KEY RATIOS

Property-related key ratios	1999	1998
Book value of properties including equipment, SEK M	2,393.7	2,085.2
Total property revenue, SEK M	272.0	234.6
Operating net, SEK M	217.8	186.8
Adjusted operating net, SEK M	229.2	194.6
Direct yield 1, %	9.6	9.3
Direct yield 2, %	9.2	8.9
Financial key ratios		
Interest coverage ratio, times	2.05	1.82
Return on total capital, %	7.0	6.6
Return on equity, %	9.7	7.6
Equity/assets ratio, %	36.4	37.7
Cash flow from operating activities before change in working capital, SEK M	119.1	96.8
Investments, SEK M	28.6	22.6
Property acquisitions, SEK M	331	260
Data per share (SEK)		
Net income for the period	5.56	4.10
Cash flow	7.94	6.46
Equity	58.90	55.34

The number of shares after the new share issue in January 1998 is 15,000,000.

Financial calendar

Annual General Meeting	30 March 2000
Interim report January – March	26 April 2000
Interim report January – June	28 August 2000
Interim report January – September	27 October 2000

Stockholm, 7 February 2000

Anders Nissen
Managing Director

Definitions

Property-related

Total management revenue

The sum of rental revenue and other property revenue.

Operating net

Property management 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 administrative costs in relation to the book value of the properties.

Property-related administrative costs

The portion of total administrative costs 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.

PROPERTY HOLDINGS AS PER 31 DECEMBER 1999

Facility	No. of rooms	Floor space, sq.m.
Scandic Hotel Slussen, Stockholm	292	18,416
Provobis Star Hotel, Sollentuna ¹	269	18,573
Radisson SAS Arlandia Hotel, Arlanda	334	15,260
Quality Hotel Nacka	146	10,830
Scandic Hotel, Upplands-Väsby	150	6,955
First Hotel Royal Star, Älvsjö	103	4,900
<i>Total Stockholm</i>	<i>1,294</i>	<i>74,934</i>
Radisson SAS Park Avenue, Gothenburg	318	21,998
<i>Total Gothenburg</i>	<i>318</i>	<i>21,998</i>
Scandic Hotel St. Jörgen, Malmö	265	21,485
First Express, Malmö	101	8,195
Provobis Hotel Kramer, Malmö	113	6,913
<i>Total Malmö</i>	<i>479</i>	<i>36,593</i>
Provobis Star Hotel, Lund	196	15,711
Radisson SAS Hotel, Luleå	209	12,166
Provobis Stora Hotellet, Jönköping	116	11,378
Scandic Hotel Winn, Karlstad	199	10,580
First Grand Hotel, Borås	158	9,593
Radisson SAS Hotel, Östersund	177	8,766
Provobis Billingen Plaza, Skövde	106	7,743
Scandic Hallandia, Halmstad	133	7,617
Quality Grand Hotell, Kristianstad	148	7,524
Radisson SAS Grand Hotel, Helsingborg	117	6,832
First Hotel, Linköping	133	6,540
First Hotel Plaza, Karlstad	131	5,907
First Hotel Linné, Uppsala	117	5,831
Scandic Klarälven, Karlstad	143	5,694
Scandic Hotel, Kalmar	148	5,485
<i>Total regional centres and university towns</i>	<i>2,231</i>	<i>127,367</i>
First Hotel Mora , Mora	135	9,161
Stadshotellet, Sandviken	84	7,003
Sten Stensson Sten, Eslöv	80	5,833
First Hotel Park Astoria, Enköping	134	4,600
Scandic Hotel, Karlshamn	99	3,335
Good Morning Hotell, Boden	51	1,245
<i>Total other locations</i>	<i>588</i>	<i>31,177</i>
<i>Total Pandox</i>	<i>4,905</i>	<i>292,069</i>

¹ 50%-owned by Pandox. Data refers to the entire property.