

PRESS RELEASE

Stockholm February 7, 2000

Padox acquires Hotellus International AB

- **The acquisition creates a large and pure hotel property company with well-known brands and operations in northern Europe. Padox operating net increases from SEK 218 M to SEK 361 M pro forma 1999.**
- **After the acquisition, Padox will own 47 hotel properties with a total of 8,500 rooms. Around 55% of the rental income will be generated from Stockholm, Gothenburg, Copenhagen and London.**
- **Padox pro forma earnings and cash flow per share increases by SEK 0.12 and SEK 0.07 respectively, compared to reported profit 1999.**
- **Padox is expected to increase earnings and cash flow per share, on an annual basis, by more than 10% in 2000, compared to the reported profit for 1999.**

Padox has reached an agreement with all shareholders of Hotellus International AB ("Hotellus") to acquire their shares in Hotellus. The acquisition is conditional upon due diligence and that the shareholders at the Annual General Meeting ("AGM") in Padox on March 30, 2000, make the necessary decision regarding an issue in kind of new shares.

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.

Earnings and cash flow per share will increase by SEK 0.12 and SEK 0.07 respectively, for pro forma 1999 compared to the reported profit 1999. Following the acquisition, Padox is expected to increase earnings and cash flow per share by 15% in 2000, compared to the reported profit for 1999. The acquisition of Hotellus is due on March 31, 2000.

Background and objectives

Pandox is a pure hotel property company and has been listed on the OM Stockholm Exchange's O-list since June 23, 1997. Pandox strategy is to own one kind of asset – hotel properties. Its specialisation is strengthened by the focus on large hotels in central locations in areas with a strong potential and natural affinity for growth in the hotel property market, such as airports and exhibition areas. The hotels' operations are mainly directed towards business travellers and tourists.

Pandox Board of Directors has decided to extend its current strategy to increase its geographical coverage of the northern part of Europe. The objective is that a larger geographical area implies a greater potential for market growth and risk diversification. Furthermore, the business cycle for hotels can be better utilised for feasible acquisitions.

In order to strengthen its focus and enhance future potentials, Pandox will collaborate with strong, well-known brands when entering new markets. This collaboration will be developed with existing partners and be based on terms of agreements with which Pandox is accustomed.

Through the acquisition of Hotellus, Pandox has created a strong platform to enhance its strategy and gains a large portfolio of well-known quality hotels in large hotel markets in order to strengthen the rental structure and cash flow. All the hotel properties included in the acquisition are operated by Scandic Hotels and marketed under the Scandic Hotels and Holiday Inn brand names. The acquisition includes hotels in strong hotel markets and the structure of the lease agreements is well known to Pandox.

The acquisition of Hotellus means enhanced earnings and cash flow per share. At the same time the strategy to focus on large hotels in central locations in major hotel markets continues. Thereby the quality and the potential in Pandox property portfolio are improved. Pandox market capitalisation will increase considerably, which is expected to create conditions for improved liquidity in the share. Synergies are estimated to total about SEK 7 M annually.

Due to the fact that the operation of a hotel directly affects its feasibility, the selection of an operator is a determining factor for the good growth of earnings. Pandox therefore continue its collaboration with strong brand names. Pandox and Scandic Hotels today have a history of extensive co-operation regarding lease agreements and collaboration for increased feasibility.

Pandox working methods have been standardised during 1999 and documented in order to create a platform for the transfer of knowledge when entering new markets. Systems for market information have been extended to include all countries in the northern part of Europe. The professionalism of Pandox Board of Directors and management, together with the competence within Hotellus will secure an excellent platform for development in an international context.

Scandic Hotels and Holiday Inn together operate 500 hotels in northern Europe. Both are focused on the upper middle class, which is the same segment that Pandox is focusing on. The collaboration with these fast-growing and leading brands implies a significant growth and development potential for Pandox.

“Padox continues to grow in new and interesting hotel markets together with an operator we know well. Padox has long been co-operating with Scandic Hotels in Sweden and the expansion into northern Europe is therefore a natural development of that co-operation. Padox methods and focus on feasibility and cash flow in combination with the experience within the Hotellus organisation, creates very good conditions for future growth in value for the shareholders,” says Anders Nissen, CEO of Padox.

Statements from major shareholders

- “Hotellus and Padox complement one another very well and in joining forces they are forming a company that, in terms of size, will be an interesting player in the hotel property market. With its knowledge of the industry and developed strategy, Padox will be an excellent business partner for Scandic in view of our plans to expand in the Nordic region and northern Europe. Padox demand on integrity towards other operators is strong, which we will respect. The shareholding in Padox is a strategic holding and we expect to see our investment grow in value,” says Roland Nilsson, President and CEO of Scandic.
- “The transaction is industrially right. Through Padox acquisition, the value and the potential in Hotellus can be developed and thereby added value for the shareholders. We look positively on our ownership in Padox and therefore we have chosen to accept shares as payment for our shares in Hotellus,” says Göte Dahlin, CEO of Nordisk Renting.

Description of Hotellus

Hotellus was created in December 1997 as a wholly owned subsidiary of Scandic Hotels AB. Since then, Hotellus has expanded through acquisitions of hotel properties and today the company is one of the five largest owners of hotel properties in the Nordic countries, in terms of the number of rooms. Through the acquisitions, new owners have entered and Scandic Hotels’ share has decreased to 49.9%. The three largest shareholders in Hotellus are Scandic Hotels, Nordisk Renting and Länsförsäkringar Wasa Liv.

Hotellus’ business concept has been to own and develop hotel properties in northern Europe in close co-operation with leading, non-competing brands. Hotellus has been co-operating with well-established brands such as Scandic Hotels and Holiday Inn. Scandic Hotels operates all of Hotellus’ hotel properties.

Income and turnover-based lease agreements are of prime importance in the co-operation between Hotellus and the operator. This means that joint efforts are made to optimise the turnover through refurbishment of buildings and adjustment of the operations. The average lease duration for the income-based lease agreements is 10-15 years.

Hotellus owns 16 hotel properties of which eight are located in Sweden, three in Germany, three in Belgium, one in Denmark and one in the UK. The total number of hotel rooms is 3,589 and the total area is 224,223sq m. During 1998, Hotellus acquired a plot in Mölndal, where a new hotel is under construction. The new hotel will replace the old Scandic Mölndal. The 208-room hotel is due to open at the end of April 2000.

At the end of 1999, Scandic Hotel Park in Stockholm and Hotel Albert Premier in Brussels were acquired for SEK 440.7 M.

The rental income for 1999 amounted to SEK 181 M and the operating net was SEK 148 M. Hotellus' net profit for 1999 was SEK 70.8 M. The average direct yield for the hotel properties was 9.0% based on book value.

The equity ratio at December 31, 1999, was 37.7%. The assets outside Sweden are financed in local currency. This implies that the effect of exchange rate exposure only marginally effected the equity during 1999. The book value at December 31, 1999 of the hotel properties was approximately SEK 2,175 M, distributed in each country as shown in the table below.

Sweden	37 %
Denmark	19 %
Germany	18 %
Belgium	13 %
United Kingdom	13 %

Following the acquisitions of Scandic Hotel Park in Stockholm and Hotel Albert Premier in Brussels, Hotellus' hotel properties are distributed as follows.

Hotellus' hotel properties	No. of rooms	Total area (sq m)	The hotel area (share of the total area, %)	Type of lease agreements for hotel ¹⁾
Scandic Hotel Park ²⁾	198	12,273	100%	T
Scandic Hotel Järva Krog Stockholm	215	11,300	90%	T
Scandic Hotel Bromma Stockholm	144	6,800	89%	Tf
Scandic Hotel Crown Göteborg	322	24,600	73%	T
Scandic Hotel Mölndal ³⁾	208	11,000	81%	T
Scandic Hotel Grand Örebro	219	12,900	82%	Tf
Scandic Hotel Ferrum Kiruna	170	11,100	88%	T
Scandic Hotel Säffle	101	5,200	79%	T
Scandic Hotel Copenhagen	470	31,500	80%	T
Holiday Inn Nelson Dock London	368	22,800	86%	T
Hotel Albert Premier Brussels ⁴⁾	287	13,850	100%	M
Scandic Hotel Grand Place Brussels	100	4,500	100%	T
Holiday Inn Antwerp	204	13,200	82%	T
Holiday Inn Crown Plaza Dortmund	190	12,500	82%	T
Holiday Inn Lübeck	158	9,700	86%	T
Holiday Inn Crown Plaza Bremen	235	21,000	49% ⁵⁾	T
Total	3,589	224,223	81 %	

¹⁾ T: Turnover based; Tf: Turnover based with floor rent; M: Management contract
²⁾ Acquired 01/12/99
³⁾ Under construction, opening planned 30/04/00
⁴⁾ Acquired 30/12/99
⁵⁾ Large part garage.

For further description of the hotel properties, see appendix.

Pandox pro forma after the acquisition of Hotellus

Following the acquisition, Pandox will own 47 hotel properties with a book value (including inventories) of SEK 4,588 M, of which 70% is attributed to Sweden, 9% to Denmark, 8% to Germany, 7% to Belgium and finally 6% to the UK.

Pandox total revenue after the transaction will be SEK 453 M, of which 72% derives from Sweden. 57 % of the revenues is generated through turnover-based rental agreements. On the existing portfolio, approximately 47% of the revenues is derived from Scandic Hotels, 17% from Holiday Inn, 17% from Radisson SAS, 8% from First Hotels, 8% from Provobis and 3% from other operators.

<i>Income statement 1999</i>		
SEK M	Pandox	Pro forma ¹⁾ After acquisition
Revenues	272	453
Operating and maintenance	-54	-92
<i>Operating net</i>	<i>218</i>	<i>361</i>
Depreciation ²⁾	-40	-66
Gross income	178	295
Administrative costs	-22	-33
Nonrecurring income/expenses	5	5
Operating income	161	268
Net financial items	-78	-130
Income after financial items	84	137
Paid tax	0	1
Net Income	83	138
Earnings per share ³⁾ , SEK	5.21	5.33
Cash flow per share ⁴⁾ , SEK	7.94	8.01
Direct yield ⁵⁾ , %	9.10	8.91

¹⁾ The pro forma income statement has not been audited and is based on Pandox's and Hotellus' year end reports for 1999 and among other the assumption that the acquisition was effected 01/01/99

²⁾ The depreciation is adjusted to Pandox's principles for depreciation.

³⁾ Adjusted for nonrecurring income/expenses.

⁴⁾ Cash flow from operations.

⁵⁾ Operating net / booked value for properties (including inventories). Adjusted for acquisitions and investments in Hotellus.

<i>Balance sheet December 31, 1999</i>		
SEK M	Padox	Pro forma ¹⁾ After acquisition
Properties (including FF&E)	2,394	4,588
Other fixed assets	15	15
Current assets	18	55
Liquid assets	4	7
Total assets	2,430	4,665
Equity	884	1,601
Interest-bearing liabilities	1,464	2,909
Non interest bearing liabilities	83	155
Total equity and liabilities	2,430	4,665
<i>Number of shares (million)</i>	15.0	24.9
Equity/assets ratio, %	36.4	34.3

¹⁾ The pro forma balance sheet is not audited and is based on Padox's and Hotellus' year end reports for 1999 and among others the assumption that Padox acquired Hotellus per 01/01/99.

The acquisition implies the issue of 9,900,000 new shares in Padox. After the issue is completed, the total number of shares will be 24,900,000. Padox's shareholder structure, following the acquisition will be as follows.

Major shareholders in Padox after the acquisition	Share of votes and capital
Scandic Hotels	20.8%
Zenit Fond	10.7%
Nordisk Renting	9.3%
Skanska	6.0%
Ratos	6.0%
Foreign owners	4.5%
Länsförsäkringar Wasa Liv	4.3%
SPP	2.9%
Hagströmer & Qviberg mutual funds	2.6%
Other	32.9%
Total	100.0%

Source: DN Ägarservice and VPC.

Timetable

Padox Board of Directors has today decided to propose to the AGM on March 30, 2000, to approve to direct an issue in kind of new shares to the shareholders in Hotellus. Information regarding the acquisition will be distributed to Padox shareholders approximately two weeks before the AGM. Subject to a positive decision at the AGM regarding the issue in kind, the transaction will be implemented on March 31, 2000.

Press conference.

In connection with this acquisition, a press conference will be held today, February 7, at 12:00 at the Scandic Hotel Park in Stockholm.

Enskilda Securities is advisor to Pandox.

Stockholm February 7, 2000
PANDOX HOTELLFASTIGHETER AB

The Board of Directors

For further information

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Appendix: Hotellus' hotel properties

Scandic Hotel Park

The hotel is situated in the city of Stockholm next to Humlegården. The hotel is of a high standard and aimed mainly at business travellers. Scandic Hotel Park has 198 rooms and a popular restaurant. The hotel was built in 1969 and was renovated in 1988. The total area is 12,273sq m, all of which is dedicated to the hotel.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Järva Krog Stockholm

The hotel is situated north of Stockholm alongside the E4 on the way to Arlanda Airport. The building has been renovated recently and has 215 rooms, with good conference and relaxation facilities. The hotel is mainly aimed at business travellers and conference guests. It was built in 1971 and was renovated in 1996/97. The hotel has a total area of 11,300sq m, of which 90% is dedicated to the hotel.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Bromma Stockholm

The hotel is one of the leading hotels in the western part of Stockholm. The hotel has 144 rooms and is mainly aimed at business and conference guests. It was built in 1954 and the restaurant and the lobby were renovated in 1997. The total area is 6,800sq m, of which the hotel facilities account for 90%.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Crown Göteborg

Scandic Crown is one of the largest hotels in Gothenburg with 322 rooms, and conference and restaurant facilities. The hotel is very well located in the city close to the railway station. The hotel has a total area of 24,600sq m, of which 73% is dedicated to the hotel. The hotel was built in 1988.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Mölndal

Scandic Hotel Mölndal is under construction and will be opened in the end of April 2000. The hotel is built with high IT-standard and planned in accordance with Scandic Hotels' environmental policy. The hotel will have 208 rooms with restaurant and conference facilities. The total area is 11,000sq m, of which 81% is dedicated to the hotel.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Grand Örebro

The hotel is one of Örebro's largest business hotels and is situated in the city of Örebro. It is a full service hotel with 219 rooms and conference facilities. The total area is 12,900sq m, of which 82% is dedicated to the hotel. The hotel was constructed in 1985.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Ferrum Kiruna

The hotel is the largest hotel in Kiruna and is located in the centre of Kiruna next to the congress hall. The hotel has 170 rooms, restaurants, bar and conference facilities. The hotel was constructed in 1969 and all rooms were renovated a couple of years ago. The hotel has a total area of 11,100sq m, of which 88% is dedicated to the hotel.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Säffle

Scandic Hotel Säffle is a business hotel located in the centre of the city. The hotel has 101 rooms and large restaurant and conference facilities. The building was constructed in 1983 and was partly renovated in 1999. The building has a total area of 5,200sq m, of which 79% is dedicated to the hotel.

Operator: Scandic Hotels

Distributor: Scandic Hotels

Scandic Hotel Copenhagen

Scandic Hotel Copenhagen is one of the biggest hotels in Scandinavia and situated in the centre of Copenhagen. The hotel has 470 rooms and large conference and banquet facilities. The hotel includes several restaurants, pubs, bars and cafés. The total area is 31,500sq m, of which 80% is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Scandic Hotels

Holiday Inn Nelson Dock London

The hotel is located in the Docklands area, close to Canary Wharf and the Tower of London. The hotel is built in an old warehouse and has 368 rooms, three restaurants and good conference facilities. The hotel is aimed at business travellers and tourists. The hotel was built in 1991, with a total area of 22,800sq m, of which 86% is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Holiday Inn

Hotel Albert Premier Brussels

Albert Premier is located in central Brussels next to the Gare du Nord and has 287 rooms. The hotel was acquired at the end of 1999 and will be renovated to be a business hotel. The hotel was built in 1920 and the total area is 13,850sq m, all of which is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Scandic Hotels

Scandic Hotel Grand Place Brussels

The hotel is located in the centre of Brussels close to the Grand Place. The hotel is of a good standard and includes 100 rooms, restaurant and conference facilities. The hotel was originally built in 1900, but was thoroughly renovated in 1991. The total area is 4,500sq m, of which 82% is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Scandic Hotels

Holiday Inn Antwerp

The hotel is located on the ring road surrounding the city of Antwerp. The hotel has 204 rooms, and well-developed conference- and restaurant facilities. The hotel is a part of the Antwerp hotel market, comprising approximately one million room nights a year. The hotel was built in 1974. The rooms and the conference facilities were renovated in 1998/99. The total area is 13,200sq m, of which 82% is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Holiday Inn

Holiday Inn Crown Plaza Dortmund

The hotel is located next to the area around the Westfalen Hall with its extensive congress centres, exhibition halls and sport facilities. The hotel is built in a modern design and has 190 rooms, well-developed conference- and banquet facilities, a big swimming pool and relaxation area. The hotel market of Dortmund includes the Ruhr-area with more than 16 million people. The hotel was built in 1990 and has a total area of 12,500sq m, of which 82% is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Holiday Inn

Holiday Inn Lübeck

Holiday Inn Lübeck is located within walking distance of the old town of Lübeck on the road towards Hamburg. The hotel has a modern design and holds 158 rooms and a large conference department. It was built in 1991 and the total area is 9,700sq m, of which 86% is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Holiday Inn

Holiday Inn Crown Plaza Bremen

Holiday Inn Crown Plaza is located in the city of Bremen. The hotel has 235 rooms, a big atrium with a restaurant, a bar and well-developed conference and pool facilities. Bremen is located in a growth area with a well-developed industrial base and tourist industry. The total area is 21,000sq m, of which 49% is dedicated to the hotel.

Operator: Scandic Hotels
Distributor: Holiday Inn