

## Preliminary Year-end Report

January 1 – December 31, 1998

- Profit before taxes amounted to SEK 103 M (103).  
Operating profit improved by SEK 29M to SEK 187 M.
- The Board proposes that a dividend of SEK 2.25 per share be distributed to shareholders, which is equivalent to approximately 60 percent of the year's profit after tax and provides a 5 percent yield on the share price at year-end (SEK 45.50).
- During the period, 94 properties were acquired for SEK 2,239 M, of which the Förstaden acquisition accounted for 73 percent. In addition, 144 properties were sold for SEK 399 M with a capital gain of SEK 35 M. The book value of property holdings has increased by nearly 67 percent to SEK 4,926 M.
- At year-end, more than 82 percent of the property holdings' book value was in prioritized locations, which is an increase of 19 percentage points since the beginning of the year.
- Property valuations carried out at the end of the year indicate a net asset value per share of SEK 78, corresponding to an increase of 30 percent compared with 1997.



- Mandamus shall own, develop and manage high-yield real estate. The real estate portfolio will be concentrated to a limited number of prioritized locations in southern and central Sweden. The portfolio shall include a high proportion of residential properties.

## Group overview

The past year was the first entire financial year for Mandamus Fastigheter AB and subsidiaries. It has been a year of extensive changes in the operation and its scope. During the first four-month period, preparations were made for listing on the stock exchange, and in the second and third tertials a restructuring was carried out. Shares in Mandamus Fastigheter AB were distributed to Förenings-Sparbanken's shareholders in April, after which Mandamus shares were exchange listed on June 15, 1998. In May, the company moved its main office from central Stockholm to Solna, whereby the new company obtained more practical and less expensive office space.

The Mandamus strategy is to concentrate its real estate portfolio to 15-20 prioritized locations with a primary focus on residential properties. The work with restructuring and concentration of the property holdings could begin after the distribution of shares to FöreningsSparbanken's shareholders. The structuring work involves the sale of properties in non-prioritized locations and acquisition and improvements of properties in prioritized locations.

### **Property holdings are concentrated**

As of December 31, 1998, Mandamus had properties with a book value of SEK 4,926 M (1997-12-31: SEK 2,957 M), of which properties in Sweden accounted for SEK 4,555 M (2,576). At the end of the period, properties at prioritized locations accounted for 82 percent (63) of the real estate portfolio's book value. Residential real estate accounted for SEK 3,570 M (1,768), which was equivalent to 78 percent (69) of Swedish holdings. Outside Sweden, Mandamus has only commercial real estate.

During 1998, Mandamus sold 144 properties for a total of SEK 399 M. Mandamus' real estate holdings have been concentrated through these sales. Excluding land-holdings, Mandamus had properties in 66 Swedish municipalities at the end of the period, compared with 81 at the end of last year. In addition, through the sale of the property in Oslo, Mandamus no longer has holdings in Norway. At the same time, Mandamus has acquired 94 properties for a total of SEK 2,239 M. The largest and strategically most important acquisition during the period was the purchase of all shares in the residential housing company Förstaden. This meant that Mandamus was provided with 4,100 residential apartments in the suburbs of Stockholm, with a yearly rental income of around SEK 229 M.

During the year, SEK 96 M has been invested in properties. Of this amount, SEK 39 M was used for the renovation of the residential property Skyttegillet in Lund and SEK 30 M was used for the completion of office spaces in the property in Copenhagen.

### **Sales and earnings**

Rental income during the period totaled SEK 547 M (pro forma 1997: 508), of which SEK 502 M (464) was attributable to properties in Sweden. After deductions for property costs, an operating net of SEK 249 M (221) remained, of which SEK 227 M (188) was attributable to properties in Sweden. Pro forma 1997 refers to the total annual earnings

for 1997 with regard to the property holdings that were included in the Group as of December 31, 1997. The actual result for 1997 only includes one month's operation and therefore is not relevant for comparisons with the result from 1998.

Property holdings as of December 31, 1998 had a yield of 7.6 percent (7.5), of which 7.8 percent (7.3) was attributable to Swedish holdings. The revenue-based occupancy rate improved by 2.4 percentage points during the year and totaled 93.7 percent (91.3).

Depreciation of the properties amounted to SEK 30 M (27), and central administration costs totaled SEK 32 M (36). Property divestments generated total capital gains of SEK 35 M. Expenses for the company's listing on the Stockholm Stock Exchange O-list in June totaled SEK 15 M. Net financial expenses, amounted to SEK 105 M (55). Of the change, SEK 41 M is due to reduced interest subsidies compared pro forma with the preceding year. Profit before tax totaled SEK 103 M (103), meaning that listing costs and the loss of interest subsidies was fully offset through improved operating profit and capital gains.

Profit for the year, after deductions for tax costs of SEK 27 M (29), of which SEK 11 M (9) refers to deferred tax, totaled SEK 76 M (74). Deferred taxes have been fully charged against earnings based on the difference between the book value of the properties and their taxable residual value.

Profit per share after tax, based on the average number of shares during the year, totaled SEK 4.23 (4.21).

### **Financial position**

As of December 31, 1998, Mandamus had interest-bearing liabilities of SEK 3,490 M (1,854), of which 372 M (413) was denominated in foreign currencies. The fixed-interest rate for loans was an average of 2.7 years (4.4) and the average interest rate was 5.76 percent (6.3). The real estate holdings outside Sweden, which Mandamus plans to divest in the years immediately ahead, are financed mainly through short-term loans in each country's currency.

Mandamus had unutilized credit facilities of SEK 345 M (560). Net borrowing totaled SEK 3,433 M (1,817).

### **Currency exchange-rate exposure**

Of the Group's revenue of SEK 547 M, SEK 502 M was denominated in Swedish currency and SEK 24 M in Danish currency. Of the remaining revenues, SEK 18 M, or 3 percent of total revenues, are denominated in German and Dutch currencies (currencies included in the euro area). Current cash flow from foreign operations has marginal exchange-rate exposure. Exchange rate exposure at the end of the period amounted to SEK 8 M or 2 percent of the assets denominated in foreign currencies.

### **Current property holdings, revenue and earnings growth (pro forma 1998)**

As previously stated, Mandamus property holdings have undergone significant changes during the year. Therefore, a description is given below as to how the year's earnings were constructed and how earnings (pro forma 1998) were assessed for the property holdings that were a part of the

## Condensed consolidated income statement 1998 (SEK M)

	Pro forma 1998	Result 1998	Pro forma 1997	Result owned full-year 1998	Result sold 1998	Result acquired 1998	Pro forma acquired 1998
Rental income	764	547	508	455	36	56	309
Real estate costs	-389	-298	-287	-246	-22	-30	-143
<b>Operating net</b>	<b>375</b>	<b>249</b>	<b>221</b>	<b>209</b>	<b>14</b>	<b>26</b>	<b>166</b>
Depreciation	-45	-30	-27	-25	-2	-3	-20
Central administrative expenses	-36	-32	-36	-31	-	-1	-5
<b>Operating profit</b>	<b>294</b>	<b>187</b>	<b>158</b>	<b>153</b>	<b>12</b>	<b>22</b>	<b>141</b>
Net interest	-206	-129	-121				
<b>Profit before interest subsidies</b>	<b>88</b>	<b>58</b>	<b>37</b>				
Interest subsidies	31	25	66				
Capital gains	35	35	-				
Listing expenses	-15	-15	-				
<b>Profit before tax</b>	<b>139</b>	<b>103</b>	<b>103</b>				
Book value of properties	4,926	4,926	2,957				
Yield (%)	7.6	7.6	7.5				
Occupancy rate (%)	93.7	93.7	91.3				

Group as of December 31, 1998. Pro forma earnings were based on the assumption that properties acquired in 1998 were acquired as of January 1, 1998, which is the reason the estimated value of these properties is included in the pro forma earnings. In this way, pro forma earnings provide the fairest picture of earnings ability for the property holdings that were owned at the end of the year and which provide conditions for earnings growth in 1999.

### Market valuation of property holdings

Newsec Analys AB carried out a valuation of the Swedish property holdings' market value as of December 31, 1998. Complete valuations have, therefore, been carried out on a representative selection of Swedish properties. For properties purchased during the second half of 1998, it has been assumed that the purchase price constitutes their market value. All Swedish properties have been included in a so-called desktop evaluation. A desktop evaluation is a more general evaluation, where a more in-depth kind of analysis is not carried out. Foreign holdings have been valued in the autumn of 1997 and a new valuation has not been made. It is Mandamus' assessment that the value of these holdings has increased during the year. The assessed market value for all property holdings, including foreign properties shown at book value, totaled around 5,420 M. This valuation indicates a surplus value of around 10 percent, or nearly SEK 500 M, compared with book value of the property holdings as of December 31.

### Shareholders' equity

Shareholders' equity in the Group increased in 1998 from SEK 1,057 M to SEK 1,262 M, of which SEK 128 M was through a direct new issue in connection with the acquisition of Förstaden, SEK 1 M through exchange-rate translation and SEK 76 M through annual earnings. As of December 31, the Group had an equity ratio of 25.0 percent (34.3).

The property valuation that was carried out at the end

of 1998 indicates a surplus value in the Swedish holdings of approximately SEK 500 M, which gives an adjusted equity ratio of approximately 29 percent. Shareholders' equity and the equity ratio has been negatively impacted by the fact that deferred tax has been fully charged against the acquired surplus value and on the difference between properties' book value and its residual value for tax purposes. This decreased the equity ratio by 0.4 percentage points.

### Distribution of profits

The Board proposes a dividend of SEK 2.25 be distributed in cash for each share in Mandamus Fastigheter AB (publ). The proposed record day for the dividend is April 22, 1999.

### Significant events after the close of the period

During January and February Mandamus divested properties for a total of SEK 27 M, with capital gains of SEK 6 M. Through these sales, Mandamus no longer has properties in Forshaga, Skurup, Sunne, Tibro or Tidaholm. After these sales, Mandamus owns real estate in a total of 61 municipalities.

### Forecast for 1999

Pro forma profit after financial income and expenses, but before interest subsidies (which in 1999 are expected to be SEK 17 M) amounted to SEK 88 M.

Properties were divested in January and February for a capital gain of SEK 6 M. Earnings for 1999 are expected to amount to at least SEK 120 M before taxes. Additional capital gains may be added to this figure if properties are divested.

It is the Board's ambition to also distribute high dividends in the future.

Stockholm February 15, 1999  
Mandamus Fastigheter AB (publ)

Anders Johansson  
CEO

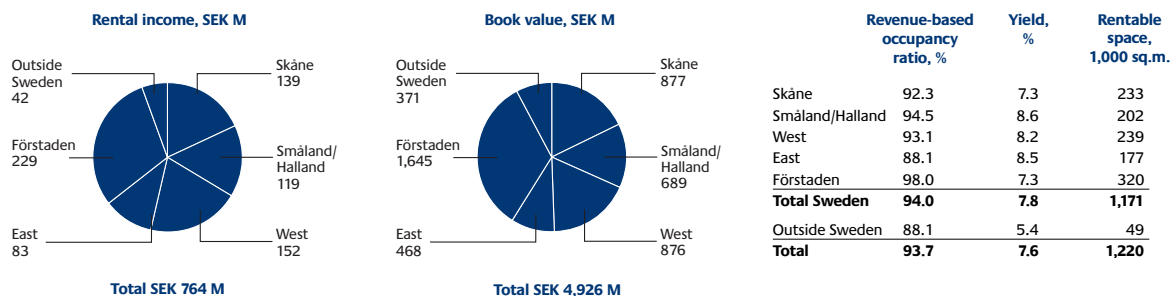
Consolidated income statement (SEK M)	1998	Pro forma 1997
Rental income	547	508
Operating expenses	-202	-181
Maintenance	-66	-85
Leasehold rent	-2	-2
Property tax	-28	-19
<b>Operating net</b>	<b>249</b>	<b>221</b>
Depreciation of properties	-30	-27
Gross profit	219	194
Central administrative expenses	-32	-36
Items affecting comparability:		
Gain/loss of property sales	35	-
Listing expenses	-15	-
<b>Operating profit</b>	<b>207</b>	<b>158</b>
Financial income	4	0
Interest subsidies	25	66
Financial expenses	-133	-121
<i>Net financial expense</i>	<i>-104</i>	<i>-55</i>
<b>Profit before tax</b>	<b>103</b>	<b>103</b>
Taxes	-27	-29
Minority share	0	0
<b>Net profit for period</b>	<b>76</b>	<b>74</b>

Consolidated statement of changes in financial position (SEK M)	1998	1997(not applicable)
Operating net	249	
Central administrative expenses	-31	
Net financial expense	-104	
Actual tax	-16	
<b>Operating cash flow</b>	<b>98</b>	
Issue expenses	-15	
Current investments in existing properties	-96	
Change in minority interests	0	
Change in working capital	84	
<b>Cash flow from operations</b>	<b>71</b>	
Acquisitions of properties	-2,239	
Sales of properties	399	
Acquisition of other tangible assets	-6	
Change in deferred taxes	57	
<b>Cash flow from strategic investments</b>	<b>-1,789</b>	
New issues	128	
<b>Cash flow from shareholders</b>	<b>128</b>	
<b>Change in net borrowing</b>		
Net borrowing, January 1, 1998	-1,817	
Cash flow from operations	71	
Cash flow from strategic investments	-1,789	
Cash flow from shareholders	128	
Effect of foreign exchange movements	-26	
<b>Net borrowing, December 31, 1998</b>	<b>-3,433</b>	
<b>Specification of net borrowing</b>		
Interest-bearing debt	-3,490	
Long-term receivables	12	
Liquid funds	45	
<b>Total net borrowing, December 31, 1998</b>	<b>-3,433</b>	

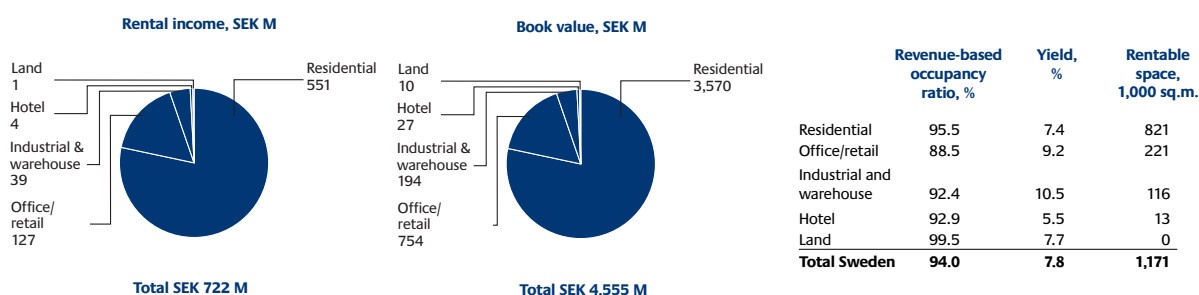
Consolidated balance sheet (SEK M)	December 31, 1998	December 31, 1997
<b>Assets</b>		
Real estate	4,926	2,957
Other fixed assets	21	5
Other current assets	48	88
Liquid funds	45	36
<b>Total assets</b>	<b>5,040</b>	<b>3,086</b>
<b>Shareholders' equity, provisions and liabilities</b>		
Restricted shareholders' equity	510	353
Unrestricted shareholders' equity	752	704
<b>Total shareholders' equity</b>	<b>1,262</b>	<b>1,057</b>
Minority interests	0	0
Provisions	68	0
Interest-bearing liabilities	3,490	1,854
Non-interest-bearing liabilities	220	175
<b>Total shareholders' equity and liabilities</b>	<b>5,040</b>	<b>3,086</b>

## Real estate portfolio

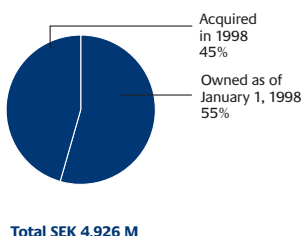
### Geographic distribution



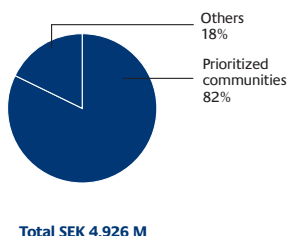
### Swedish portfolio by type of property



### Share of properties owned during full year



### Share of properties in prioritized communities



### Change in real estate portfolio during 1998

#### Specification of acquisitions and divestments

	Book value, SEK M	Number	Rentable space, 1,000 m²
Acquisitions in prioritized locations	2,175	86	423
Acquisitions outside prioritized locations	64	8	10
<b>Total acquisitions</b>	<b>2,239</b>	<b>94</b>	<b>433</b>
Divestments in prioritized locations	32	24	11
Divestments outside prioritized locations	332	120	116
<b>Total divestments</b>	<b>364</b>	<b>144</b>	<b>127</b>

In addition, the value of the real estate portfolio has changed through investments, depreciation and currency rate movements.

## Financial Structure and Key Data

### Financial structure, December 31, 1998

Fixed interest until	Loans in Swedish kronor		Loans in foreign currency		Total loans		
	SEK M	Average rage, %	SEK M	Average rate, %	SEK M	Average rate, %	% of total loans
1999	840	5.00	258	4.19	1,098	4.81	31
2000	242	6.25	57	6.25	299	6.25	9
2001	663	6.17	-	-	663	6.17	19
2002	486	6.40	57	6.69	543	6.43	15
2003	663	6.25	-	-	663	6.25	19
2004	90	5.52	-	-	90	5.52	3
2005	134	5.51	-	-	134	5.51	4
<b>Total</b>	<b>3,118</b>	<b>5.86</b>	<b>372</b>	<b>4.89</b>	<b>3,490</b>	<b>5.76</b>	<b>100</b>

Average interest rate including fees 5.82 percent. Average fixed interest period 2.7 years.

Key figures for Mandamus	Pro forma 1998	Result 1998	Pro forma 1997	Result 1997
Yield, %	7.6	7.6	7.5	7.5
Revenue-based occupancy ratio, %	93.7	93.7	91.3	91.3
Surplus ratio, %	49.1	45.5	43.5	37.7
Return on total capital before taxes, %	6.8	5.8	7.3	e.t.
Return on shareholders' equity after taxes, %	7.9	6.6	7.0	e.t.
Average loan interest rate, %	5.76	5.76	6.3	6.3
Average number of employees	140	88	76	76
Equity ratio, %	25.0	25.0	34.3	34.3
Adjusted equity ratio, %	29.3	29.3	34.3	34.3
Debt/equity ratio, times	2.77	2.77	1.75	1.75
Mortgaging rate of properties, %	71	71	63	63
Interest-coverage, times	1.58	1.62	1.85	1.13
Share of risk-bearing capital, %	26.4	26.4	34.3	34.3

### Definitions (Based on recommendations of Swedish Society of Financial Analysts)

#### CASH FLOW

Defined as cash flow before changes in working capital

#### REVENUE-BASED OCCUPANCY RATE

Rental income for the period plus rental shortfalls in relation rental income value, defined as rental income plus estimated market-based rent for vacant space and rental shortfalls.

#### RENTAL VALUE

Rental income according to current leases plus estimate market rents for vacant premises.

#### EQUITY RATIO

Shareholder's equity, including minority interests, at period-end in relation to total assets.

#### INTEREST COVERAGE RATIO

Profit after financial items, excluding listing expenses and gains on property sales, plus financial expenses, in relation to financial expenses.

#### DEBT/EQUITY RATIO

Interest-bearing liabilities in relation to shareholders' equity at end of period.

#### SURPLUS RATIO

Operating net in relation to total rental income.

#### YIELD

Annualized operating net, in relation to the book value. Calculated for property holdings remaining at end of period.

#### NET DEBT

Interest-bearing liabilities less long-term receivables and liquid assets.

#### SHARE OF RISK-BEARING CAPITAL

Shareholders' equity plus deferred taxes in relation to total assets.

#### MARKET VALUE OF PROPERTIES

Estimated value of real estate portfolio according to external appraisal at year-end.

#### SURPLUS VALUE OF PROPERTIES

Difference between the estimated market value of properties and their book value.

#### NET ASSET VALUE

Shareholders' equity plus surplus value of properties after deferred tax (28 percent)

#### ADJUSTED EQUITY RATIO

Shareholder's equity, including minority interests plus surplus value of properties after deferred taxes (28 percent), relation to total assets. increased by the surplus value of the properties.

#### NUMBER OF SHARES

Average number of shares taking into account the time during the year when any new issues were effected.

#### RETURN ON TOTAL CAPITAL

Profit after financial items plus financial expenses in relation to average total assets.

#### RETURN ON SHAREHOLDERS' EQUITY

Profit after taxes in relation to average shareholders' equity.

#### MORTGAGING RATE

Interest-bearing liabilities in relation to the book value of real estate at period-end.



## Share

Largest shareholders, December 31, 1998	Number of shares	Capital and votes, %
KF Invest AB	2,528,210	12.3
The LRF Group	2,251,985	11.0
Columna Fastigheter AB	1,776,450	8.6
Praktikertjänst Pensionsstiftelse	1,000,000	4.9
Independent savings banks	950,701	4.6
SPP	843,936	4.1
Skandia	731,942	3.5
Fjärde AP-fonden	647,255	3.2
Sparbanksstiftelser	631,786	3.1
KPA Fond & Finans	629,521	3.1
<b>Total (10 owners)</b>	<b>11,991,786</b>	<b>58.4</b>
Shareholders registered outside Sweden	2,816,785	13.7
Other shareholders	5,733,391	27.9
<b>Total</b>	<b>20,541,962</b>	<b>100.0</b>

Per-share data*	Pro forma 1998	Result 1998	Pro forma 1997	Result 1997
Price at year-end, SEK	45.50	45.50	e.t.	e.t.
Shareholders' equity, SEK	61.44	61.44	60.08	60.08
Net asset value, SEK	78.76	78.76	60.08	60.08
Earnings after tax, SEK	4.87	4.23	4.21	0.09
Dividend, SEK	2.25 **	2.25 **	e.t.	e.t.
Direct return, %	5.0	5.0	e.t.	e.t.
Price divided by net asset value, %	57.8	57.8	e.t.	e.t.
P/E ratio	9.3	10.8	e.t.	e.t.
Number of shares (1,000)	20,542	17,946	17,594	17,594

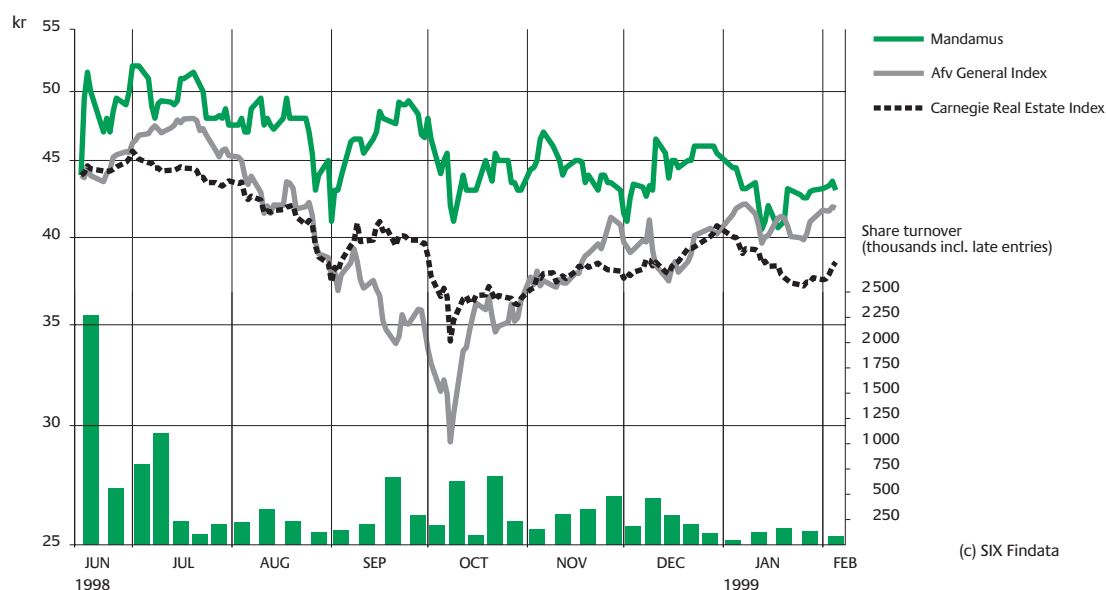
Market capitalization at December 31, 1998 was SEK 935 M.

\* Pro forma 1997 pertains to a calculated full year from the real estates portfolio of Mandamus Fastigheter with subsidiaries owned at year-end 1997. Result 1997 is based on just one month of operations.  
\*\* Dividend pertains to dividend on 20,541,962 shares.

### Dividend policy

The Board of Directors goals is that the dividend should amount to 50 percent of profit after taxes excluding the effects of property divestments. However, the Board will also take into account Mandamus's consolidation requirements, liquidity and overall financial position.

#### Share-price trend, Mandamus



(c) SIX Findata

## Annual General Meeting

The Annual General Meeting for Mandamus Fastigheter AB (publ) will be held on *Monday, April 19, 1999 at 4:00 p.m.* in the Bonnier Building, Torsgatan 21, Stockholm.

### Financial information

Annual Report for 1998  
Annual General Meeting  
Interim report, January – March 1999  
Interim report, January – June 1999  
Interim report, January – September 1999  
Preliminary year-end report 1999  
Annual Report 1999  
Annual General Meeting

March 1999  
April 19, 1999  
April 19, 1999  
August 9, 1999  
October 29, 1999  
February 15, 2000  
March 2000  
April 26, 2000



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