

## P R E S S   R E L E A S E

### **Diligentia AB** **Interim report January – June 1999**

#### **Operating results**

- **Net operating income for the period rose by 20 percent to SEK 369 million (308). The net operating income for the Swedish operations rose by 31 percent during the period to SEK 365 million (279).**
- **The net gain on property sales during the period amounted to SEK 121 million (8). SEK 69 million relates to a sale in Japan, of which SEK 64 million is deducted in tax.**
- **Income after net financial items rose substantially, to SEK 260 million (43).**
- **Earnings per share after tax increased fivefold and amounted to SEK 2.58 (0.51).**
- **Cash flow per share from operating activities amounted to SEK 2.85 (1.13).**

#### **Highlights**

- **Acquisition of property, measuring just over 100,000 square meters, in the Västra Hamnen section in Malmö for approximately SEK 140 million.**
- **Properties were sold outside Sweden for approximately SEK 300 million.**

#### **Operating results**

Rental income for the period totalled SEK 619 million (618). In Sweden, rental income rose by 7 percent, from SEK 568 million to SEK 605 million. For international properties, rental income amounted to SEK 14 million (50). The decrease is due to divestments in the international property portfolio.

Expenses for operations, management, maintenance and tenancy modifications totalled SEK 250 million (310), of which the Swedish properties accounted for SEK 240 million (290) and the international properties for SEK 10 million (20). The Group's administrative expenses amounted to SEK 36 million (53).

Net operating income for the Group amounted to SEK 369 million (308) during the period. In the Swedish portfolio, net operating income rose by 31 percent compared with the corresponding period of 1998, from SEK 279

million to SEK 365 million.

The net gain on property sales during the period was SEK 121 million (8).

Operating income for the period amounted to SEK 413 million (227) and income after net financial items was SEK 260 million (43).

Income for the period after tax and minority interest amounted to SEK 162 million (32).

**Table 1**

**Income statement for the period January-June 1999 compared with the corresponding period of 1998 divided between Swedish and international properties**

| SEK million                              | Sweden<br>1999 | Sweden<br>1998 | Int'l<br>1999 | Int'l<br>1998 | Total<br>1999 | Total<br>1998 |
|--|----------------|----------------|---------------|---------------|---------------|---------------|
| Rental income                            | 605            | 568            | 14            | 50            | 619           | 618           |
| Operations and maintenance               | -240           | -290           | -10           | -20           | -250          | -310          |
| <b>Net operating income</b>              | <b>365</b>     | <b>279</b>     | <b>4</b>      | <b>29</b>     | <b>369</b>    | <b>308</b>    |
| Depreciation                             | -41            | -36            | 0             | 0             | -41           | -36           |
| Capital gains on property sales          | 67             | 15             | 54            | 7             | 121           | 8             |
| Administrative expenses                  | -34            | -45            | -2            | -8            | -36           | -53           |
| <u>Net financial income and expenses</u> | <u>-133</u>    | <u>-130</u>    | <u>-20</u>    | <u>-54</u>    | <u>-153</u>   | <u>-184</u>   |
| <b>Income after net financial items</b>  | <b>224</b>     | <b>84</b>      | <b>36</b>     | <b>-17</b>    | <b>260</b>    | <b>43</b>     |

Income, expressed as the yield on the property portfolio compared with the first six months of 1998, improved from 6.3 percent to 7.5 percent for the Swedish management properties and declined from 5.0 percent to 3.2 percent for the international properties.

During the period Diligentia signed new leases and actively renegotiated existing contracts in Sweden with annual rent of SEK 95 million and lettable area of 116,000 square meters.

**Table 2**

**Quarterly income statement after net financial items for first six months of 1999**

| SEK million                              | Q1<br>1999 | Q2<br>1999 | Q2<br>1998 | Total<br>1999 | Total<br>1998 |
|--|------------|------------|------------|---------------|---------------|
| Rental income                            | 314        | 305        | 308        | 619           | 618           |
| Operations and maintenance               | -135       | -115       | -159       | -250          | -310          |
| <b>Net operating income</b>              | <b>179</b> | <b>190</b> | <b>150</b> | <b>369</b>    | <b>308</b>    |
| Depreciation                             | -21        | -20        | -17        | -41           | -36           |
| Capital gains on property sales          | 91         | 30         | 3          | 121           | 8             |
| Administrative expenses                  | -18        | -18        | -15        | -36           | -53           |
| <u>Net financial income and expenses</u> | <u>-82</u> | <u>-71</u> | <u>-93</u> | <u>-153</u>   | <u>-184</u>   |
| <b>Income after net financial items</b>  | <b>149</b> | <b>111</b> | <b>27</b>  | <b>260</b>    | <b>43</b>     |

## **Financing and liquidity**

The majority of the Swedish properties in the Diligentia Group carry interest-bearing financing in the form of consortium mortgage loans. These loans have been reduced, however, and replaced by consortium loans of SEK 1,390 million without mortgages. Financing also includes real estate mortgages and check overdraft facilities.

Diligentia's remaining international properties in large part are fully financed directly or indirectly in each foreign currency.

Interest-bearing liabilities in the Group amounted to SEK 6,478 million (6,597). The Group's average borrowing rate was 5.2 percent as of June 30, 1999. The Swedish loan portfolio of SEK 5,313 million (4,526) had an average interest rate of 5.5 percent and the international portfolio of SEK 1,165 million (2,071) had an average rate of 4.1 percent.

The Group's liquid assets amounted to SEK 116 million (172) as of June 30, 1999. Unutilized loan facilities, including the consortium mortgage loan limit, amounted to slightly more than SEK 1,500 million as of June 30.

Cash flow from operating activities was SEK 179 million (71) for the period.

## **Property portfolio**

Of the property portfolio's total book value of SEK 11,206 million (12,052), SEK 10,345 million (10,040) related to Sweden and SEK 861 million (2,012) to international properties. The total number of properties in the Group was 300 (328), of which 282 (289) were in Sweden and 18 (39) abroad.

Depreciation on the Swedish properties amounted to SEK 41 million during the period. Because the international properties are reported as current assets, there is no depreciation. Any revaluations and write-downs of international properties are made at year-end.

## **Changes in the portfolio**

During the period Diligentia sold a total of 10 properties (50) for an aggregate sales value of SEK 646 million (506). The net capital gain on property sales during the period was SEK 121 million (8).

Net operating income from the properties sold during the period amounted to SEK 0.5 million.

The sales in Sweden primarily related to residential properties and projects. The net gain on these sales was SEK 67 million.

International property sales accounted for SEK 343 million. Diligentia's remaining international property portfolio amounts to approximately SEK 861 million (2,012).

See appendix: Property portfolio 6/30 1999.

## **Property acquisition**

In June Diligentia acquired portions of the property Bilen 4 in the Västra

Hamnen section of Malmö from Malmö Municipality for SEK 143 million. Diligentia intends to gradually upgrade the approximately 100,000 square meter large property, initially converting part of it to attractive, modern offices totalling 30,000 square meters, ready for occupation by the middle of next year.

### **Divestments following the conclusion of the period**

In August Diligentia sold Hotel Cristal in Algarve, Portugal, for just over SEK 50 million and the office property Marquès de la Argentera 4 in Barcelona, Spain, for slightly less than SEK 60 million.

Diligentia has also sold the remaining undeveloped land in the Quinta da Fonte Office Park in Portugal to Akeler A.S., which has held an option on the land since purchasing properties in the same area last year. The hand-over will take place gradually during the period 1999-2001. Akeler is also taking over Diligentia's organization in Portugal, with 18 employees. The purchase price amounted to approximately SEK 192 million. None of these transactions had an impact on earnings.

Following these divestments the international portfolio is valued at approximately SEK 560 million, half the amount at the beginning of the year.

### **Capital expenditures**

Diligentia allocates capital expenditures for its property portfolio on a continuous basis. During the period capital expenditures totalled SEK 76 million (259).

### **Parent Company**

Diligentia AB is the Group's Parent Company, in which the Group's shareholders' equity is concentrated. Borrowing in the Group is done in large part through the Parent Company. The Parent Company carries on customary Group-wide activities, the expenses for which amounted to SEK 24 million (28) during the period.

### **Forecast for 1999**

As previously announced, Diligentia's forecast for full-year income after net financial items, excluding capital gains, is SEK 250 million for 1999, an improvement of 25 percent compared with the 1998 result.

### **Financial reports**

|                                  |                  |
|----------------------------------|------------------|
| Interim report January-September | November 4, 1999 |
| Year-end report 1999             | February 2000    |

The information in this interim report has not been reviewed by the company's auditors.

*Diligentia is one of Sweden's largest real estate companies. The book value of the Group's Swedish property portfolio amounted to SEK 10,345 million on June 30, 1999. The book value of the international properties amounted to SEK 861 million. Diligentia's overall strategy is to concentrate its operations on select market sectors*

*in Stockholm, Gothenburg and the Öresund region. Diligentia is quoted on the A-list of the Stockholm Stock Exchange.*

Stockholm, August 18, 1999

Mats Cederholm  
Managing Director and Chief Executive Officer

*For further information, please contact:*

Mats Cederholm, telephone: +46-8-5875 8110 or +46-70-426 8110

e-mail: mats.cederholm@diligentia.se

Göran O. Westerberg, Head of Group Communications and Investor Relations,

telephone: +46-8-5875 8120 or +46-70-426 8120, e-mail: goran.westerberg@diligentia.se

Internet address: www.diligentia.se, e-mail: diligentia@diligentia.se