

ASTICUS AB (publ) INTERIM REPORT, JANUARY-JUNE, 1999

- **Profit before financial items for the period has increased by 18 per cent and totalled SEK 150 million (127).**
- **Profit after tax for the period has increased by SEK 65 million and totalled SEK 80 million (15) or SEK 2,55 per share (0,46).**
- **Cash flow from operating activities during the period amounted to SEK 109 million (42) or SEK 3,49 per share (1,35).**
- **IVG Holding AG ("IVG") has, through a Swedish subsidiary, acquired 98,5 per cent of the shares of Asticus AB ("Asticus").**

Market overview

Asticus is an international property company whose operations are focused entirely on the European market. As at June 30, 1999, the book value of the Company's total portfolio was SEK 7 616 million, of which properties in Brussels accounted for 51 per cent, properties in London for 28 per cent and properties in Paris for 21 per cent. In all the Group owned 39 properties

Rental values have improved in all our market areas.

In Brussels occupancy in our portfolio is steadily improving. The vacancy rate is however still too high. In general, demand is particularly strong outside the nineteen communes due to lower property taxes. The rental markets are improving in both Antwerp and Luxembourg.

Demand for modern office space in London is still strong. Only 4 000 sq.m. of in total 15 000 sq.m. remain to be leased in our Great Marlborough Street project, which is due to be completed next month. Otherwise our portfolio in London is fully leased.

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Demand is strong in Paris. The vacancy rate is decreasing and rental levels are increasing. Our portfolio in Paris is now almost fully let.

Developments in the property investment markets have been positive in all our market areas. Improved occupancy and increasing rental levels in combination with low interest rates have led to increased activity on the investment market particularly in London. We expect to see this high level of activity to last the year out.

Operations to date

Rental income for the period increased by 12 percent and totalled SEK 299 million (266), of which SEK 172 million (166) was derived from the Brussels portfolio, SEK 60 million (43) from the London portfolio and SEK 67 million (57) from the Paris portfolio. Operating expenses, maintenance and adaptation costs etc. totalled SEK 86 million (83). Net operating income totalled SEK 213 million (183), of which SEK 118 million (107) was attributable to the portfolio in Brussels, SEK 49 million (30) in London and SEK 46 million (46) in Paris. Depreciation totalled SEK 29 million (27). The Group's administration expenses totalled SEK 34 million (29). Exceptional items, amounting to SEK 5 million, are included in the administration expenses for this period. Profit before financial items was SEK 150 million (127).

A tax case in France, which has been in progress since 1983, has during the period been decided in favour of Asticus. Tax provisions of SEK 26 million made in previous years have now been written back.

Profit after tax for the period, including the tax write backs, has increased by SEK 65 million and totalled SEK 80 million (15). Increased profit, as compared to the first half of 1998, is otherwise mainly due to higher rental income and lower interest costs.

Profit expressed as a percentage (yield) on all investment properties, compared to the first half of 1998, increased from 5,4 percent to 6,1 per cent. The corresponding figures in respect of the individual markets were: Brussels 5,9 per cent (5,2); London 7,1 per cent (6,0); and Paris 5,6 per cent (5,9).

Financing, liquidity and currency effects

The Group's equity is exposed to fluctuations in rates of exchange in direct proportion to the values of its property portfolios in the countries concerned. The consolidated effect of conversion, arising as a result of these fluctuations, is reported as equity and does not affect the profit and loss account. During the period differences arising out of conversion had a net negative effect on equity

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totalling SEK 244 million. This is mainly due to the strengthening of the Swedish krona in relation to the euro and British pound.

Consolidated interest-bearing liabilities as at June 30 totalled SEK 3 793 million (3 841).

With a view to minimising exposure to fluctuations in rates of exchange, the Group's property portfolios are financed in local currencies. Of the property loan total of SEK 3 793 million, the equivalent of SEK 2 691 million is in euros and SEK 1 102 million in British pounds. As at June 30 the consolidated average interest rate on loans was 4,35 per cent (6,04).

Consolidated liquid assets as at June 30, 1999, totalled SEK 113 million (106). Equity as at June 30 totalled SEK 3 683 million (3 536).

Property portfolios

The book value of the Group's total property portfolio as at June 30, 1999, was SEK 7 616 million, made up as follows.

As the development of the Long Acre and the Conduit Street properties in London were completed during 1998, they are classified as investment properties in 1999.

During the period Asticus sold a site in Luxembourg at book value. Simultaneously an agreement was signed with the buyer for the construction of an office building of about 7 200 sq.m. on the site.

Following changes in rates of exchange for the Swedish krona during the period, the book value of the Company's total property portfolio decreased by SEK 505 million.

Investments

Asticus continues to invest in its property portfolios. Investments during the period totalled SEK 145 million, and were mainly on the Great Marlborough Street project in London, which includes two office buildings with a total lettable area of approx. 15 000 sq. m. Work is expected to be completed in September, 1999.

Parent company

The parent company Asticus owns directly the Long Acre property in London and apart from this, it carries on the conventional parent company activities vis-à-vis the Group. The turnover of the parent company totalled SEK 26 million (20). The result after financial items was SEK -38 million (-41). Liquid assets as at June 30 were SEK 4 million (19).

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Shareholders structure

IVG announced on 8 March, 1999, a public offer to the shareholders of Asticus to acquire all the shares of Asticus at a price of SEK 117 per share. The offer has so far been accepted to such an extent, that IVG as per 26 August, 1999, is the owner of 98,5 per cent of the total number of shares and votes of Asticus.

Through its Swedish subsidiary IVG owns more than 90 per cent of the total of shares and votes in Asticus. Under the Swedish Companies Act IVG therefore has the right to redeem the shares of the remaining shareholders. On 11 May, 1999, IVG decided to exercise this right by submitting the dispute to arbitration. The arbitration process is currently in progress.

Gothenburg, 26 August, 1999

ASTICUS AB (publ)

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PROFIT AND LOSS ACCOUNT IN SUMMARY

Figures in SEK millions

	1/1-30/6 1999	1/1-30/6 1998	Year 1998
Rental income	299	266	550
Operating expenses	-38	-39	-81
Maintenance and adaptation expenses	-15	-16	-29
Property taxes	-29	-24	-48
Leasehold rents	-4	-4	-9
Net operating income	213	183	383
Property depreciation	-29	-27	-57
Property sales	0	-	11
Administration expenses	-34	-29	-61
Profit before financial items	150	127	276
Net interest income/expense and other financial items	-96	-112	-244
Profit after financial items	54	15	32
Tax	26	0	0
Profit after tax for the period	80	15	32

BALANCE SHEET IN SUMMARY

Figures in SEK millions

	June 30 1999	June 30 1998	Dec. 31 1998
Assets			
Properties	7 616	7 535	8 051
Property receivable	102	101	111
Other assets	151	210	151
Liquid assets	113	106	106
Total assets	7 982	7 952	8 419
Equity and liabilities			
Equity	3 683	3 536	3 847
Provisions	209	200	227
Interest bearing liabilities	3 793	3 841	3 946
Non-interest bearing liabilities	297	375	399
Total equity and liabilities	7 982	7 952	8 419

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CASH FLOW STATEMENT

Figures in SEK million	1/1-30/6 1999	1/1-30/6 1998	Year 1998
Cash flow from operating activities before change in working capital	109	42	78
Change in working capital	-102	951	1 023
Cash flow from operating activities	7	993	1 101
Cash flow from capital expenditures/disposals	-103	-132	-70
Cash flow from financing	103	-890	-1 093
Change in liquid assets	7	-29	-62

KEY FINANCIAL FIGURES

Yield ¹⁾,%

Total	6,1 ²⁾	5,4 ²⁾	5,4
Brussels	5,9 ²⁾	5,2 ²⁾	5,1
London	7,1 ²⁾	6,0 ²⁾	6,9
Paris	5,6 ²⁾	5,9 ²⁾	5,8

Economic occupancy rate ¹⁾,%

Total	89	85	86
Brussels	85	83	83
London	96	100	100
Paris	93	86	88

Other key figures

Equity per share, SEK	117	113	123
Share price, SEK	117	88	79,50
Earnings per share after tax, SEK	2,55	0,46	1,01
Cash flow per share, SEK ³⁾	3,49	1,35	2,49
Book value of properties per share, SEK	243	240	257
Net operating income, SEK million	213	183	383
Equity/Asset ratio, %	46	44	46
Loan to property book value, %	50	51	49
Total shares issued	31 354 581	31 354 581	31 354 581

1) Figures are for investment properties

2) The yield for the period for investment properties is adjusted to reflect the yield for the whole year. The adjustment does not consider quarterly differences, which are normal for the business. In converting net operating income and the book value of the properties to Swedish kronor, the average rate of exchange for the currencies concerned have been applied.

3) Figures relate to cash flow from the operating activities before changes in working capital.