

Summarised Financial Statements

1 January — 31 December 1999

- Pre-tax profit rose by 180 per cent, compared with 1998, to SEK 288m (103m).
- Management profit doubled to SEK 115m (58m).
- The board has adopted a new dividend policy and proposes buy-back of a maximum of 2,000,000 of outstanding shares (just under 10 per cent).
- The board also proposes raising the regular dividend by SEK 1 per share to SEK 3.25 and also paying an extra dividend of SEK 10 per share. The total proposed dividend is thus SEK 13.25 per share.
- Of Mandamus' current property stock, 63 per cent is composed of properties purchased after the company's admission to the Stockholm Stock Exchange in June 1998. The structure and concentration of the stock have thus improved radically. This process of value enhancement is continuing.
- The year's restructuring work has involved the sale of 141 properties for SEK 974, at a disposal profit of SEK 166m, while 53 properties in priority areas were acquired for SEK 1,291m.
- The property valuation carried out at year-end represents net worth per share of SEK 85 (78).

Summarised Financial Statements 1999

Rent and profit trends

Rental income amounted to SEK 794m (547m), representing a 45 per cent increase compared with the previous year. Rental income from properties owned throughout the year totalled SEK 650m, while rental income from properties sold amounted to SEK 100m and that from properties acquired during the year to SEK 44m. To give an idea of the earning capacity of the present property stock, these properties' rental income for 1999 has been estimated (proforma) at SEK 829m. The table headed "Group profit summary" contains more complete proforma accounts.

The average economic letting ratio for the year was 95.5 per cent, 1.8 percentage points higher than in the previous year. By year-end 1999 the letting ratio had improved further to 96.7 per cent.

After deduction of property expense, net trading profit was SEK 398m (249m). Operating costs in the last quarter of the year were affected by increased

repair and maintenance costs, which were partly due to the autumn storms in the south of Sweden.

Depreciation on properties amounted to SEK 47m (30m) and central administrative expense to SEK 34m (32m). The rise in depreciation costs are a consequence of the increased volume. Central administrative expense included the costs of developing and introducing a new business support system during the autumn.

Interest expense amounted to SEK 204m (133m), including non-recurring costs of SEK 4m for the interest cap on new borrowings of SEK 210m. Profit before items affecting comparability totalled SEK 115m (58m). This profit gives a margin of 14.5 per cent, which is 4 percentage points higher than last year.

Pre-tax profit, including items affecting comparability such as disposal profits, interest contributions, quotation charges and write-downs, totalled SEK 288m (103m). Of the SEK 185m improvement in profit compared with the previous year, SEK 131m was due to raised profits from property sales, while SEK -7m related to reduced interest contributions. Other items affecting comparability decreased by SEK 4m and profit from current operations showed an improvement of SEK 57m.

Profit after estimated tax amounted to SEK 201m (76m), representing earnings per share of SEK 9.80 (4.23).

Concentration of property stock in priority areas

At 31 December 1999, the group owned properties with a book value of SEK 5,433m (4,926m), representing a rise of just over 10 per cent during the year. In the course of 1999 a total of 141 properties with a book value of SEK 808m were sold. These disposals took place almost exclusively in non-priority areas, and disposal of the group's property stock outside Sweden may now, in practice, be regarded as having taken place. During the year, properties with a book value of SEK 1,291m were acquired. At year-end there were a total of 392 properties, 88 fewer than at year-end 1998. The concentration has also meant that Mandamus has left 19 municipalities and now owns developed properties in 47 municipalities.

Focus and concentration played a major part in the year's operations. By year-end, 88 (82) per cent of the property stock was in the group's priority areas, and the proportion of housing had risen to 81 (72) per cent.

During the year, SEK 103m (96m) was invested in the existing property stock. Of this sum, SEK 49m relates to three major projects: completion of office space in the Copenhagen property (SEK 24m), completion of a major conversion of a residential property in Lund (SEK 17m) and major conversion work on a centrally located commercial and residential property in Kungsbacka (SEK 8m). The property in Copenhagen was sold at the end of 1999.

Financial position

At 31 December 1999, the group had interest-bearing liabilities of SEK 3,547m (3,490m), including 25m (372m) in foreign currency. The loan portfolio has an average fixed-interest term of 2.0 (2.7) years, and average interest at year-end was 5.43 (5.76) per cent. Net borrowings at year-end amounted to SEK 3,520m, which was SEK 87m higher than at the end of 1998. At 31 December the group had SEK 437m in confirmed unutilised credit pledges.

Shareholders' equity at year-end amounted to SEK 1,414m (1,262m), which gives a visible equity ratio of 25.4 (25.0) per cent. The adjusted equity ratio, which includes surplus value in the group's property stock, was 29.1 (29.2) per cent at the same date.

Market valuation of the property stock

As in previous years, Newsec Analys AB assessed the market value of the Swedish property stock at year-end. Complete valuations of a representative selection of the Swedish properties, corresponding to roughly one-third of the book value of the entire stock, were carried out. "Desktop valuations" of the other Swedish properties, with no in-depth analysis, provided an approximate indication of their value.

The estimated market value of the group's total property stock amounted to some SEK 5,900m (5,420m). This valuation indicates surplus value of SEK 467m or just under 9 per cent.

Extra dividend and buy-back of shares

Mandamus' sharper focus on housing, coupled with its increased concentration of the property stock in areas of good population growth, involves a steady reduction in operating risk. This strategy will not be changed, and the board therefore considers that visible equity ratio can be lowered from the present-day level of 25 per cent to a minimum of 20 per cent.

Mandamus' dividend policy is also being changed so that up to 75 per cent of profit after tax, excluding sales profits, will henceforward be distributed as dividend.

In view of the lower operating risk, the board considers that Mandamus can pay an extra dividend for 1999, over and above the regular dividend, and that the anticipated scope for buying back the company's own shares should be utilised. The board therefore proposes that the general meeting of shareholders decide as follows:

- that the regular dividend for 1999 be raised by SEK 1 per share to SEK 3.25
- that an extra dividend of SEK 10 per share be paid for 1999
- that the board be given a mandate to buy back of a maximum of 2,000,000 of the company's outstanding shares (nearly 10 per cent).

During the autumn, Mandamus implemented a campaign directed at the company's smaller shareholders. For the purpose of stimulating the liquidity of the share, Mandamus invited the shareholders to buy or sell a maximum of 199 shares with Mandamus paying the cost of brokerage. Altogether, more than 25,000 deals were made within the framework of this campaign: 8,500 shareholders increased their Mandamus holdings by an average of 137 shares per purchase, while just under 16,500 shareholders sold their shares (average transaction size: 34 shares). Overall, a net purchase of 600,000 was made by the minor shareholders and there was a very sharp rise in the number of shareholders who own at least one round lot (200 shares).

Altogether, the number of shareholders fell during the year by just over 19,200 — 16,500 in response to the campaign — to 26,080. The campaign cost SEK 4.3m, which was charged to group profit under 'quotation expense and similar costs'.

Prospects for 2000

For the year 2000, profit before disposal profits, if any, is expected to total some SEK 130m. This forecast is based on proforma profit for the property stock owned at year-end 1999, taking into account reduced interest contributions and raised interest expense for financing of the proposed extra dividend.

Stockholm, 15 February 2000

Mandamus Fastigheter AB (publ)

Anders Johansson

Managing Director