

ASTICUS AB (publ) YEAR-END REPORT FOR THE 1998 FINANCIAL YEAR

- **Profit after financial items for the year totalled SEK 32 million (39)¹, or SEK 1.01/share (1.26).**
- **The return on net asset value reached 13.5 per cent, 22.5 per cent including gains on conversion of currencies.**
- **Net asset value as per December 31 amounted to SEK 4 287 million or SEK 137/share.**
- **Two properties in Luxemburg have been sold for SEK 319 million with a profit of SEK 11 million.**
- **Rental values have improved in all our market areas during 1998.**

Market overview

Rental values have improved in all our market areas during 1998.

In particular developments have been positive in the rental market in London, where two of our three projects were completed during 1998. The Conduit Street property comprising a total of 2 700 sq.m. was completed in July. 400 sq.m. remain to be leased. Construction works on the Long Acre property were finalised in October. The property is now fully leased. The Great Marlborough Street project is due to be completed in July, 1999. 10 000 sq.m. have been leased during the year. 5 000 sq.m. remain to be leased. A rent review was concluded during the autumn for a major part of the Lower Regent Street property, which led to an increase in rents of about 60 per cent to GBP 40/sq.ft.

In Brussels demand for office space is good. A number of new leases was signed during 1998, including Twin House (about 3 700 sq. m.) and Tour Leopold (about 5 100 sq. m.) among others. The improved occupancy in Brussels will not, however, have a material effect on the Company's result until 1999.

¹ All figures in brackets are proforma 1997. The character of operations and the structure of the Asticus Group changed considerably after it acquired Hufvudstaden International AB in 1997 and the subsequent spin-off of the Group from Diligentia in 1998. Therefore, it is not appropriate to compare the figures for 1998 against those for 1997.

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New leases have also been concluded in Paris. Demand for modern office space is improving in the rental market in Paris.

Due to the general turbulence in the financial markets during the last half-year, a weakening trend in demand for office space during 1999 cannot be ruled out.

Developments in the property investment markets have been positive during 1998 in all our market areas. We expect to see a continued positive trend also during 1999 as far as property values are concerned.

Operations to date

Rental income for 1998 totalled SEK 550 million (562), of which SEK 346 million (342) was derived from the Brussels portfolio, SEK 86 million (108) from the London portfolio and SEK 118 million (113) from the Paris portfolio. Operating expenses, maintenance and adaptation costs etc. totalled SEK 167 million (157). Profit from managed properties totalled SEK 383 million (405), of which SEK 223 million (234) was attributable to the portfolio in Brussels, SEK 66 million (81) in London and SEK 95 million (90) in Paris. Depreciation totalled SEK 57 million (55). Two properties in Luxemburg have been sold during 1998 with a profit of SEK 11 million. The Group's administration expenses totalled SEK 61 million (64). Profit for the year before financial items was SEK 276 million (286).

Profit after tax for 1998 was SEK 32 million (39).

Profit expressed as a percentage (yield) on all investment properties was 5.4 per cent. The corresponding figures in respect of the individual markets were: Brussels 5.1 per cent; London 6.9 per cent; and Paris 5.8 per cent. The result and key ratios are in line with expectations and the decline is due to the development of Long Acre in London and the refurbishment of Twin House in Brussels.

Financing, liquidity and currency effects

Asticus was capitalised with equity of SEK 3 500 million with effect from January 1, 1998. This is made up in part by the proceeds of a new issue of shares and in part by shareholders' contributions. In February 1998 the total number of shares issued was increased to 31 354 581 by a 10-for-1 split and by a new issue of shares in respect of SEK 370.3 million. In March the company's equity was further supplemented by a shareholders' contribution from Diligentia AB of SEK 1 951.3 million. As capitalisation was effective from January 1, 1998, Asticus has been compensated by a further shareholders' contribution of SEK 4.6 million, which amount has helped reduce its interest expenses.

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The Company'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 profit and loss. During 1998, differences arising out of conversion had a net positive effect on equity totalling SEK 316 million. This was due to the weakening of the Swedish krona against both the French and Belgian francs and the British pound. Strengthening of the Swedish krona in relation to the relevant currencies after the turn of the year 1998/99 has meant, that there has been a net negative effect on equity of SEK 215 as per February 24, 1999.

Consolidated interest-bearing liabilities as at December 31 totalled SEK 3 946 million.

With a view to minimising exposure to fluctuations in rates of exchange, the Company's property portfolios are financed in local currencies. Of the loan total of SEK 3 945 million, the equivalent of SEK 2 056 million is in Belgian francs, SEK 854 million in French francs and SEK 1 035 million in British pounds. As at December 31 the consolidated average interest rate on loans was 5.3 per cent and the average duration of the existing interest fixing is 1.5 years.

Consolidated liquid assets as at December 31, 1998, totalled SEK 106 million. Lines of credit granted, but not taken up, totalled over SEK 1 033 million including limits for financing of ongoing developments. Equity as at December 31 totalled SEK 3 847 million.

Property portfolios

The book value of the Group's total property portfolio as at December 31, 1998, was SEK 8 051 million, made up as follows.

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

Two properties in Luxemburg, with a book value of SEK 299 million, were sold in 1998 for SEK 319 million. After deducting selling costs, profit totalled SEK 11 million.

Following changes in rates of exchange for the Swedish krona during 1998, the book value of the Company's total property portfolio increased by SEK 647 million.

Investments

Asticus continues to invest in its property portfolios. Investments during the year totalled SEK 379 million, and were mainly on three projects in London. Work on the Conduit Street site was completed in July providing a new building with an area of approx. 2 700 sq. m. At 90 Long Acre 6 000 sq.m. of office accommodation and the entrance hall were renovated after one of the tenants,

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First National Bank of Chicago, moved out. The renovation was completed in October. On the Great Marlborough Street site two new buildings are in the course of construction. On completion these will have a total lettable area of approx. 15 000 sq. m. Work is expected to be completed in July, 1999. During 1999 an estimated SEK 330 million will be invested in the Great Marlborough Street project.

Net Asset Value

Asticus' properties are individually assessed at market value by independent local valuers as of December 31, 1998. Their aggregate market value amounts to SEK 8 816 million, whereas the book value amounts to SEK 8 051 million at the same point in time. The aggregate market value of the properties has increased by 9 per cent in relation to the previous valuation. The market valuation has been performed on a "going concern" basis, i.e. disregarding any selling costs. Such costs vary, not only between Asticus' three market areas, but also between alternative methods of sale, e.g. sale of a property or a property holding company etc. On the calculation of the net asset value, full provisions have been made for deferred tax on the surplus values of the properties. Tax losses carried forward, which are estimated at SEK 2 000 million, have not been valued, either in the accounts or in the calculation below. The "difference between factual and market interest" has been calculated on the basis of the difference between Asticus' existing interest rates for its interest-bearing liabilities as of December 31, 1998, and the corresponding market rate of interest, for a period as from January 1, 1999, until the next interest revision date. Net asset value as per December 31 totalled SEK 4 287 million as accounted for in the calculations below. This means that the return on net asset value reached 22.5 per cent, 13.5 per cent excluding gains on conversion of currencies.

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	SEK million
Equity	3 847
Surplus values of properties (before tax)	
Brussels	95
London	388
Paris	282
Deferred tax on surplus values	
Brussels	-40
London	-120
Paris	-117
Difference between factual and market interest	-47
Net asset value	4 287
Equity per share	123
Net asset value per share	137

Dividend for 1998

The Board of Directors proposes, that no dividend be paid for the financial year 1998.

Parent company

The parent company Asticus AB 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 34 million. The profit after financial items was SEK 36 million. Investments during 1998 in the Long Acre property totalled SEK 64 million. Liquid assets as at the same date were SEK 12 million.

Important events after year-end

Asticus has during February, 1999, sold a vacant site of about 7 500 sq.m. on rue Thomas Edison in Luxemburg to Immo Croissance Sicav.

Simultaneously Asticus has signed an agreement with the buyer for the construction on the site of an office building of about 7 200 sq.m. The building will be handed over to the buyer on a turn-key project basis on March 31, 2000.

The total value of the two transactions amounts to LUF 910 million (SEK 201 million).

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Shareholder structure

Upon demerger from Diligentia, the shareholder structure of Asticus was the same as that of Diligentia's. Since the listing of Asticus' shares on April 3, 1998, major changes in the shareholder structure have occurred. Foreign ownership has increased from 17 per cent to 51.3 per cent. During 1998 two American institutions, the Baupost Group LLC and PerryCorp, announced increased shareholding in Asticus. As per December 31, 1998, the Baupost Group LLC and PerryCorp owned 16.1 per cent and 9.1 per cent of the share capital respectively.

The number of shareholders was 170 264 at year-end. 99 per cent of the shareholders held less than 500 shares each.

Shareholders	No of shares and voting rights, %
Baupost Group LLC	16.1
Wallenberg Foundations	10.1
PerryCorp	9.6
Franklin Templeton Funds	5.3
Skandia	3.6
Bankers Trust Company	2.7
Morgan Stanley & Co New York	2.2
SEB Foundation	2.2
Investor	2.1
SEB/Trygg/ABB unit trusts	1.7
Other shareholders	44.4
Total	100.0
Swedish shareholders	48.7
Foreign shareholders	51.3
Total	100.0

Future development

When developments in London are completed and fully leased, the yield for the whole of the London property portfolio is estimated to reach 8.5 per cent and for the overall Group 6.2 per cent, all other conditions remaining equal. Taken together this has formed the basis for considerable improvements in results for coming years. Disposal of the properties in Luxemburg and Antwerp is progressing according to plan. Asticus is further considering different alternatives for a restructuring of the Brussels portfolio.

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Reporting dates 1999

Annual general meeting of shareholders will be held in Gothenburg on April 14, 1999.

Interim report for the period January 1 – March 31 will be released May 19, 1999.

Interim report for the period January 1 – June 30 will be released August 26, 1999.

Interim report for the period January 1 – September 30 will be released November 10, 1999.

Stockholm, February 25, 1999

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Asticus is a Swedish property company whose operations are focused entirely on properties in prime locations in Brussels, London and Paris. As at December 31, 1998, the book value of the Company's total portfolio was SEK 8 051 million, of which properties in Brussels accounted for 53 per cent, properties in London for 25 per cent and properties in Paris for 22 per cent. In all the Company owned 40 properties

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PROFIT AND LOSS ACCOUNT IN SUMMARY

Figures in SEK millions

	1998	1997 ¹⁾ Pro forma
Rental income	550	562
Operating expenses	-81	-77
Maintenance and adaptation expenses	-29	-21
Property taxes	-48	-51
Leaseholds	-9	-8
Net operating income	383	405
Property depreciation	-57	-55
Property sales	11	-
Administration expenses	-61	-64
Profit before financial items	276	286
Net interest income/expense and other financial items	-244	-247
Profit after financial items	32	39
Tax	0	
Profit after tax for the period	32	

BALANCE SHEET IN SUMMARY

Figures in SEK millions	Dec 31, 1998	Dec 31, 1997 ¹⁾ Pro forma
Assets		
Properties	8 051	7 378
Property receivables	111	100
Other assets	151	167
Liquid assets	106	168
Total assets	8 419	7 813
Equity and liabilities		
Equity	3 847	3 500
Provisions	227	199
Interest bearing liabilities	3 946	3 800
Non-interest bearing liabilities	399	314
Total equity and liabilities	8 419	7 813

¹⁾ The character of operations and the structure of the Asticus Group changed considerably after it acquired Hufvudstaden International AB in 1997 and the subsequent spin-off of the Group from Diligentia in 1998. Therefore, it is not appropriate to compare the figures for 1998 against those for 1997.

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CASH FLOW STATEMENT

Figures in SEK million	The Group	
	1998	1997
Cash flow from operating activities before		
change in working capital	78.0	-153.5
Change in working capital	1 023.4	-854.6
Cash flow from operating activities	1 101.4	-1 008.1
Cash flow from capital expenditures/disposals	-70.5	1 467.6
Net change in financing	-1 092.7	-534.1
Change in liquid assets	-61.7	-74.6
Liquid assets brought forward	168.0	242.7
Change in liquid assets	-61.7	-74.6
Liquid assets carried forward	106.4	168.0

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KEY FINANCIAL FIGURES

	Dec 31, 1998	Dec 31, 1997 ²⁾ Proforma
Yield ¹⁾, %		
Total	5.4	5.7 ³⁾
Brussels	5.1	5.6
London	6.9	6.0 ³⁾
Paris	5.8	5.7

Economic occupancy rate ¹⁾, %

Total	86	86
Brussels	83	84
London	100	98
Paris	86	84

Other key figures	1998	Proforma 1997
Return on net asset value, %	13.5	-
Return on net asset value, % (including translation differences)	22.5	-
Net asset value per share, SEK	137	-
Equity per share, SEK	123	112
Share price, SEK	79.50	-
Profit per share after tax, SEK	1.01	1.26 ⁴⁾
Book value of properties per share, SEK	257	235
Net operating income, SEK million	383	405
Net asset value/Asset ratio, %	55	-
Equity/Asset ratio, %	46	45
Loan to property book value, %	49	52
Total shares issued	31 354 581	31 354 581

- 1) Figures are for investment properties
In converting net operating costs and the book value of properties to Swedish kronor, the average rate of exchange for the currencies concerned have been applied.
- 2) The character of operations and the structure of the Asticus Group changed considerably after it acquired Hufvudstaden International AB in 1997 and the subsequent spin-off of the Group from Diligentia in 1998. Therefore, it is not appropriate to compare the figures for 1998 against those for 1997.
- 3) Due to the fact that the Long Acre property London has been classified as a development property for 1998, it has also been treated as such in the proforma accounts for 1997.
- 4) Figures relate to net profit after financial items.