

P R E S S R E L E A S E

Diligentia AB

Interim report January – September 1999

Operating results

- **Income after net financial items rose by 130 percent to SEK 338 million (147).**
- **Net operating income for the period rose by 10 percent to SEK 570 million (520). Net operating income for the Swedish operations rose by 19 percent during the period to SEK 566 million (474).**
- **The net gain on property sales during the period amounted to SEK 117 million (4). SEK 69 million relates to a sale in Japan, of which SEK 64 million is deducted in tax.**
- **Income amounted to SEK 233 million (127), corresponding to earnings per share after tax of SEK 3.72 (2.03).**
- **Cash flow per share from operating activities continued to improve, to SEK 4.51 (3.11).**

New forecast for 1999

- **Operations developed more favorably than previously anticipated, due to which the income forecast for 1999 after financial income and expenses but excluding capital gains has been revised to SEK 275 million (199). The previous forecast was SEK 250 million.**
- **The net income forecast for 1999 including capital gains after deducting estimated minority interests and taxes amounts to SEK 270 million (167), corresponding to earnings per share of SEK 4.30 (2.67).**

Highlights

- **Five office buildings were acquired in Copenhagen for DDK 428 million.**
- **Following the conclusion of the period a letter of intent was signed on the sale of residential properties in three cities. Focus also increased on the selected market sector Copenhagen through an acquisition. The purchase price amounts to DDK 227 million and the total sales price to SEK 238 million. Furthermore, a property was acquired in Gothenburg for SEK 224 million and a property in Kista, in Stockholm for SEK 84 million.**

Operating results

Rental income for the period totalled SEK 926 million (937). In Sweden, rental income rose by 6 percent, from SEK 857 million to SEK 910 million. For international properties, rental income amounted to SEK 16 million (80). The decrease is due to divestments in the international property portfolio.

Expenses for operations, management, maintenance, tenancy modifications, tax and rents totalled SEK 356 million (417), of which the Swedish properties accounted for SEK 343 million (383) and the international properties for SEK 13 million (34). The Group's administrative expenses amounted to SEK 52 million (73).

Net operating income for the Group amounted to SEK 570 million (520) during the period. In the Swedish portfolio, net operating income rose by 19 percent compared with the corresponding period of 1998, from SEK 474 million to SEK 566 million.

The net gain on property sales during the period was SEK 117 million (4).

Operating income for the period amounted to SEK 574 million (396) and income after net financial items was SEK 338 million (147).

Income for the period after tax and minority interests amounted to SEK 233 million (127).

Table 1. Income statement for the period January-September 1999 compared with the corresponding period of 1998 divided between Swedish and international properties

SEK million	Sweden 1999	Sweden 1998	Int'l 1999	Int'l 1998	Total 1999	Total 1998
Rental income	910	857	16	80	926	937
Operations, maintenance, tax, rents	-343	-383	-13	-34	-356	-417
Net operating income	566	474	3	46	570	520
Depreciation	-61	-55	0	0	-61	-55
Capital gain/loss on property sales	63	17	53	-13	117	4
Administrative expenses	-49	-70	-3	-3	-52	-73
Net financial income and expenses	-207	-179	-28	-70	-236	-249
Income/loss after net financial items	313	187	25	-40	338	147

Income, expressed as the yield on the property portfolio compared with the corresponding period of 1998, improved from 7.2 percent to 7.6 percent for the Swedish management properties. Due to major divestments, the yield on the international properties declined to 2.2 percent (5.5).

During the period Diligentia signed new leases and actively renegotiated existing contracts in Sweden with annual rent of SEK 121 million and lettable area of 146,000 square meters.

Table 2. Quarterly income statement after net financial items for the period January-September 1999

SEK million	Q1 1999	Q2 1999	Q3 1999	Q3 1998	Total 1999	Total 1998
Rental income	314	305	307	319	926	937
Operations and maintenance	-135	-115	-107	-107	-356	-417
Net operating income	179	190	200	212	570	520
Depreciation	-21	-20	-20	-19	-61	-55
Capital gain/loss on property sales	91	30	-4	-4	117	4
Administrative expenses	-18	-18	-16	-20	-52	-73
Net financial income and expenses	-82	-71	-83	-65^{*)}	-236	-249
Income after net financial items	149	111	78	104	338	147

^{*)} The quarter's net financial income and expenses was affected positively by nonrecurring effects of SEK 26 million as well as by falling short-term interest rates.

The third quarter's net operating income declined by SEK 12 million compared with the corresponding quarter of 1998. The reason is that property sales outside Sweden affected the net operating income of the international portfolio by SEK -18 million. For Swedish operations, however, net operating income rose by SEK 6 million compared with the corresponding quarter of 1998.

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 and international receivables in large part are fully financed directly or indirectly in each foreign currency.

Interest-bearing liabilities in the Group amounted to SEK 6,387 million (7,803). As of September 30, 1999 the Group's average borrowing rate was 5.1 percent (5.8). The Swedish loan portfolio of SEK 5,249 million (5,643) had an average interest rate of 5.3 percent (6.0) and the international portfolio of SEK 1,138 million (2,160) had an average rate of 4.1 percent (5.3).

As of September 30 the average fixed interest period for the Swedish loan portfolio was 1.7 years.

The Group's liquid assets amounted to SEK 222 million (194) as of September 30, 1999. Unutilized loan facilities, including the consortium mortgage loan limit, amounted to SEK 1,400 million at the end of third quarter of 1999.

Cash flow from operating activities was SEK 283 million (195) for the period.

Property portfolio

Of the property portfolio's total book value of SEK 10,947 million (11,460), SEK 10,390 million (10,003) related to Sweden and SEK 557 million (1,457) to international properties. The total number of properties in the Group was 293 (312), of which 282 (284) were in Sweden and 11 (28) abroad.

Depreciation on the Swedish properties amounted to SEK 61 million (55) 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 19 properties (65) for an aggregate sales value of SEK 905 million (1,251). The net capital gain on property sales during the period was SEK 117 million (4). Net operating income from the properties sold during the period amounted to SEK 1.4 million.

The sales in Sweden primarily related to residential properties and resulted in a net gain of SEK 63 million.

International property sales accounted for SEK 505 million. Diligentia's remaining international property portfolio has been reduced by more than half since the beginning of the year and amounts to SEK 557 million (1,457).

In September Diligentia acquired five office buildings in downtown Copenhagen for a total of DDK 428 million. The properties have a combined lettable area of nearly 39,000 square meters, the large part of which is not yet included in the period's balance sheet.

Following the conclusion of the period Diligentia signed a letter of intent to acquire another property in Copenhagen, Copenhagen Europe Center, for DDK 226.5 million. The property has a lettable area of 20,000 sq.m. Following the acquisitions Diligentia will have approximately 80,000 sq.m. of lettable area in Copenhagen.

The letter of intent also includes the sale of all Diligentia's properties in Lund and Ljungby and all its residential properties in Borås. The total sales proceeds amount to SEK 238 million, representing a preliminary capital gain of SEK 25 million.

Following the conclusion of the period Diligentia also acquired a property in Gothenburg with lettable area of approximately 20,000 sq.m. for SEK 224 million and a property in Kista, in Stockholm, with lettable area of 8,300 sq.m. for SEK 83.5 million.

Capital expenditures

Diligentia allocates capital expenditures for its property portfolio on a continuous basis. During the period capital expenditures totalled SEK 96 million (344).

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 37 million (43) during the period.

New forecast for 1999

Operations developed more favorably than previously anticipated, due to which the income forecast for 1999 after financial income and expenses but excluding capital gains has been revised to SEK 275 million (199). The previous forecast was SEK 250 million.

The net income forecast for 1999 including capital gains of SEK 117 million to date and less SEK 122 million for estimated minority interests and taxes therefore amounts to SEK 270 million (167), corresponding to earnings per share of SEK 4.30 (2.67).

Financial report

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 10,390 million on September 30, 1999. The book value of the international properties amounted to SEK 557 million. Diligentia's overall strategy is to concentrate and develop its operations in select market sectors in Stockholm, Gothenburg and the Öresund region. Diligentia is listed on the A-list of the Stockholm Stock Exchange.

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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

Condensed income statement

SEK million	1/1 - 9/30 1999	1/1 - 9/30 1998	1/1 - 12/31 1998
Property management			
Rental income	926	937	1,273
Operating and management expenses	-212	-230	-316
Expenses for maintenance and tenancy modifications	-83	-124	-153
Property tax	-53	-55	-69
Ground rents	-8	-8	-11
Net operating income from property management	570	520	724
Depreciation of properties	-61	-55	-74
Income from property management	509	465	650
Property sales			
Sales proceeds	905	1,251	2,298
Sales expenses	-31	-42	-68
Book value of properties sold	-757	-1,205	-2,189
Result from property sales	117	4	41
Administrative expenses	-52	-73	-99
Operating income	574	396	592
Interest subsidies	10	19	22
Net interest expense and other financial income and expenses	-246	-268	-374
Income after net financial items	338	147	240
Tax paid	-67	-5	-3
Deferred tax	-21		-50
Minority interest in income	-17	-15	-20
Net income for the period	233	127	167

Condensed balance sheet

	Diligentia Group	Diligentia Group	Diligentia Group
SEK million	9/30/1999	9/30/1998	12/31/1998
Assets			
Fixed assets			
Properties	10,390	10,003	10,549
Participating interests in associated companies	369	371	378
Other fixed assets	32	19	13
Deferred tax		32	
Receivable from minority		71	73
Total fixed assets	10,791	10,496	11,013
Current assets			
Properties	557	1,457	1,165
Current receivables	478	1,422	772
Short-term investments		5	3
Cash and bank balances	222	194	150
Total current assets	1,257	3,078	2,090
Total assets	12,048	13,574	13,103
Shareholders' equity, provisions and liabilities			
Shareholders' equity	5,089	5,017	5,020
Due to minority	14		
Deferred tax	34		16
Interest-bearing liabilities	6,387	7,803	7,087
Non-interest-bearing liabilities	524	754	980
Total shareholders' equity, provisions and liabilities	12,048	13,574	13,103

Cash flow statement

SEK million	Group	
	1/1 - 9/30 1999	1/1 - 9/30 1998 ¹⁾
Result from property sales	570	520
Administrative expenses excl. depreciation of equipment	-48	-71
Net financial items	-236	-249
Tax payments (excl. property sales)	-3	-5
Cash flow from operating activities	283	195
Change in working capital (excluding liquid assets, properties, receivables on properties sold and amounts due on property acquisitions)		
Increase (-)/decrease (+) in current receivables	68	-148
Increase (+)/decrease (-) in current liabilities	-228	-76
Change in working capital	-160	-224
Cash flow from operating activities before capital expenditures and property sales	123	-29
Capital expenditures and acquisitions	-164	-1,637
Property sales, net, after tax paid	810	1,209
Cash flow before financing	769	-457
Financing		
Debt financing	-700	-189
Change in receivables on properties sold (increase = -)	214	788
Change in amounts due on properties sold and acquired (increase = +)	-228	75
Exchange rate adjustment on loans and receivables on properties sold	104	-60
Dividend	-157	-63
Cash effect on minority interest	70	-14
Net change in financing	-697	536
Change in liquid assets	72	80
Liquid assets at beginning of period	150	114
Change in liquid assets	72	80
Liquid assets at end of period	222	194

1) Pro forma 1998 excluding Asticus

Property portfolio 9/30 1999

	Book value		Area ¹⁾			No. of
	SEK m.	%	000 sq.m.	%	SEK/sq.m.	properties
Sweden	10,390	95	1,526	97	6,809	282
International	557	5	40	3	—	11
Total	10,947	100	1,566	100	—	293

Swedish property portfolio

Book value	SEK m.	%	000 sq.m.	%	SEK/sq.m.	No.
Stockholm	5,882	56	635	42	9,263	115
Gothenburg	2,985	29	598	39	4,992	99
Öresund region ²⁾	1,524	15	293	19	5,201	68
Sweden, total	10,390	100	1,526	100	6,809	282

Type of property	SEK m.	%	000 sq.m.	%	SEK/sq.m.	No.
Multi-family housing	3,001	29	504	33	5,954	107
Office buildings	6,785	65	711	47	9,542	110
Warehouses and industrial properties	595	6	312	20	1,907	56
Land	9	–	–	–	–	9
Sweden, total	10,390	100	1,526	100	6,809	282

International property portfolio

Diligentia Real Estate AB	SEK m.	%	000 sq.m.	%	SEK/sq.m.	No.
Germany	454	81	32	80	–	7
Portugal	54	10	–	–	–	2
USA	45	8	7	20	–	1
Spain	5	1	–	–	–	1
Total	557	100	40	100	–	11

1) Area for projects in progress refers to both area after completion and area for garage spaces.

2) Including Copenhagen.

Key financial ratios

	9/30 1999	9/30 1998
Yield, % ¹⁾		
Sweden, excluding interest subsidies ²⁾	7.6	7.2
International ²⁾	2.2	5.5
Economic occupancy rate, % ¹⁾		
Sweden	94	92
International	82	78
Book value of properties per share, SEK		
Total	175	183
Sweden	166	160
International	9	23
Other key ratios		
Debt to property book value, % ³⁾	58	68
Equity/assets ratio, % ⁴⁾	42	37
Equity per share, SEK	81	80
Net asset value per share, SEK ⁵⁾	97	85
Net operating income, SEK million	570	520
Share price, SEK	61.50	66.50
Earnings per share after tax, SEK	3.72	2.03
Cash flow per share, SEK ⁶⁾	4.51	3.11
Number of shares	62,709,163	62,709,163

1) Management properties

2) Calculated on a full-year basis by multiplying by 4 and dividing by 3

3) Interest-bearing liabilities/book value of properties

4) Shareholders' equity/total assets

5) Shareholders' equity plus surplus values as of Dec. 31, 1998 and Dec. 31, 1997, respectively, after deduction of deferred tax (28%)

6) Refers to cash flow from operating activities