

# INTERIM REPORT

JANUARY–JUNE 2002



**Rental revenues** amounted to SEK 1,436 M (1,432). The increase in rental income for new and renewed leases was 43% (60). The financial vacancy rate increased to 6% (4).

**The rental premises market** showed a slightly higher activity during the second quarter of 2002.

**Income after financial items** amounted to SEK 334 M (1,610). This includes income from property sales of SEK –3 M (1,402) and cost for prepayment of future interest expense of SEK 0 M (124).

**A Euro 1 billion Euro MTN-programme** has been established.

**The forecast** was adjusted downward in the first quarter of 2002 as a result of higher interest rates and greater uncertainty in the rental premises market. The outlook for full year 2002 is that income after net financial items, with the existing portfolio and before gains/losses on the sale of properties, will increase to approximately SEK 600 M (418).

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## FINANCIAL DATA

SEK M	Jan.–June 2002	Jan.–June 2001	April–June 2002	April–June 2001	July 2001–June 2002	Full year 2001
Rental revenues	1,436	1,432	724	699	2,729	2,725
Income after financial items	334	1,610	179	1,446	2,005	2,281
Income after financial items excluding property sales	337	332	182	168	608	603
Cash flow	414	355	180	121	767	708
Investments, including property acquisitions	421	5,115	191	4,809	1,502	6,196
Property sales	–	5,553	–	5,553	953	6,506
Equity/assets ratio, %	33	32	33	32	33	35
Vacancy rate, annual rent loss, %	6	4	6	4	5	5



## Market

Activity in the rental market has increased somewhat during the second quarter of 2002. Some new contracts have been signed, despite the fact that the supply of vacant premises continues to increase. Several companies continue to look outside the core city area, and are moving to other attractive central locations. A clear trend in the rental market is that companies are upgrading to more modern and functional premises. Efficient workplaces are increasingly important.

Peak rents for offices in Stockholm have fallen to SEK 4,500 to 5,000 per m<sup>2</sup>, although a few contracts were signed at levels above SEK 5,000 per m<sup>2</sup>. Rent levels in Göteborg and Malmö are relatively stable. Peak rents for contracts are in Göteborg at a level of SEK 2,300–2,400 per m<sup>2</sup> and in Malmö at a level of SEK 1,900–2,000 per m<sup>2</sup>. The vacancy rate for offices in central Stockholm and Göteborg are estimated at about 4–5%, although there are local variations. The vacancy rate in central Malmö is up to 6–7%.

The investors acquiring and showing interest in office and retail premises in the property market are primarily foreign. The largest property deals in the Swedish market are NCCs divestment of a real estate portfolio to Whitehall Funds/Goldman Sachs and the divestment of ABBs real estate portfolio to London & Regional Properties.

## Rental revenues

Vasakronan's rental revenues for the period from January to June 2002 increased by SEK 4 M to SEK 1,436 M (1,432). During 2001 Vasakronan sold properties with annual rental revenues of SEK 651 M, while properties with annual rental revenues of SEK 405 M were acquired. For comparable property portfolios, the increase was 9% (12), and the effect of property divestments and acquisitions was a decline of 9% (increase 1). The high increase in comparable portfolios is due to the fact that most of the new and renegotiated contracts have a term of three to five years. As a result, there are significant changes in rent levels in conjunction with renegotiations. The average term in the lease portfolio amounted to 4.0 years (4.2).

Average rental revenues increased to SEK 1,318 per m<sup>2</sup> (1,248) on an annual basis. The increase was due to an increasing concentration of rental revenues to Stockholm, Göteborg and Malmö following extensive structural transactions during the last year together with effects from new and renegotiated contracts.

During the first six months of 2002, contracts corresponding to a value of SEK 143 M (146) in annual rents were renegotiated, with rents increasing by 43% (60) on average. A total of 14% (9) of all leases will be renegotiated during 2002, of which 5% were renegotiated during the first six months. The largest leases during this period were signed with the Police Authority in Göteborg, NUTEK, Swedish Work Environment Authority and Proffice in Stockholm.

Of rental revenues, SEK 87 M (76) was property tax paid by tenants, which corresponded to 87% (88) of total property tax.

The vacancy rate amounted to 7% (6) of total premises space and corresponded to 144,000 m<sup>2</sup>. The percentage of estimated loss in rental revenues was, on the other hand, lower, at 6% (4), and corresponded to SEK 180 M. The increase in the vacancy rate was due to the prevailing slowdown in the economy. The proportion of government tenants amounted to 33% (35). The proportion of other tenant categories amounted to 67% (65).

## Operating expenses and income

Operating expenses decreased by SEK 19 M and amounted to SEK 305 M (324), a decline of 6% (4). The reason for the decline is that Vasakronan has a smaller property portfolio in terms

### LEASE PORTFOLIO, JUNE 30, 2002

Lease period until	No. of leases	Annual rent, SEK M	Share, %
2002	426	255	9
2003	632	434	15
2004	531	639	22
2005	376	462	16
2006	110	284	10
2007–	166	801	27
Housing	1,138	42	1
<b>Total</b>	<b>3,379</b>	<b>2,917</b>	<b>100</b>

### PROPERTY PORTFOLIO, JUNE 30, 2002

	No. of registered properties		Rental revenues		Vacancy	
	6 mths 2002	6 mths 2001	Floor-space 1 000 m <sup>2</sup>	6 mths 2002 SEK M	6 mths 2001 SEK M	rate rental value, % Book value <sup>1</sup> SEK M
<b>Öresund region</b>						
Malmö	34	34	326	195	182	4 3,055
Lund	11	11	70	39	37	0 523
Other	2	2	20	3	2	10 36
<b>Total</b>	<b>47</b>	<b>47</b>	<b>416</b>	<b>237</b>	<b>221</b>	<b>4 3,614</b>
<b>Göteborg/Linköping region</b>						
Göteborg	27	24	214	142	129	2 2,075
Gullbergsvass	3	3	85	61	0	5 1,492
Linköping	8	9	77	37	28	2 519
<b>Total</b>	<b>38</b>	<b>36</b>	<b>376</b>	<b>240</b>	<b>157</b>	<b>3 4,086</b>
<b>Stockholm City region</b>						
City	11	8	129	198	121	2 4,233
Old Town	8	8	23	22	13	6 318
Vasastan	10	10	54	54	29	8 1,091
Östermalm	11	11	307	241	205	6 3,036
Other inner city	10	10	162	136	129	6 1,569
<b>Total</b>	<b>50</b>	<b>47</b>	<b>675</b>	<b>652</b>	<b>497</b>	<b>5 10,247</b>
<b>Stockholm/Uppsala region</b>						
Southern greater Stockholm	7	7	78	51	48	13 641
Northern greater Stockholm	24	28	271	139	142	2 1,716
Kista	2	1	10	10	5	0 162
InfraCity	7	7	190	81	66	25 1,317
Uppsala	9	9	67	41	31	2 447
<b>Total</b>	<b>49</b>	<b>52</b>	<b>617</b>	<b>322</b>	<b>292</b>	<b>10 4,284</b>
Other locations	–	–	–	–	276	– –
Eliminations				–15	–11	
<b>Group total</b>	<b>184</b>	<b>182</b>	<b>2,084</b>	<b>1,436</b>	<b>1,432</b>	<b>6 22,231</b>

<sup>1</sup> Including surplus value and deferred tax, excluding work in progress.

of total floor space, following last year's property transactions. The increase for comparable property portfolio was 13% (4), and the effect of property acquisitions and divestments was a decrease of 19% (0). The high increase in the comparable property portfolio is due mainly to rising energy costs and costs for the new organisation.

The cost of maintenance and tenant adaptations decreased by SEK 35 M, and amounted to SEK 97 M (132), a 27% decline (increase 6). The decline is due to postponed maintenance and lower demand for customer adaptations. The decline for comparable property portfolios was 8% (increase 5), and the effect of property acquisitions and divestments was a decline of 19% (increase 1). A high proportion of maintenance costs are related to projects currently in progress in Stockholm.

Property tax increased by SEK 19 M to SEK 100 M (81). The increase was due primarily to property acquisitions and higher conversion figures for tax value. As 87% of the property tax is paid by the tenants, the cost increase was almost entirely eliminated.

Income before depreciation increased by SEK 39 M and amounted to SEK 934 M (895), which is an increase by 4%

(16). The increase was due to lower costs for maintenance compared with previous year. The increase for comparable property portfolios was 8% (14), and the effect of property acquisitions and divestments was a decline of 4% (increase 2). The income before depreciation margin increased to 65% (63).

Depreciation increased by SEK 24 M to SEK 223 M (199) as a result of property acquisitions and investments. Office and retail properties are depreciated at a rate of 2% per year.

Central administration and marketing costs amounted to SEK 60 M (53).

Net financial items amounted to expenses of SEK 312 M (436); an improvement of SEK 124 M. Out of this improvement SEK 124 M was due to prepayment of future interest expenses, which lowered the income for 2001. A reduction in the average interest rate for borrowing accounted for an increase of the net financial items with SEK 43 M. This was offset by higher average borrowing due to property acquisitions, investments, payment of capital gains tax on last year's property sales and paid dividend, which had a negative impact on income of SEK 77 M. Interest income on interest-bearing receivables improved net financial items by SEK 31 M. Income on partici-



Vasakronan is the largest player in commercial rental properties in downtown locations in Malmö. A property in the Västra Hamnen district near the Bo01 area was acquired in 2001. The property is fully leased to Intenia.

pations in associated companies improved the financial net by SEK 3 M.

Income after financial items excluding property sales and prepayment of future interest expenses increased to SEK 337 M (332). Income from property sales amounted to SEK -3 M (1 101). Outcome of 2002 is an external sale of earlier eliminated gain on property sale referring to sale to an associated company.

Income after financial items included property sales and prepayment of future interest expenses amounted to SEK 334 M (1,610).

### Changes in the property portfolio

During the first six months of 2002, Vasakronan acquired properties, including land registration fees, for SEK 15 M. In May, land adjacent to InfraCity was acquired for SEK 15 M from the Municipality of Sollentuna. No properties have been sold.

### DEVELOPMENT PROJECTS

Location	Property	Completion scheduled	Total property investment, SEK M
Linköping	Djaknen 3	June 2002	119
Linköping	Blandaren 17	June 2003	65
Stockholm	InfraCity, Garage	September 2002	98
Stockholm	Uppfinnaren 2, Östermalm	December 2002	229
Stockholm	Gamen 8, Södermalm	October 2002	72
Stockholm	Argus 8, Old Town	September 2002	131
Stockholm	Grönlandet Norra, Vasastaden	September 2002	210
Stockholm	Garnisonen 3, Östermalm	December 2003	145
<b>Total</b>			<b>1,069</b>
Other minor projects			325
<b>Total</b>			<b>1,394</b>

### Investments

Investments amounted to SEK 421 M (5,115) during the first half-year of 2002. Of this amount, SEK 15 M (4,511) was attributable to property acquisitions and SEK 406 M (604) to investments in property and equipment. Property projects currently in progress amounted to SEK 1.4 billion. These projects are primarily located in Stockholm, where the largest project is Uppfinnaren 2 in the Östermalm district.

### Financing

Liquid assets amounted to SEK 407 M (2,341) on June 30, 2002, while interest-bearing receivables amounted to SEK 1,240 M (564). In addition, there are committed credit facilities amounting to SEK 5,108 M (6,125).

Interest bearing liabilities amounted to SEK 15,351 M (11,601) on June 30, 2002.

Net interest bearing liabilities amounted to SEK 13,721 M (8,708), an increase of SEK 5,013 M. The increase was due to property transactions, investments, payment of capital gains tax on last year's property sales and paid dividend.

Net interest bearing liabilities amounted to an average of SEK 13,420 M (11,760).

The average interest rate on borrowing declined during the first six months to 5.0% (5.3). The decline is due to prepayment of future interest expenses implemented in 2001. On June 30, 2002, the average interest rate was 5.3% (5.0).

The interest coverage ratio amounted to 2.8 (1.9), in terms of cash flow. On June 30, 2002, the average interest term for borrowing was 2.1 years (1.9). The loan maturity amounted to 2.7 years (2.2). Committed credit facilities and liquid assets corresponded to 150% of current interest bearing liabilities. The average maturity for committed credit facilities was 2.7 years.

In order to increase the number of sources of funding Vasakronan established a Euro 1 billion Euro MTN-programme in June.

Vasakronan has received Standard & Poor's highest domestic rating, K1, for short-term borrowing, under the commercial paper programme. The long-term EMTN and MTN programme has a BBB+ credit rating with the qualification "negative outlook."

### Shareholders' equity

On June 30, 2002, Vasakronan visible shareholders' equity amounted to SEK 8,895 M (8,540). The increase in equity was due to capital gains arising from sales of property and land and the dividend, amounting to SEK 537 M, which was paid in June. The equity/assets ratio amounted to 33% (32).

On December 31, 2001, Vasakronan's properties were valued at SEK 35.1 billion. On the same date, the book value amounted to SEK 22.2 billion. The adjusted equity/assets ratio amounted to 46%.

### MATURITY DATE STRUCTURE - FINANCING, JUNE 30, 2002

	Interest maturity			Loan maturity		Committed credit facilities maturity	
	SEK M	Interest %	Share %	SEK M	Share %	SEK M	Share %
2002	2,077	4.6	13	2,667	17	1,625	32
2003	4,405	4.6	29	3,175	21	0	0
2004	2,896	5.2	19	3,096	20	700	14
2005	2,978	5.9	19	3,078	20	1,000	19
2006	1,540	6.1	10	1,680	11	1,000	19
2007	1,483	6.6	10	1,483	10	800	16
2008	-	-	-	200	1	0	0
<b>Total</b>	<b>15,379</b>	<b>5.3</b>	<b>100</b>	<b>15,379</b>	<b>100</b>	<b>5,125</b>	<b>100</b>

The interest maturity includes derivatives. Loans are reported at nominal amounts.

### SOURCES OF FUNDING, JUNE 30, 2002

SEK M	Limit	Of which utilized
Commercial paper programs	5,000	1,860
EMTN programme Euro 1 billion	9,060	0
MTN programme	15,400	13,452
Committed credit facilities	5,125	17
Bank loans	-	50
<b>Total</b>		<b>15,379</b>



#### Cash flow

Cash flow before changes in working capital amounted to SEK 414 M (355).

#### Personnel

The average number of employees during the period was 327 (359). As of June 30, 2002, there were 341 (372) employees in Vasakronan. On June 30, 2001, 80 employees left Vasakronan in conjunction with the Norrporten transaction.

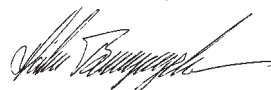
#### Outlook for 2002

Despite the prevailing weak economic conditions, Vasakronan's rental revenues will increase due to higher rents in renegotiated contracts. Operating and maintenance costs will be on par with 2001, which will result in an improved income before depreciation. Depreciation will increase as a

result of property acquisitions implemented during 2001. Net financial items will improve due to the prepayment of future interest expenses during 2001.

Vasakronan's forecast has been adjusted downward in the first quarter 2002 as a result of higher interest rates and greater uncertainty in the premises rental market. The forecast is that income after net financial items for the existing portfolio and before gains or losses on property sales will increase to approximately SEK 600 M (418).

Stockholm, July 12, 2002

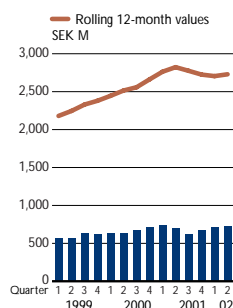


Hakan Bryngelson, President  
This report has not been audited.



In June, Vasakronan became the first commercial real estate company in the Nordic countries to establish a Euro MTN program, which further broadened the company's sources of financing.

## RENTAL REVENUES

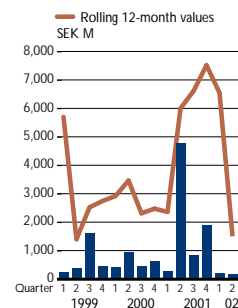


## CASH-FLOW STATEMENT

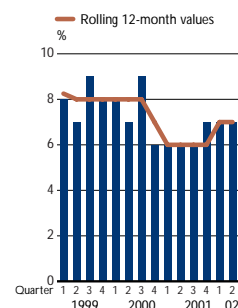
SEK M	Jan.–June 2002	Jan.–June 2001	Full year 2001
<b>Current operations</b>			
Income before financial items	646	2,046 <sup>1</sup>	3,039
Depreciation	230	205	409
Other items which do not affect liquidity	5	-1,402 <sup>1</sup>	-1,863
Interest income	63	22	93
Interest expense	-378	-458	-851
Tax paid, excl. property sales	-152	-58	-119
<b>Cash flow before changes in working capital</b>	<b>414</b>	<b>355</b>	<b>708</b>
Increase (-)/decrease (+) in current receivables	382	-679	-525
Increase (+)/decrease (-) in current liabilities	-121	3,850	-181
<b>Cash flow from current operations</b>	<b>675</b>	<b>3,526</b>	<b>2</b>
<b>Investment operations</b>			
Investments	-421	-604	-1,009
Acquisition of properties	-	-4,511	-5,187
Acquisition of subsidiaries	-	-24	-443
Less acquired consolidated goodwill	-	17	301
Properties sold	-	5,834	6,443
Tax paid on property sales	-600	-447	-112
Increase (+)/decrease (-) in financial assets	-192	-844	-1,702
<b>Cash flow from investment operations</b>	<b>-1,213</b>	<b>-579</b>	<b>-1,709</b>
<b>Financing operations</b>			
Change in interest-bearing liabilities	1,089	-809	1,897
Dividend paid	-537	-165	-165
<b>Cash flow from financing operations</b>	<b>552</b>	<b>-974</b>	<b>1,732</b>
Cash flow for the period	14	1,973	25
Liquid assets at January 1	393	368	368
<b>Liquid assets at end of period</b>	<b>407</b>	<b>2,341</b>	<b>393</b>
Net interest-bearing liabilities at January 1	-12,708	-11,944	-11,944
Net interest-bearing liabilities at end of period	-13,721	-8,708	-12,708
<b>Change in net interest-bearing liabilities</b>	<b>-1,013</b>	<b>3,236</b>	<b>-764</b>

<sup>1</sup> Recalculated due to the elimination of capital gains from sales to associated companies.

## INVESTMENTS, INCLUDING PROPERTY ACQUISITIONS



## VACANCY RATE, FLOOR SPACE



## DEFINITIONS

### Cash flow

Operating income before financial items with restitution of depreciation and deduction for items which do not affect liquidity, net interest received/paid, income tax paid and changes in working capital.

### Cash flow per share

Cash flow from current operations divided by the number of shares.

### Debt/equity ratio

Interest-bearing liabilities including pension liabilities, less liquid assets divided by shareholders' equity at year-end.

### Earnings per share

Income after estimated tax divided by the number of shares.

### Equity/assets ratio

Shareholders' equity at year-end as a percentage of total assets.

### Floor space

Rentable space.

### Interest coverage ratio in cash-flow terms

Operating income excluding capital gains/losses, with restitution of depreciation, divided by net financial items.

### Net interest-bearing liabilities

Interest-bearing Liabilities including pension liabilities, less liquid assets.

### Operating surplus

Rental revenues less operating and maintenance costs, and also property tax.

### Operating surplus margin

Operating surplus divided by rental revenues.

### Return on shareholders' equity

12-month rolling income after estimated tax divided by shareholders' equity.

### Shareholders' equity

Average visible shareholders' equity.

### Shareholders' equity per share

Shareholders' equity at year-end, divided by the number of shares.

### Vacancy rate, floor space

Proportion of premises space not rented.

### Vacancy rate, rent

Estimated annual rent loss due to vacant premises as a percentage of the total annual rent of properties when fully tenanted.

### Yield

12-month rolling operating surplus divided by average book value of properties.

## Long-term engagement in Kista



In 2001, Vasakronan initiated two transactions that are expected to place Vasakronan in a strong position in Kista as of mid-2003.

The sale of shares in the land development companies for the Järvafältet area to Skanska and NCC and the resulting strong capital gains simultaneously brought Vasakronan the opportunity to acquire Kista Entré and the Kista Science Tower.

### Kista Entré

Kista Entré is being built by Skanska. The first phase of the project was ready for occupancy in June 2002. According to the schedule, Kista Entré will be completed by the half-year point in 2003.

Vasakronan plans to purchase Kista Entré for SEK 1,100 M in mid-2003. Vasakronan has a rental guarantee from Skanska for half of the rental value during the first year after the acquisition, which corresponds to approximately SEK 50 M.

During the first half of 2002, 55% of the first phase – 12,500 m<sup>2</sup> – was leased to Philips, Hubner + Suhner, Sybase and Vasakronan Service Partner.

Kista Entré contains spacious floors designed to provide the greatest possible flexibility – to facilitate the creation of inspiring, functional workplaces. The smallest office unit is approximately 600 m<sup>2</sup>, while one entire floor is 7,100 m<sup>2</sup>. The property consists of eight floors of office space and two floors for parking. It will also contain three restaurants and a well-developed conference service.

### Kista Science Tower

The Kista Science Tower is being built by NCC, and the first tenants are expected to take up occupancy in November 2002. According to the schedule, the Kista Science Tower will be completed by the half-year point in 2003.

Vasakronan has acquired 50% of the company conducting the Kista Science Tower project from NCC. Vasakronan has an option to acquire the remaining 50% in 2003, when the project is complete. NCC has an option to sell the remaining 50% to Vasakronan later in 2003. NCC has an option to sell the remaining 50% to Vasakronan, and if it chooses to do so, Vasakronan will be under an obligation to purchase the remaining 50%. Each of Vasakronan and NCC is free to exercise its respective option but is not bound to do so. If neither party chooses to exercise its

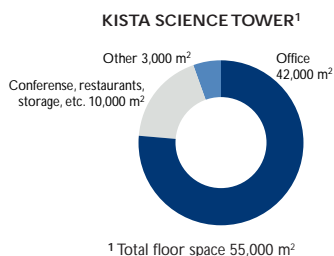
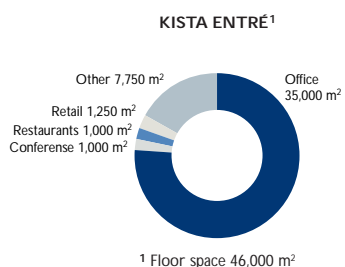


respective option the ownership of the company remains unchanged. option. If Vasakronan or NCC exercise its option the transfer will take place within approximately six months after completion. The final purchase price will be established at the time of the option by market valuation. Estimated production cost is SEK 1,650 M.

Half of the part of the Kista Science Tower that is to be completed in November 2002 – that is, 16% of the entire project – is already leased. Handelsbanken, Mentor Graphics, Scandinavian Service Partners and the S.A.T.S Sports Club are establishing themselves in the Kista Science Tower in order to offer their services to the 2,500 people who will be working in the Tower.

The Kista Science Tower will be one of Sweden's most state-of-the-art workplaces. It will be the highest office structure in the country and will consist of six triangular blocks. The highest of these will be 32 stories high, with a view and terrace floor at the top. The other blocks will be between 7–11 stories high.

Each floor will occupy approximately 700 m<sup>2</sup>, the smallest rentable area being approximately 200 m<sup>2</sup>. The floors may be interlinked with horizontal connections to create larger contiguous spaces.



Vasakronan Service Partner is in charge of providing a broad range of services at Kista Entré, including reception, switchboard, conference and internal mail service.



The Kista Science Tower offers exciting futuristic architecture and office space of the highest order. With its 32 floors, the 160-meter-high Kista Science Tower will be the highest office structure in Sweden.

## FINANCIAL REPORTS SCHEDULE

Interim report Jan.–Sept. 2002	October 24, 2002
Year-end report	February 2003
Annual Report	February 2003

Financial information may be ordered from Corporate Communications,  
Vasakronan AB, P.O. Box 24234, SE-104 51 Stockholm, Sweden. Tel: +46-8-783 21 00. Fax: +46-8-783 21 76.

You are welcome to visit our website for current information about Vasakronan and vacant premises.



The first tenants of Kista Entré – Philips, Hubner + Suhner, Sybase and Vasakronan Service Partner – took up occupancy in June 2002.





**Vasakronan AB** is one of the leading real estate companies in Sweden. Vasakronan is the largest supplier of commercial premises, primarily office properties, with locations in Stockholm, Göteborg, Malmö, Lund, Linköping and Uppsala.

The total portfolio comprises 184 properties, with a total floor space of 2.1 million m<sup>2</sup>, providing agreeable working facilities for about 60,000 people.

Vasakronan endeavors to ensure that they feel that their workplaces and the services provided function well.



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Vasakronan is a public company. Corporate Registration No. 556474-0123