

Vasakronan interim report

January – September 2004

- **The employment trend** in Sweden remains weak and is not expected to recover until the latter part of 2005. The rental market is affected adversely by the employment trend.
- **In August**, Vasakronan acquired NCC's remaining shares in Kista Science Tower, based on a market value of SEK 1,208 M.
- **Rental revenues** declined to SEK 2,029 M (2,247), mainly as a result of property sales. The rental decline for new and renegotiated leases was 5% (+3). The vacancy rate rose to 13% (10) of rental revenues, primarily due to the acquisition of Kista Science Tower.
- **Income after financial items** amounted to SEK 599 M (528). Excluding capital gains, writedowns and reversal of reserves for writedowns pertaining to Kista Science Tower, income amounted to SEK 402 M (508).
- **The outlook for 2004** remains unchanged. Income after financial items, before capital gains, writedowns and reversal of reserves for writedowns, is forecast to amount to approximately SEK 350 M (585).

FINANCIAL DATA

SEK M	Jan.–Sept. 2004	Jan.–Sept. 2003	July–Sept. 2004	July–Sept. 2003	Oct. 2003– Sept. 2004	Full year 2003
Rental revenues	2,029	2,247	665	744	2,743	2,961
Income after financial items	599	528	206	171	108	37
Income after financial items, excluding capital gains and writedowns	402	508	153	170	479	585
Cash flow	321	733	124	237	519	860
Investments	376	306	126	112	679	609
Property acquisitions	2,239	1,182	1,510	1,176	2,138	1,010
Property divestments	590	70	3	–	3,080	2,560
Equity/assets ratio, %	35	32	35	32	35	33
Vacancy rate, rent, %	13	10	13	10	13	10

Property and rental premises market

Rental market affected by low employment

The employment trend in Sweden remains weak and is not expected to recover until the latter part of 2005. The rental market is affected adversely by the employment trend. At the same time, Sweden is currently in a period of economic upturn, with continued strong GDP growth of approximately 3.5% in 2004.

The rental market in Stockholm is weak, although vacancies are no longer rising. The market is showing a clear tendency toward differentiating pricing between modern and older premises. Interest in premises has risen slightly in Solna and Kista, however. In Uppsala, vacancies have increased.

Rents in the Göteborg market are declining slightly. Vacancies in

Göteborg city center are expected to increase by about 2% during the next six months.

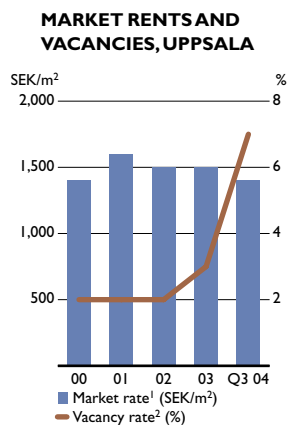
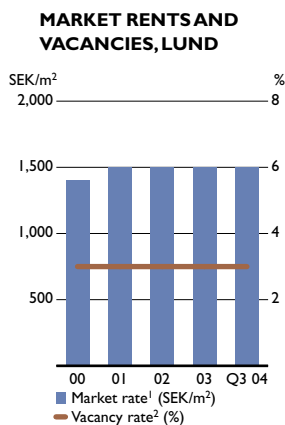
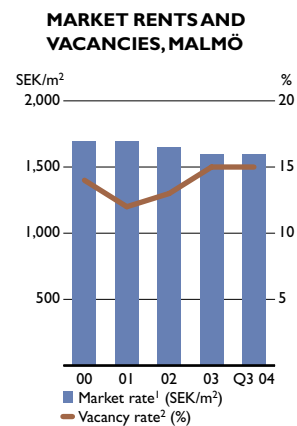
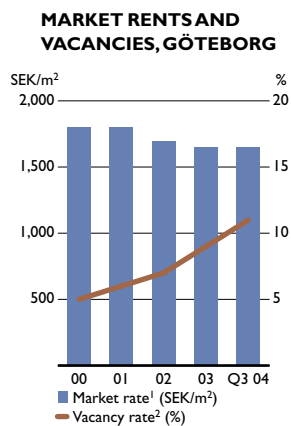
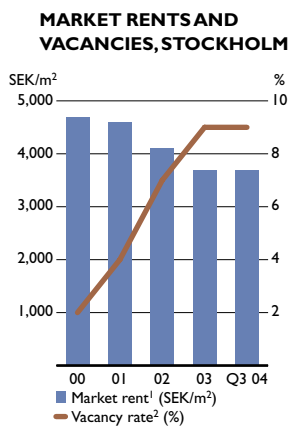
The rental market in Malmö and Lund was characterized by cautious optimism in 2004. The competitive situation has tightened, with rising demand and significant interest in premises in central parts of Malmö and Lund.

High level of activity in the property market

Sales activity in the Swedish property market was very high in 2004. Stockholm is attracting the most interest, but transactions are also taking place in Göteborg and Malmö. Foreign companies account for one third of property transactions this year. The major international interest in the Swedish property market is primar-

ily a result of low interest rates, future growth opportunities, attractive direct return, a highly transparent Swedish property market and well-maintained properties.

The competitive situation in the Swedish property market has changed in recent years. Listed property companies are becoming fewer in number as a result of mergers and buy-outs. Institutional owners have increased their property portfolios as a result of a more favorable stock market climate. The new foreign owners are major players in the market and act in a different manner by buying property management services from separate management companies. The Swedish state remains one of Sweden's largest property owners.



The annual figures shown are as of December 31

¹ Upper level of market rents.

² Excluding renovation vacancies.

Source: Newsec

Income Statement

SEK M	Jan.–Sept. 2004	Jan.–Sept. 2003	Jan.–Sept. 2002	July–Sept. 2004	July–Sept. 2003	Full year 2003
Rental revenues	2,029	2,247	2,162	665	744	2,961
Operating expenses	–471	–471	–421	–136	–145	–640
Maintenance and tenant adaptations	–140	–139	–139	–51	–49	–221
Property tax	–140	–156	–153	–36	–51	–207
Income before depreciation	1,278	1,481	1,449	442	499	1,893
Property depreciation	–339	–356	–336	–115	–125	–476
Property writedowns	–6	–	–	–	–	–712
Gross income	933	1,125	1,113	327	374	705
Gain on sale of properties	132	20	–3	–18	1	587
Income from shares in associated companies	71	–25	–	69	–8	–443
Other operating income and expenses	–3	–4	–4	–1	–1	–7
Central administration and marketing	–65	–60	–76	–20	–14	–93
Operating income	1,068	1,056	1,030	357	352	749
Net financial items						
Interest income	117	141	103	35	40	172
Interest expense	–586	–669	–583	–186	–221	–884
Total financial items	–469	–528	–480	–151	–181	–712
Income after financial items	599	528	550	206	171	37
Tax	–107	–144	–154	–31	–48	127
Minority participation in income	0	0	0	0	0	–11
Income for the period	492	384	396	175	123	153
KEY DATA						
Income before depreciation, margin, %	63	66	67	66	67	64
Cash-flow interest coverage ratio, multiple	2.7	2.6	2.9	3.2	2.6	2.5
Earnings per share, SEK	123	96	99	44	31	38

Comments on the Income Statement

Rental revenues

Vasakronan's rental revenues for the period January–September 2004 declined by 10% (+4), or SEK 218 M, to SEK 2,029 M (2,247). For comparable property portfolios, the decline was 2% (+4), and the effect of property divestments and acquisitions was a decline of 8% (0). The average term in the lease portfolio declined to 3.6 years (3.7).

The average rental revenue declined to SEK 1,417/m² (1,428). This was attributable to new and renegotiated contracts.

During the first nine months of 2004, leases corresponding to an annual rent of SEK 316 M (281) were renegotiated or newly negotiated, with rents being lowered by 5% (+3) on average. New and renegotiated leases in Vasakronan's two Stockholm regions involved rental reductions, while rents increased in the Göteborg and Öresund regions. In 2004, a total of 16% (15) of all leases will be renegotiated, 12% (9) having been renegotiated or newly negotiated during the first nine months.

The largest leases were signed with the Tax Authorities on Södermalm in Stockholm (10,500 m²), Cederroth at InfraCity in Upplands Väsby (10,300 m²), Observer in Östermalm in Stockholm (10,300 m²), SWECO in Malmö (9,200 m²), the Prison and Probation Administration in Malmö (6,400 m²), FMV (the Swedish Defence Materiel Administration) in Östermalm in Stockholm (6,000 m²), IBM at Kista Entré (4,800 m²) and the County Administrative Board in Göteborg (4,700 m²).

The percentage of government tenants amounted to 32% (33) of rental revenues.

Vacancy rate

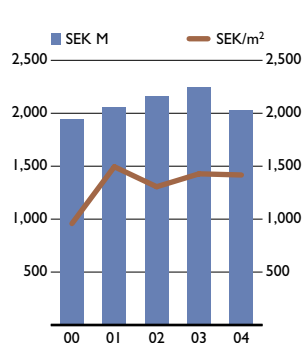
The vacancy rate increased to 13% (10) of rental revenues. This represents an increase of 3 percentage points, corresponding to SEK 371 M (300) on a full-year basis. For comparable property portfolios, the increase was 0 percentage points and the effect of acquisitions and divestments 3 percentage points. In terms of floor space, the vacancy rate totaled 13% (10) and corresponded to 257,000 m² (215,000). Of the total vacancy rate of 13%, Infra City accounts for 3 percentage points and Kista Entré and Kista Science Tower for 3 percentage points.

Operating expenses

Operating expenses include costs for energy, fuel and water, facilities operation and management, leasehold fees, regional offices and IT.

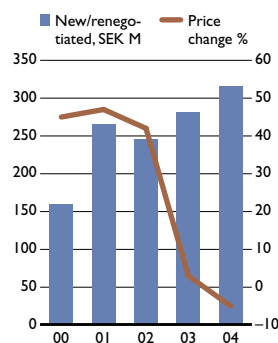
Operating expenses were unchanged at SEK 471 M (471). The corresponding figure for the year-earlier period includes a non-recurring revenue item of SEK 16 M pertaining to pensions. The increase for comparable property portfolios, excluding the non-recurring revenue item, was 1% (11), and the effect of property divestments and acquisitions was a decline of 1% (+1). Leasehold fees amounted to SEK 35 M (30). Loan losses were SEK 0 M (2). Operating expenses amounted to SEK 331/m² (313).

**RENTAL REVENUES,
JAN.–SEPT.**



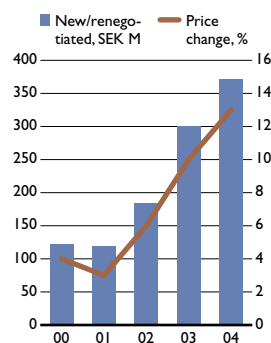
Since about 15–20% of leases are renegotiated each year, there is a delay before price changes affect the average rent.

**NEW AND RENEGOTIATED
LEASES, JAN.–SEPT.**



Price increases have been high in recent years. In the first quarter of 2004, however, prices declined by 5%.

**VACANCY RATE – RENT
LOSSES, SEPT. 30**



The vacancy rate has increased due to a weaker rental market.

TYPES OF PREMISES, SEPTEMBER 30, 2004

	Rental revenues, SEK M ¹	Share, %	Rental value, SEK/m ²
Office premises	2,226	80	1,707
Retail	334	12	2,166
Warehouse	92	3	372
Housing	22	1	922
Other	107	4	524
Total	2,781	100	1,417

Vasakronan's property portfolio is focused on office premises, which account for 80% of rental revenues.

¹ Rental revenues for rolling 12 months.

ANALYSIS OF LEASE PORTFOLIO, SEPTEMBER 30, 2004

Term of lease (years)	No. of leases	Annual rent, SEK M ¹	Share, %
2004	173	166	6
2005	640	343	13
2006	576	529	19
2007	483	440	16
2008	184	495	18
2009	109	241	9
2010	37	270	10
2011	21	76	3
2012	15	57	2
2013	10	72	3
2014-ff	12	9	0
Housing, etc.	858	41	1
Total	3,118	2,739	100

About 15–20% of the lease portfolio is renegotiated every year.

¹ Total lease portfolio at the stated annual rents as per September 30, 2004.

PROPERTY PROJECTS

Location	Property	Scheduled completion	Total property investment, SEK M
Stockholm	Kungliga Trädgården 7, City	June 2005	128
Stockholm	Ulriksdal 2:1, Solna	Dec. 2004	117
Malmö	Bylgia 1, Malmö	June 2005	70
Stockholm	Uppfinnaren 1, Östermalm	Dec. 2004	65
Total			380
Other smaller projects			149
Total			529

Maintenance and tenant adaptations

Vasakronan expenses work related to current maintenance, repair measures in conjunction with renovations and tenant remodeling that do not increase value.

The cost of maintenance and tenant adaptations rose by SEK 1 M to SEK 140 M (139). The increase for comparable property portfolios was 3% (0), and the effect of property divestments and acquisitions was a decline of 3% (0). The cost of maintenance and tenant remodeling amounted to SEK 115/m² (98).

Property tax

Property tax amounts to 1% of the taxable value of offices and stores.

Property tax declined by SEK 16 M to SEK 140 M (156) due to lower assessed values. Tenants pay 83% (90), or SEK 116 M, of the property tax.

Income before depreciation

Income before depreciation declined by 14% (+2), or SEK 203 M, to SEK 1,278 M (1,481). The decline for comparable property portfolios was 3% (+2), and the effect of property divestments and acquisitions was a decline of 11% (0). Income before depreciation declined by 63% (66) due to lower rental revenues and higher vacancies.

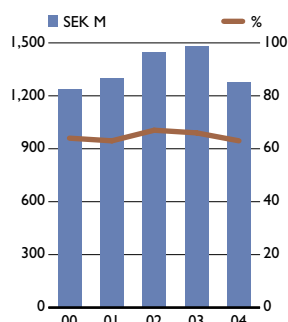
Property depreciation

Office and retail properties are depreciated at a rate of 2% per year, which corresponds to taxable depreciation. Depreciation decreased by SEK 17 M to SEK 339 M (356).

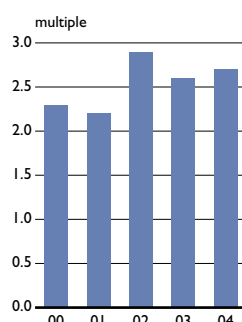
Gain on sale of properties

Total gains on property sales amounted to SEK 132 M (20).

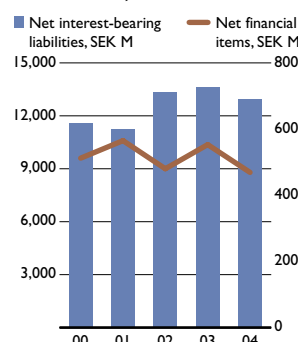
On December 22, Stockholm City Council approved the contract whereby Vasakronan sold the Gamen 8 property (the "tax skyscraper") to Svenska Bostäder for SEK 566 M, generating a capital gain of SEK 225 M, and acquired part

INCOME BEFORE DEPRECIATION
(SEK M) INCOME BEFORE DEPRECIATION MARGIN (%), JAN.–SEPT.

The income before depreciation margin deteriorated as a result of lower rental revenues.

CASH-FLOW INTEREST
COVERAGE RATIO, SEPT. 30

Cash-flow interest coverage ratio exceeds the target by a multiple of 2.

NET FINANCIAL ITEMS/
NET INTEREST-BEARING
LIABILITIES, SEPT. 30

Net financial items and Net interest-bearing liabilities declined as a result of property sales.

of Beridarebanan 10, commonly known as the first Hötorg Building, from the City of Stockholm for SEK 650 M. The transaction was conditional upon the City Council's decision becoming legally binding. Both the County Administrative Board and the County Administrative Court have denied appeals from a private individual, and the appeal was also rejected by the Administrative Court of Appeal in October. The transaction was reported in the second quarter of 2004.

In 2001, building permits at Svea Artilleri in Stockholm were sold to JM AB for SEK 133 M, generating a capital gain of SEK 118 M. The contract was cancelled by JM. The dispute that arose between the parties was settled out of court, entailing that Vasakronan will pay JM a sum of SEK 141 M, including costs for demolition and detailed plans. In addition, Vasakronan will pay SEK 18 M in interest expenses. The settlement has resulted in a capital loss of SEK 118 M for Vasakronan. Vasakronan is now making preparations to sell to another buyer.

On June 1, 2004, the Djurö 8:6 and Eknö 1:351 properties in Värmdö were sold to the Municipality of Värmdö for SEK 16 M, generating a capital gain of SEK 10 M.

In March 2004, the Police Building in Uppsala was sold to Uppsala Kommuns Industrihus AB for SEK 50 M, generating a capital gain of SEK 3 M. The date of possession is October 1.

In March 2004, Apollo in Gamla Stan (the Old Town) was sold to Malmegårds Fastighets AB for SEK 35 M, generating a capital gain of SEK 5 M. Possession will take place on October 1.

In June 2004, Fredrikshov 7 in the Östermalm district of Stockholm was sold to the Carpe Diem foundation for SEK 41 M, generating a capital gain of SEK 24 M. Possession will take place on October 1.

In September 2004, Gråbjörnen 11 in Malmö was sold to the Gråbjörnen 11 tenant-owner association for SEK 66 M, generating a capital gain of SEK 18 M. Possession will take place in October.

All four property sales with possession in October are reported in the fourth quarter.

Income from shares in associated companies

Income from shares in associated companies pertains to NS Holding (Norrporten), Kista Science Tower, Västerjärva and Ursvik. Income improved to SEK 71 M (loss: 25) and includes a revenue item of SEK 71 M pertaining to the difference between the reversal of the reserve of SEK 315 M for anticipated writedowns for Kista Science Tower made in the year-end accounts for 2003 and the actual writedown based on the market value at the time of the acquisition.

FINANCING – MATURITY DATE STRUCTURE, SEPTEMBER 30, 2004

	Interest maturity ¹			Loan maturity		Committed credit facilities		Derivatives portfolio	
	SEK M	Interest, %	Proportion, %	SEK M	Proportion, %	SEK M	Proportion, %	SEK M	Unrealized liabilities, SEK M
2004	4,738	3.1	31	2,595	17	1,225	27	400	–1
2005	2,928	5.7	20	3,033	20	300	7	1,840	–12
2006	2,927	5.7	20	3,132	21	1,300	29	2,075	–44
2007	2,563	6.3	17	2,413	16	1,200	26	2,083	–95
2008	572	5.5	4	1,553	11	500	11	834	–15
2009	300	4.3	2	–	–	–	–	300	–3
2010	500	4.4	3	–	–	–	–	500	–4
2011	400	4.5	3	2,202	15	–	–	400	–3
	14,928	4.9	100	14,928	100	4,525	100	8,432	–177

¹ The fixed-interest period includes derivative instruments, which increase the fixed-interest period by 0.9 years and raise the average interest rate by 0.9 percentage points.

Borrowing is reported at nominal amounts. The average remaining fixed-interest period was 1.6 years. The average remaining period for tying up capital was 2.3 years. The average remaining duration of committed credit facilities was 2.0 years. The average remaining maturity in the derivatives portfolio was 2.5 years.

SOURCES OF FUNDING, SEPTEMBER 30, 2004

SEK M	Limits	Of which, utilized	Interest, %
Commercial paper program	5,000	1,700	2.2
MTN program	15,300	9,733	4.7
EMTN program (EUR 1 billion)	9,055	814	3.1
Bank loans	–	2,681	2.7
Committed credit facilities	4,525	–	–
Total	–	14,928	4.0

Borrowing is reported at nominal amounts.

Vasakronan's main source of funding is commercial paper, MTN and EMTN programs. These programs constitute uncommitted credit frameworks with standardized documentation that permit the issuance of certificates and bonds.

Other operating income and expenses

Other operating income and expenses include the conference, tenant service, telephony and reception services that Vasakronan Service Partner offers tenants in Stockholm and Göteborg.

Revenues totaled SEK 56 M (50). Income from Vasakronan Service Partner AB amounted to SEK 4 M (2). Adjusted for intra-Group revenues, the earnings in the Group amounted to a loss of SEK 3 M (loss: 4).

Central administration and marketing

Central administration and marketing expenses include costs for the Board of Directors, the President, corporate staff units and Group-wide marketing.

The cost of central administration and marketing increased to SEK 65 M (60), of which marketing accounted for SEK 10 M (16). The increase is due mainly to changed pension liability. The cost of central administration and marketing totaled SEK 51 /m² (46), or 3.2% (3.1) of rental revenues.

Financial items

Net interest income and expense decreased by SEK 59 M to an expense of SEK 469 M (expense: 528). Of this change, SEK 46 M is attributable to lower average borrowing resulting from property divestments and SEK 8 M is attributable to a

lower average rate of interest in the loan portfolio. Interest income on financial assets improved net financial items by SEK 5 M.

The cash-flow interest coverage ratio amounted to 2.7 (2.6). Vasakronan's goal is that the cash-flow interest coverage ratio should not be lower than 2.0.

Vasakronan's average interest rate on borrowing was 5.1% (5.3). At September 30, 2004, the average interest rate on borrowing was 4.9% (5.2) and the average fixed-interest term for borrowing was 1.6 years (2.0).

Increasing the interest rate by 1 percentage point at September 30, assuming the current borrowing volume and fixed-interest term, would increase the interest expense for 2004 by SEK 7 M and for the next 12 months by SEK 19 M.

Income after financial items

Income after financial items increased to SEK 599 M (528).

Income after financial items, excluding SEK 132 M (20) in gains from property sales, SEK 6 M (0) in writedowns and a net of SEK 71 M (0) pertaining to reversal of the reserve for writedowns in Kista Science Tower, declined to SEK 402 M (508).

Tax

The reported tax expense amounted to SEK 107 M (144). The decline is due to lower taxable earnings.

Balance Sheet

SEK M	Sept. 2004	Sept. 2003	Sept. 2002	Full year 2003
ASSETS				
Fixed assets				
<i>Intangible fixed assets</i>	21	30	31	27
<i>Tangible fixed assets</i>				
Buildings, land, ground installations	22,876	24,009	22,177	21,452
Work in progress in properties	536	391	1,164	370
Equipment and inventory	36	42	41	42
	23,448	24,442	23,382	21,864
<i>Financial fixed assets¹</i>	2,330	2,907	2,341	3,089
Total financial fixed assets	25,799	27,379	25,754	24,980
Current assets				
Current receivables	943	1,224	910	1,611
Short-term investments	—	—	—	—
Cash and bank balances	497	606	875	425
Total current assets	1,440	1,830	1,785	2,036
TOTAL ASSETS	27,239	29,209	27,539	27,016
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
<i>Restricted shareholders' equity</i>				
Share capital	4,000	4,000	4,000	4,000
Restricted reserves	2,024	2,115	2,101	2,009
	6,024	6,115	6,101	6,009
<i>Unrestricted shareholders' equity</i>				
Unrestricted reserves	2,920	2,785	2,559	2,791
Total for the year	492	384	390	153
	3,412	3,169	2,949	2,944
Total shareholders' equity	9,436	9,284	9,050	8,953
Minority interest	3	13	0	10
Provisions¹	692	722	698	975
Long-term liabilities				
Interest-bearing liabilities	13,225	15,769	13,658	13,614
Non-interest-bearing liabilities	569	637	649	607
Total long-term liabilities	13,794	16,406	14,307	14,221
Current liabilities				
Interest-bearing liabilities	1,694	896	1,908	440
Non-interest-bearing liabilities	1,620	1,888	1,576	2,417
Total current liabilities	3,314	2,784	3,484	2,857
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	27,239	29,209	27,539	27,016
KEY DATA				
Return on shareholders' equity, %	2.8	4.8	8.4	1.7
Interest-bearing liabilities, net	12,948	13,652	13,370	11,301
Equity/assets ratio, %	35	32	33	33

¹ As of 2003, deferred tax receivables and deferred tax liabilities are reported gross. For comparison, the figures for September 2003 and 2002 have been adjusted.

Comments on the Balance Sheet

Properties and investments

The properties' book value declined by SEK 1,133 M to SEK 22,876 M (24,009) compared with the year-earlier period. The decline arose since property divestments and depreciation exceed property acquisitions and initiated projects.

Work in progress in properties

Work in progress increased by SEK 145 M to SEK 536 M (391). Project volumes remain low due to the weak rental market. The projects are mainly in Stockholm, where the largest project is the Kungliga Trädgården (Sweden House) property.

Financial fixed assets

Financial fixed assets mainly comprise interest-bearing receivables on NS Holding (Norrporten), joint development companies with NCC and Skanska, and deferred tax assets.

Financial fixed assets declined by SEK 577 M to SEK 2,330 M (2,907), due mainly to a reclassification of the loan to Kista Science Tower KB when the company became fully owned by Vasakronan in August. Vasakronan's total investment in NS Holding regarding interest-bearing receivables and shares amounts to SEK 1,085 M.

Interest-bearing liabilities, net

The Group's net interest-bearing liabilities declined by SEK 704 M to SEK 12,948 M (13,652), largely due to property divestments. Net interest-bearing liabilities amounted to SEK 12,109 M (13,963) on average.

Liquid assets and short-term investments declined by SEK 109 M to SEK 497 M (606), to which can be added unutilized credit facilities of SEK 4,525 M (4,525). Interest-bearing receivables declined by SEK 1,057 M to SEK 1,498 M (2,555), primarily due to the acquisition of Kista Science Tower.

Gross interest-bearing liabilities declined by SEK 1,746 M to SEK 14,919 M (16,665). Of gross interest-bearing liabilities, 89% are long-term. The short-term portion of bond loans is reported as a long-term liability as of 2003. A recalculation for the preceding year has been made. The average length of time that capital is tied up increased to 2.3 years (2.0). Committed credit facilities and liquid funds corresponded to 109% (90) of loans expiring within one year.

The Vasakronan Group has at its disposal mortgages amounting to SEK 3.8 bn. On September 30, SEK 2,201 M (0) was raised in loans with mortgages as collateral, entailing a cost saving for Vasakronan.

Standard & Poor's, the international credit-rating institute, has issued a credit rating for Vasakronan of BBB/stable outlook for long-term borrowing. The Swedish credit rating for short-term domestic borrowing is K2. The short-term international credit rating is A2.

Shareholders' equity

Shareholders' equity increased by SEK 152 M to SEK 9,436 M (9,284). The change arose since the earnings exceeded total dividends paid, amounting to SEK 9 M.

On December 31, 2003, the market value of Vasakronan's property portfolio including projects in progress amounted to SEK 31.4 bn. On the same date, the book value amounted to SEK 21.8 bn. The market value exceeded the book value by SEK 9.6 bn.

Return

The return on shareholders' equity fell to 2.8% (4.8). The return, excluding income from property divestments and writedowns, declined to 3.0% (4.7).

Equity/assets and debt/equity ratio

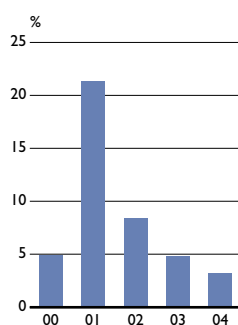
The equity/assets ratio amounted to 35% (32). The debt/equity ratio was 1.4 (1.5).

Vasakronan's goal is that the visible equity/assets ratio will amount to not less than 35% in the long term.

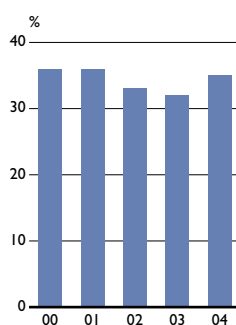
The adjusted equity/assets ratio at year-end amounted to 43% (44). At December 31, 2003, net interest-bearing liabilities amounted to 36% (38) of the externally assessed market value of the properties.

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

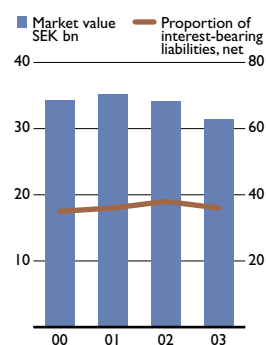
SEK M	Sept. 30, 2004	Sept. 30, 2003
Shareholders' equity at Dec. 31 as per balance sheet	8,953	9,116
Net profit for the period	492	384
Dividend	–9	–216
Balance at Sept. 30	9,436	9,284

RETURN ON SHAREHOLDERS' EQUITY, OCT.–SEPT., ROLLING 12 MONTHS

The variation in return is attributable to property sales and writedowns.

EQUITY/ASSETS RATIO, SEPT. 30

The visible equity/assets ratio amounted to 35%.

MARKET VALUE, PROPERTIES, DEC. 31

The proportion of net interest-bearing liabilities relative to market value declined as a result of net sales of properties.

Cash-flow Statement

SEK M	Jan.–Sept. 2004	Jan.–Sept. 2003	Jan.–Sept. 2002	Full year 2003
CURRENT OPERATIONS				
Income before financial items	1,068	1,081	1,029	749
Adjustment for items not included in cash flow	166	357	353	1,071
Interest income	117	141	96	172
Interest expense	–586	–669	–583	–884
Tax paid, excl. property sales	–444	–177	–69	–248
Cash flow before changes in working capital	321	733	826	860
Changes in current receivables	487	–38	348	–408
Changes in current liabilities	–357	202	–27	723
Cash flow from current operations	451	897	1,147	1,175
INVESTMENT ACTIVITIES				
Investments	–376	–306	–551	–609
Acquisition of properties	–2,026	–1,182	–15	–1,010
Acquisition of subsidiaries and associated companies	–213	–	–	–144
Properties sold	–	70	–	70
Companies sold	590	–	–	2,490
Acquisition of financial fixed assets	–66	–462	–267	–634
Divestment of financial fixed assets	856	–	–	217
Tax paid on property sales	–	–	–600	–8
Cash flow from investment activities	–1,235	–1,880	–1,433	372
FINANCING ACTIVITIES				
Loans raised	3,895	3,992	5,339	2,797
Amortization of loans	–3,030	–2,659	–4,034	–4,075
Dividend paid	–9	–216	–537	–316
Cash flow from financing activities	856	1,117	768	–1,594
Cash flow for the period	72	134	482	–47
Liquid assets at Jan. 1	425	472	393	472
Liquid assets at close of period	497	606	875	425
Net interest-bearing liabilities at Jan. 1	–11,301	–12,785	–12,708	–12,785
Net interest-bearing liabilities at close of period	–12,948	–13,652	–13,370	–11,301
Net change in interest-bearing liabilities	–1,647	–867	–662	1,484

Comments on the Cash-flow Statement

Cash flow from current operations

Cash flow from current operations before changes in current receivables and liabilities declined by SEK 412 M to SEK 321 M (733). The decline was mainly attributable to higher tax paid and lower income before depreciation. The decline in current receivables increased cash flow by SEK 487 M (decrease: 38). The decline in current receivables was mainly due to the acquisition of Beridarebanan 10, the first Hötorg Building, which will not be reported as a property acquisition until 2004. The decline in current liabilities decreased cash flow by SEK 357 M (202).

Cash flow from current operations after changes in current receivables and liabilities declined by SEK 446 M to SEK 451 M (897).

Cash flow from investment activities

Cash flow was negative in an amount of SEK 1,235 M (negative: 1,880), an improvement of SEK 645 M. The improvement was due mainly to the sale of financial fixed assets in conjunction with the acquisition of Kista Science Tower.

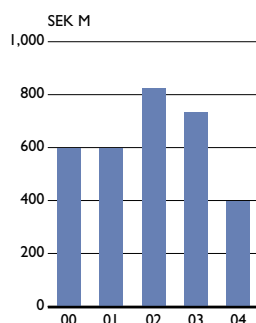
Investments in fixed assets increased by SEK 70 M to SEK 376 M (306). Acquisitions of companies and properties, including the first Hötorg building, Svea Artilleri and Kista Science Tower, increased to SEK 2,239 M (1,182). Divestments of properties and companies, including the "tax skyscraper", amounted to SEK 590 M (70). Net acquisitions and divestments of financial fixed assets increased by SEK 1,252 M to SEK 790 M (expense: 462) as a result of the acquisition of Kista Science Tower.

Cash flow from financing activities

Cash flow amounted to SEK 856 M (1,117), which was a decline of SEK 261 M. The decline arose since cash flow from current operations, with a deduction made for investment activities, was less negative than in the year-earlier period.

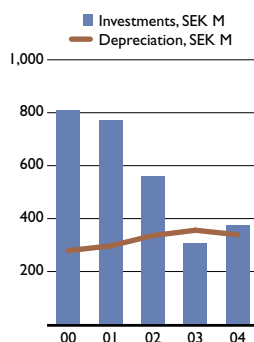
Loans raised and net amortization of loans decreased by SEK 468 M and amounted to SEK 865 M (1,333). Dividends paid declined due to the fall in income of SEK 207 M and amounted to SEK 9 M (216).

CASH FLOW BEFORE CHANGE IN WORKING CAPITAL, JAN.–SEPT.



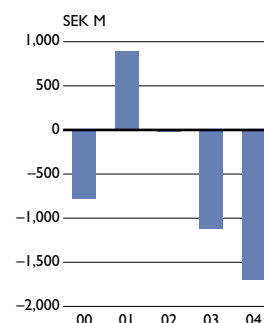
Cash flow weakened due to higher taxes paid and lower income before depreciation.

INVESTMENTS AND DEPRECIATION OF PROPERTIES, JAN.–SEPT.



Investments declined as a result of the weaker economy.

PROPERTY SALES, ACQUISITIONS, NET, JAN.–SEPT.



Vasakronan was a net acquirer of properties during the period.

Other information

Personnel

At September 30, 2004, 388 persons (386) were employed by Vasakronan. The number of employees at Vasakronan Service Partner was 94 (92).

Parent Company

Rental revenues for the Parent Company, Vasakronan AB, amounted to SEK 1,742 M (1,924) at September 30, 2004. The Parent Company's income after financial items was SEK 280 M (453).

Liquid funds were SEK 486 M (602) at the closing date. Interest-bearing liabilities amounted to SEK 14,919 M (16,665). SEK 1,664 M (896) of these liabilities were short-term and SEK 13,255 M (15,769) were long-term.

Outlook

Outlook for 2004

The economic downturn has affected the premises rental market in the form of declining rental levels and increasing vacancies. Even if economic growth accelerates, it will take until the latter part of 2005 at the earliest before any visible effects impact on employment and demand in the rental market.


For Vasakronan, 2004 will involve continued focus on strengthened competitiveness. A distinct customer focus, extended service offering and prioritized investments will result in strengthened market positions and the lowest possible vacancy rate.

Vasakronan's rental revenues will decline as a result of property sales and a weak rental market. Operating and maintenance costs will increase, especially tenant adaptations, in conjunction with renegotiation and signing of new leases. Depreciation will decline as a result of property divestments. Net financial items will improve due to a lowering borrowing volume resulting from property divestments.

Vasakronan's forecast is that, with the current property portfolio and before gains from property sales, income after net financial items and before any writedowns will amount to approximately SEK 350 M (585).

It is estimated that income from property divestments will amount to SEK 185 M, primarily through the sale of the Gamen 8 property (the "tax skyscraper").

Stockholm, October 26, 2004



Håkan Bryngelson
President

Review report

I have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared with an audit. Nothing has come to my attention that causes me to believe that the interim report does not comply with the requirements of the Annual Accounts Act.

Stockholm, October 26, 2004

Ernst & Young AB



Ingemar Rindstig
Authorized Public Accountant

PROPERTY HOLDINGS, SEPTEMBER 30, 2004

	Rental revenues		Income before depreciation		Vacancy rate		Floor space		No. of registered properties, Sept. 30, 2004	Book value¹ Sept. 30, 2004 SEK M
	Jan.–Sept. 2004 SEK M	Jan.–Sept. 2003 SEK M	Jan.–Sept. 2004 SEK M	Jan.–Sept. 2003 SEK M	Sept. 30, 2004 Rent,%	Sept. 30, 2003 Rent,%	Sept. 30, 2004 1,000 m²	Sept. 30, 2003 1,000 m²		
Stockholm Region										
City	317	286	192	172	10	8	148	129	12	4,485
Gamla Stan	32	40	20	27	8	6	18	23	7	355
Vasastan	97	104	69	75	6	10	53	54	9	1,162
Östermalm	356	369	240	249	7	9	299	307	11	3,201
Other central districts	140	221	106	163	3	5	87	162	7	972
Total	942	1,020	627	686	7	8	605	675	46	10,175
Greater Stockholm/ Uppsala Region										
Greater Stockholm, South	81	85	45	53	10	9	79	78	5	606
Greater Stockholm, North	136	214	74	128	12	10	200	271	24	848
Kista	54	29	21	17	60	47	117	56	4	2,150
Infracity	114	120	42	52	26	24	190	190	12	1,484
Uppsala	64	64	40	40	8	4	67	67	9	439
Total	449	512	222	290	29	18	653	663	54	5,527
Göteborg Region										
Göteborg	319	320	219	195	7	5	298	299	27	3,538
Linköping	–	60	–	65	–	4	–	77	–	–
Total	319	380	219	261	7	5	298	376	27	3,538
Öresund Region										
Malmö²	291	299	175	190	6	5	339	339	35	3,038
Lund	68	65	45	44	1	2	70	70	10	598
Total	359	364	220	234	5	5	409	409	45	3,636
Eliminations	–40	–29	–10	10	–	–	–	–	–	–
Group total	2,029	2,247	1,278	1,481	13	10	1,965	2,123	172	22,876

¹ Including surplus value with deferred tax. Excluding work in progress.² Includes registered properties in Växjö during 2003.

GEOGRAPHIC DATA

Group	Jan.–Sept. 2004	Jan.–Sept. 2003	July–Sept. 2004	July–Sept. 2003	Full year 2003
Revenues, SEK M					
Stockholm	942	1,020	313	333	1,348
Greater Stockholm-Uppsala	449	512	146	175	678
Göteborg	319	380	108	125	487
Öresund	359	364	119	121	486
Eliminations	–40	–29	–21	–10	–38
Total	2,029	2,247	665	744	2,961
Operating income, SEK M					
Stockholm	470	530	175	168	320
Greater Stockholm-Uppsala	147	212	47	81	–103
Göteborg	168	191	59	68	253
Öresund	160	189	60	64	215
Central administration	–65	–60	–20	–25	–93
Income from shares in associated companies	71	–25	69	–8	–443
Gains on property sales	132	20	–18	1	587
Income from other operations	–3	–4	–1	–1	–7
Eliminations	–12	3	–14	4	20
Total	1,068	1,056	357	352	749

KEY FIGURES

	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2002	Full year 2003
Property related				
Book value, SEK M	22,876	24,009	22,177	21,452
Floor space, 1,000m ²	1,965	2,123	2,085	1,922
Property acquisitions, SEK M	2,239	1,182	15	1,010
Investments (excl. property acquisitions), SEK M	376	306	561	609
Property sales, SEK M	590	70	–	2,630
Income from property sales, SEK M	132	20	–3	587
Vacancy rate, floor space, %	13	10	7	12
Vacancy rate, rent, %	13	10	6	10
Financial				
Income before depreciation margin, %	63	66	67	64
Cash flow interest-coverage ratio, multiple	2.7	2.6	2.9	2.5
Average shareholders' equity, SEK M	9,171	9,232	9,113	9,153
Return on shareholders' equity, %	2.8	4.8	8.4	1.7
Cash flow, SEK M	392	733	826	860
Equity/assets ratio, %	35	32	33	33
Interest-bearing liabilities, net, SEK M	12,948	13,652	13,370	11,301
Debt/equity ratio, multiple	1.4	1.5	1.5	1.3
Average loan interest rate, %	5.1	5.3	5.4	5.3
Share-related				
Earnings per share, SEK	123	96	99	38
Cash flow per share, SEK	99	183	206	215
Shareholders' equity per share, SEK	2,359	2,321	2,262	2,288
Number of shares, 000s	4,000	4,000	4,000	4,000

ACCOUNTING PRINCIPLES

Vasakronan's accounting principles correspond with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and statements. No changes have been made in the accounting principles applied in the preceding year. During the 2004 fiscal year, adaptations have been made to the new recommendation RR29 issued by the Swedish Financial Accounting Standards Council. As a result of the adaptations, the ITP pension plans signed with Alecta are classified as defined-benefit plans and in accordance with IFRS should be reported with distribution showing the Group's proportional part of the managed assets and the defined-benefit commitments. Currently, Alecta is unable to provide the underlying information. Consequently, the pensions are reported as defined-contribution.

DEFINITIONS

Average shareholders' equity

Average visible shareholders' equity.

Cash flow

Operating income before financial items, after deduction for items that do not affect liquidity, net interest received/paid and income tax paid.

Cash-flow interest coverage ratio

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

Cash flow per share

Cash flow divided by the number of shares.

Debt/equity ratio

Net interest-bearing liabilities, divided by shareholders' equity at year-end.

Earnings per share

Income after tax, divided by the number of shares.

Equity/assets ratio

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

Income before depreciation margin

Income before depreciation divided by rental revenues.

Income before depreciation

Rental revenues less operating and maintenance expenses and property tax.

Net interest-bearing liabilities

Interest-bearing liabilities including pension liabilities, less liquid assets and interest-bearing receivables.

Premises floor space

Rentable floor space.

Return on shareholders' equity

12-month rolling income less tax, divided by shareholders' equity.

Shareholders' equity per share

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

Vacancy rate, floor space

Percentage of floor space not rented.

Vacancy rate, rent

Estimated annual rent loss due to vacant premises floor space as a percentage of the total annual rent if fully rented.

R E P O R T S S C H E D U L E

Year-end Report 2004	January 31, 2005
Annual Report 2004	February 2005

C A P I T A L M A R K E T M E E T I N G S

October 26, 2004	Media and analyst meeting in conjunction with the Stockholm Open tennis tournament
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www.vasakronan.se

More information about capital market meetings and other information about the company is available on Vasakronan's website.



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Vasakronan AB is a public company registered in Stockholm. Corporate Reg. No. 556474-0123.