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Comments on Standard & Poor's revised rating for Vasakronan to BBB stable outlook

Standard & Poor's has issued Vasakronan a long-term credit rating of BBB with stable outlook. The domestic rating for short-term commercial paper program is revised from K-1 to K-2. Since November 2000, Vasakronan has had a credit rating of BBB+ with negative outlook. Vasakronan's credit rating has been revised without regard to its owner, the Swedish State. The rating is based totally on Vasakronan's own creditworthiness.

According to Standard & Poor's, the interest coverage ratio, in terms of cash flow, should have reached a multiple of 3.0 in recent years and on average be approximately 2.5. The rating action also follows a continued weak Swedish real estate market and Vasakronan's exposure to two developments projects in Kista.

- The financial risk exposure within Vasakronan remains low, says Björn Lindström, Chief Financial Officer of Vasakronan. The interest coverage ratio amounted to 2.6 by year-end 2002 compared to 2.5 at September 30, 2000, when Vasakronan was rated with BBB+ negative outlook.
- The lower credit rating will yield a slightly higher interest expense. The increase in interest expense for 2003 is estimated at SEK 2 M and in total, the lower rating is seen resulting in an additional annual expense of SEK 25 M that will have full effect after five years.
- Since the mid-1990s, we have as one of our financial objectives that the interest coverage ratio, in terms of cash flow, shall exceed 2.0," says Björn Lindström. "We don't share Standard & Poor's view that it has to be at around 3.0. In late 2002, the interest coverage ratio amounted to 2.6 and we expect the same level by the time we release the first-quarter report."

In late 2002, Vasakronan's properties had a market value of SEK 34 billion. The real estate portfolio had a surplus value of SEK 10.8 billion while the adjusted equity/assets ratio amounted to 44 percent. The visible equity/assets ratio was 33 percent.

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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.