

## Interim report January – June 2003

- New strategic direction
- High activity in Drott
- Rental market unchanged
- Write-downs of SEK 0.7 billion

Following the conclusion of the period: property sales of SEK 6.5 billion

Unchanged full-year forecast

RESULTS	April-June 3 months			January-June 6 months		
SEK M	2003	2002		2003	2002	
Ongoing property management operations ("Operations")*	182	186	-2%	345	346	0%
Property sales	33	55		46	175	
Nonrecurring items	-702	-		-702	-	
<b>Profit before tax</b>	<b>-487</b>	<b>241</b>		<b>-311</b>	<b>521</b>	
Current tax	-1	-6		-2	-33	
Deferred tax	99	-44		73	-56	
<b>Profit after tax</b>	<b>-389</b>	<b>191</b>		<b>-240</b>	<b>432</b>	
Earnings/loss per share, SEK	-4.40	2.10		-2.70	4.71	

*Operations	2003	2002		2003	2002	
Cash flow per share, SEK	3.01	2.94	+2%	5.77	5.54	+4%

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Shareholders at the Annual General Meeting in 2004 will be asked to vote on the Board of Directors' proposal to distribute **Bostadsaktiebolaget Drott**, a streamlined residential real estate company active in around ten Swedish growth regions. At the same time, it is proposed that today's Drott change its name to **Fabege AB** and that it become an active, streamlined commercial real estate company focused on Stockholm.

## COMMENT

### Market

The office rental market in Stockholm remains weak, even though signs of stabilization have been noted. Rental activity has strengthened since the beginning of the year. Hidden vacancies are gradually becoming evident in connection with lease renegotiations.

Interest in downtown office space has increased at the expense of outlying areas, which has stabilized inner city rents but kept pressure on rent levels outside the city center.

Foreign interest in acquiring office properties remains strong. Following the conclusion of the report period, Drott sold 33 office properties in the Stockholm area to foreign real estate funds for SEK 6.5 billion and an aggregate capital gain of SEK 130 M, which will be reported in third-quarter earnings.

Interest among tenant-owner associations in purchasing their buildings continues to rise in Gothenburg and Malmö and remains strong in Stockholm.

### Drott

In accordance with recommendation RR 17 of the Swedish Financial Accounting Standards Council, Drott conducted an internal appraisal of its property values as of June 30. The appraisal indicates a value below market value as per January 1. The difference amounts to SEK 1.3 billion. In the case of a number of office properties primarily in the Stockholm area, their book value exceeds estimated market value by SEK 0.7 billion, due to which a corresponding write-down was made against second-quarter earnings. As of June 30, adjusted equity therefore amounts to SEK 13.9 billion, or SEK 158 per share.

In June, the Board of Directors adopted a new strategy and direction whereby Drott will be divided into two companies:

- *Bostadsaktiebolaget Drott – an active, streamlined residential real estate company in growth regions*
- *Fabege – an active, streamlined commercial real estate company focused on Stockholm*

The new strategy will also necessitate the sale of certain residential and office properties in Stockholm as well as commercial properties outside the capital. Drott intends to return the funds it frees to shareholders through a one-time distribution, redemption and/or repurchase. The plan is to propose to the Annual General Meeting in 2004 to distribute to shareholders all the shares in the new Bostadsaktiebolaget Drott. In connection with the changes, it is also proposed that today's Drott change its name to Fabege.

The organizational changes resulting from the decisions on the distribution and refocusing will essentially be completed during the third quarter. At the same time, an analysis of Drott's cost structure will be made.

During the report period, Anders Böös took over as President and CEO to lead the change process. A recruitment process is continuing and, due to the above, now encompasses the recruitment of presidents for both Fabege and Bostadsaktiebolaget Drott.

The year-end report for 2002 forecast that profit from ongoing property management operations for full-year 2003 would be approximately ten percent lower than last year – i.e. 10% lower than SEK 698 M – and this remains unchanged.

## SIX-MONTH RESULTS January-June 2003

*Figures in parentheses refer to January-June 2002*

For the six-month period January-June 2003, Drott reported a loss of SEK -311 M (521) before tax. The change from 2002 is primarily due to write-downs [-702], though also to lower gains from property sales [-SEK 129 M] and marginally lower profit from ongoing property management operations [SEK -1 M]. The loss after tax amounted to SEK -240 M (432).

- Ongoing property management operations**

<b>Profit January-June SEK M</b>	<b>2003</b>	<b>2002</b>
Rental revenues, etc.	1,869	1,805
Property expenses, etc.	-772	-731
<b>Operating surplus</b>	<b>1,097</b>	<b>1,074</b>
Depreciation	-169	-167
Central expenses	-44	-49
<b>Operating profit</b>	<b>884</b>	<b>858</b>
Net financial items	-539	-512
<b>Profit before tax</b>	<b>345</b>	<b>346</b>
Current tax (= tax paid)	-2	-5
Deferred tax	-54	-49
<b>Profit after tax</b>	<b>289</b>	<b>292</b>
<i>(Current +deferred)/profit before tax</i>	<i>16%</i>	<i>16%</i>
<i>Current tax /profit before tax</i>	<i>1%</i>	<i>1%</i>

<b>Cash flow January-June SEK M</b>	<b>2003</b>	<b>2002</b>
<b>Profit before tax</b>	<b>345</b>	<b>346</b>
Current tax	-2	-5
<b>Profit after current tax</b>	<b>343</b>	<b>341</b>
Reversal of depreciation	169	167
<b>Cash flow</b>	<b>512</b>	<b>508</b>
<b>Cash flow per share, SEK</b>	<b>5.77</b>	<b>5.54</b>

- Property sales**

During the first half-year, ten properties were sold for SEK 220 M with a capital gain of SEK 46 M before tax. The gain was charged with tax of SEK 6 M.

- Nonrecurring items**

The book value of a number of office properties in the Stockholm area exceeds their estimated market value as of June 30, 2003, due to which a write-down of SEK 702 M was made before tax and SEK 569 M after tax.

## QUARTERLY RESULTS

### April-June 2003

*Figures in parentheses refer to the second quarter of 2002*

The second-quarter loss amounted to SEK -487 M (241) before tax. The change from 2002 is due to lower profit from ongoing property management operations [SEK -4 M], lower gains from property sales [SEK -22 M] and write-downs during the second quarter of 2003 [SEK -702 M]. The loss after tax was SEK -389 M (191).

A positive tax net of SEK 98 M was reported during the period, of which current tax (= tax paid) amounted to SEK -1 M and deferred tax (no effect on cash flow) to SEK 99 M. The positive deferred tax during the period is attributable to the reversal of previous provisions for deferred tax (the write-down taken by Drott reduces the deviation between book value and fiscal value). Drott generally has a low tax charge mainly due to the utilization of tax loss carryforwards.

- Ongoing property management operations, Q2**

<b>Profit April-June SEK M</b>	<b>2003</b>	<b>2002</b>
Rental revenues, etc.	930	902
Property expenses, etc.	-372	-343
<b>Operating surplus</b>	<b>558</b>	<b>559</b>
Depreciation	-85	-85
Central expenses	-21	-24
<b>Operating profit</b>	<b>452</b>	<b>450</b>
Net financial items	-270	-264
<b>Profit before tax</b>	<b>182</b>	<b>186</b>
Current tax (= tax paid)	-1	-3
Deferred tax	-29	-26
<b>Profit after tax</b>	<b>152</b>	<b>157</b>
<i>(Current +deferred)/profit before tax</i>	<i>16%</i>	<i>16%</i>
<i>Current tax /profit before tax</i>	<i>1%</i>	<i>2%</i>

<b>Cash flow April-June SEK M</b>	<b>2003</b>	<b>2002</b>
<b>Profit before tax</b>	<b>182</b>	<b>186</b>
Current tax	-1	-3
<b>Profit after current tax</b>	<b>181</b>	<b>183</b>
Reversal of depreciation	85	85
<b>Cash flow</b>	<b>266</b>	<b>268</b>
<b>Cash flow per share, SEK</b>	<b>3.01</b>	<b>2.94</b>

Second-quarter rental revenues amounted to SEK 919 M (893), of which residential rents accounted for SEK 245 M (232). Rental revenues were positively affected by rising average rents (renegotiations and indexation of current leases) and completed renovation and new construction projects, while a lower occupancy rate in the commercial portfolio negatively affected revenues.

The occupancy rate fell in April-June by 0.2 percentage points to 90.2 percent due to a loss of tenants in Drott's commercial properties in Stockholm. As of June 30, 2003, the occupancy rate

was 99.6 percent for residential space and 87.6 percent for commercial space (86.5 percent for office space and 91.7 percent for other space).

Operating costs rose mainly due to higher electricity and heating costs, while costs for maintenance and tenant modifications were lower than the corresponding period of 2002. Costs for scheduled maintenance and tenant modifications are expected to rise during the third and fourth quarters, however. Major marketing efforts are being made, and new rentals will directly result in higher modification costs (but will take longer to impact revenues).

The operating surplus was SEK 558 M (559) and the surplus ratio 61 percent (63).

➡ *In the like-for-like portfolio – i.e. in the portfolio Drott owned in the second quarters of both 2002 and 2003 – rental revenues remained unchanged.*

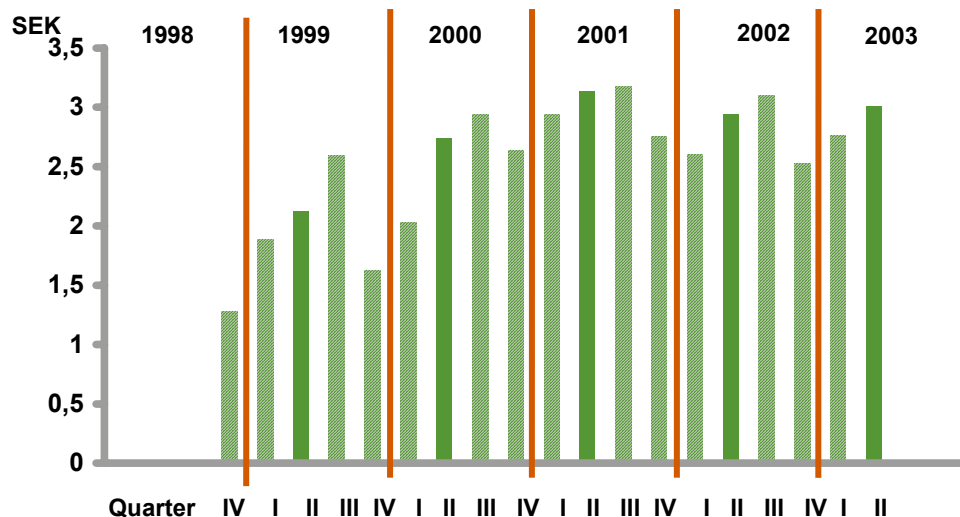
*The operating surplus in the like-for-like portfolio fell by SEK 19 M, or 4 percent, mainly due to increased operating costs owing to rate increases.*

Quarterly interest expenses amounted to SEK 273 M (271). The average interest rate on interest-bearing liabilities was lower than the corresponding period a year earlier, but interest-bearing liabilities rose owing to net investments in properties and share repurchases. At the end of the period, the average interest rate on Drott's interest-bearing liabilities was 4.5 percent (5.0).

Profit from ongoing property management operations declined slightly from the corresponding quarter of 2002 to SEK 182 M (186). Profit from operations was charged with taxes of SEK 30 M, of which current tax accounted for SEK 1 M and deferred tax for SEK 29 M. Profit after tax amounted to SEK 152 M (157).

Cash flow amounted to SEK 266 M (268). Cash flow per share rose by 2 percent to SEK 3.01 (2.94).

### Cash flow per share (from operations)



- **Property sales, Q2**

During the second quarter, five properties (5) were sold for SEK 94 M (199) and a gain of SEK 33 M (55) before tax. The gain is charged with tax of SEK 5 M (21). The largest sale in terms of amount was the residential property Karl XV Port 5 in downtown Stockholm, measuring 2,400 sq. m., which was sold for SEK 42 M.

- **Nonrecurring items, Q2**

The book value of a number of office properties in the Stockholm area exceeds their estimated market value as of June 30, 2003, due to which a write-down of SEK 702 M was made before tax and SEK 569 M after tax.

## BALANCE SHEET June 30, 2003

Figures in parentheses refer to December 31, 2002

### PROPERTIES

During the quarter, Drott invested SEK 333 M<sup>1</sup> in new construction and renovations. Five properties were sold for SEK 94 M<sup>2</sup>. The sales exceeded independently appraised market values as of December 31, 2002 by an average of 19 percent.

#### Book value of properties

CHANGE 2003	Apr-Jun	Jan-Jun
SEK M	3 mos.	6 mos.
Book value of properties at start of period	36,001	35,978
Sales	-60	-172
Acquisitions	-	54
Investments in new construction and renovations	333	494
Depreciation	-81	-161
Write-downs	-702	-702
Book value of properties at end of period	35,491	35,491

#### Breakdown of property space

June 30, 2003	OFFICES	OTHER SPACE <sup>3</sup>	RESIDENTIAL	TOTAL	
<b>RENTABLE SPACE, sq. m.</b>					
Inner city	279,000	158,000	149,000	586,000	18%
Globen, Marievik, Alvik	216,000	146,000	-	362,000	11%
Kista	258,000	52,000	-	310,000	9%
Other, Stockholm region	390,000	318,000	206,000	914,000	27%
<b>Stockholm region</b>	<b>1,143,000</b>	<b>674,000</b>	<b>355,000</b>	<b>2,172,000</b>	<b>65%</b>
Uppsala	33,000	20,000	67,000	120,000	4%
Öresund region	166,000	125,000	246,000	537,000	16%
Gothenburg region	74,000	98,000	326,000	498,000	15%
Rest of Sweden	-	7,000	-	7,000	0%
<b>Rentable space</b>	<b>1,416,000</b>	<b>924,000</b>	<b>994,000</b>	<b>3,334,000</b>	<b>100%</b>
<b>ANNUAL RENT, SEK M</b>					
Inner city	705	178	153	1,036	26%
Globen, Marievik, Alvik	479	143	-	622	15%
Kista	400	48	-	448	11%
Other, Stockholm region	540	207	185	932	23%
<b>Stockholm region</b>	<b>2,124</b>	<b>576</b>	<b>338</b>	<b>3,038</b>	<b>75%</b>
Uppsala	38	17	56	111	3%
Öresund region	183	88	216	487	12%
Gothenburg region	95	68	264	427	10%
Rest of Sweden	-	6	-	6	0%
<b>Annual rent incl. vacant rent</b>	<b>2,440</b>	<b>755</b>	<b>874</b>	<b>4,069</b>	<b>100%</b>
<b>Occupancy rate</b>	<b>86.5%</b>	<b>91.4%</b>	<b>99.6%</b>	<b>90.2%</b>	
Annual rent	2,110	690	871	3,671	
Vacant rent	330	65	3	398	
<b>Annual rent incl. vacant rent</b>	<b>2,440</b>	<b>755</b>	<b>874</b>	<b>4,069</b>	

<sup>1</sup> Including capitalized interest expenses of SEK 7 M.

<sup>2</sup> A list of acquired and divested properties is available on Drott's website, [www.drott.se](http://www.drott.se).

<sup>3</sup> Retail, industrial, warehouses, garages, etc.

## Property categories

June 30, 2003		MANAGEMENT <sup>4</sup>		PROJECT		ALL PROPERTIES
		Commercial properties	Residential properties	Properties under construction or renovation	Other project properties	
<b>Registered properties</b>	<b>no.</b>	<b>228</b>	<b>220</b>	<b>6</b>	<b>43</b>	<b>497</b>
<b>Book value</b>	<b>SEK bn</b>	<b>24.8</b>	<b>8.3</b>	<b>1.8</b>	<b>0.6</b>	<b>35.5</b>
Commercial space	sq. m.	1,997,000	247,000	69,000	27,000	<b>2,340,000</b>
Residential space	sq. m.	34,000	957,000	0	3,000	<b>994,000</b>
<b>Rentable space</b>	<b>sq. m.</b>	<b>2,031,000</b>	<b>1,204,000</b>	<b>69,000</b>	<b>30,000</b>	<b>3,334,000</b>
Commercial leases	no.	3,168	904	60	25	<b>4,157</b>
Residential leases	no.	450	13,929	16	12	<b>14,407</b>
<b>Occupancy rate</b>		<b>88.9%</b>	<b>98.5%</b>			<b>90.2%</b>
Annual rent	SEK M	2,605	975	78	13	<b>3,671</b>
Vacant rent	SEK M	324	14	37	23	<b>398</b>
<b>Annual rent incl. vacant rent</b>	<b>SEK M</b>	<b>2,929</b>	<b>989</b>	<b>115</b>	<b>36</b>	<b>4,069</b>
- of which commercial rent	SEK M	2,897	150	115	33	<b>3,155</b>
- of which residential rent	SEK M	32	839	0	3	<b>874</b>

## Lease structure (current leases)

As of June 30, 2003, Drott's current leases generate total annual rent of SEK 3.7 billion, of which SEK 2.6 billion is from commercial leases with a weighted average expiration of 3.1 years. The five largest tenants accounted for SEK 0.4 billion with a weighted average expiration of 4.3 years.

## Properties under construction or renovation

At the end of the period, five major renovations were under way. Remaining investments total SEK 0.5 billion. When completed, annual rent from these properties will rise from SEK 78 M at present to SEK 210 M (fully leased), of which SEK 136 M (65 percent) is leased as of June 30, 2003.

June 30, 2003	Region	Space added sq. m.	Space when completed, sq. m.	Com- pletion
Mimer 5, Vasastan	Stockholm	-	12,100	Dec. 03
Lustgården 12, Stadshagen	Stockholm	-	18,400	Aug. 03
Marievik 23, Marievik	Stockholm	4,000	17,000	Dec. 03
Stuten 12+17, Norrmalm	Stockholm	4,000	14,600	Apr. 04
Fatburssjön 5, Södermalm, Drott's share (50%)	Stockholm	4,200	25,900	Oct. 04
<b>TOTAL incl. garages</b>		<b>12,200</b>	<b>88,000</b>	

## OTHER ASSETS

As of June 30, 2003, Drott had tax loss carryforwards, which it expects to offset against future surpluses, totaling SEK 2.5 billion. In accordance with recommendation RR:9 of the Swedish Financial Accounting Standards Council, these tax loss carryforwards are carried at acquisition value (less utilized percentage) in the case of acquisitions of material assets or otherwise at nominal value (28 percent). As a result of these principles, Drott's balance sheet included **deferred tax assets** of SEK 202 M (237).

<sup>4</sup> "Commercial properties": over half of rental revenues are from commercial space.

"Residential properties": over half of rental revenues are from residential space.



## EQUITY

As of June 30, 2003, equity amounted to SEK 9,091 M (9,904), distributed among 88,383,908 shares outstanding (89,781,385). Changes in equity are indicated in the table on page 13.

No shares were repurchased during the second quarter. At the end of the period, Drott owned 450,000 of its own shares, corresponding to 0.5 percent of registered shares.

NUMBER OF SHARES	Outstanding I	Own holding II	Registered I+II
<b>Dec. 31, 2002</b>	<b>89,781,385</b>	<b>2,633,900</b>	<b>92,415,285</b>
Share repurchases	-1,404,500	+1,404,500	-
<b>March 31, 2003</b>	<b>88,376,885</b>	<b>4,038,400</b>	<b>92,415,285</b>
Share retirement	-	-3,588,400	-3,588,400
Conversion	+7,023	-	+7,023
<b>June 30, 2003</b>	<b>88,383,908</b>	<b>450,000</b>	<b>88,833,908</b>

## PROVISIONS

Provisions for deferred tax amounted to SEK 2,356 M, of which SEK 2,154 M related to provisions for deferred tax on differences between the book value and fiscal residual value of the properties.

The Group's total provisions amounted to SEK 2,425 M (2,519).

## INTEREST-BEARING LIABILITIES

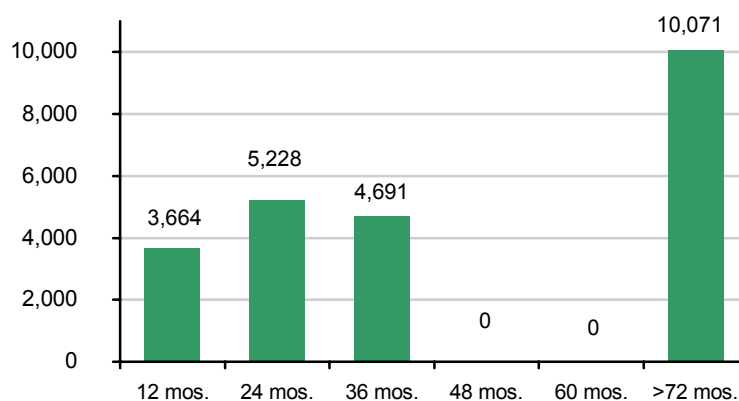
Drott's interest-bearing liabilities amounted to SEK 23,654 M (22,987) with an average interest rate of 4.5 percent (4.9). *As of August 20, 2003, the average interest rate was 4.4 percent.*

### Loan structure

Loan capital has been secured long-term. Financing is largely in the form of long-term bilateral credit facilities with Swedish and international banks. In total, Drott has credit facilities of SEK 26.0 billion with a weighted average expiration of 4.9 years. Pledged assets consist primarily of mortgage deeds (Drott had pledged mortgage deeds of SEK 18.6 billion for utilized loans as of June 30, 2003).

Moreover, Drott has a commercial paper program in the Swedish capital market. Outstanding commercial paper had a nominal value of SEK 3.0 billion as of June 30, 2003. *As of August 20, 2003, outstanding commercial paper amounted to SEK 3.1 billion.*

### Loan maturity structure, June 30, 2003 SEK M



### Interest rate structure

By utilizing the derivatives market, Drott can choose its fixed interest structure. This gives it the flexibility to change the structure on short notice. As of June 30, 2003, the average fixed interest term<sup>5</sup> was 17 months.

<b>INTEREST RATE MATURITY STRUCTURE June 30, 2003</b>							
<b>Interest due within</b>	<b>12 mos.</b>	<b>24 mos.</b>	<b>36 mos.</b>	<b>48 mos.</b>	<b>60 mos.</b>	<b>72 mos.-</b>	<b>Total</b>
SEK M	11,814	8,248	1,010	100	1,350	1,132	<b>23,654</b>
average interest rate, %	4.2%	4.5%	5.0%	3.9%	4.6%	6.2%	4.5%
<b>Share, %</b>	<b>49.9%</b>	<b>34.9%</b>	<b>4.3%</b>	<b>0.4%</b>	<b>5.7%</b>	<b>4.8%</b>	<b>100</b>

*As of August 20, 2003, the average fixed interest term was 19 months.*

### • Parent Company

The Parent Company reported a loss before tax of SEK -195 M (-185) for the first 6 months. Sales, which consist largely of intra-Group services, amounted to SEK 42 M (23). Investments amounted to SEK 2.0 M (0.5) during the first six months.

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<sup>5</sup>Drott works with, among other things, so-called structured swaps (SEK 4.9 billion, 1.5 years), which, when their interest rate (Stibor 3-month) exceeds 5.5-6.0 percent, convert from fixed to variable. With today's interest rate forecasts, the likelihood that the 3-month rate will exceed 5.5-6.0 percent within 1.7 years is considered very low. The swaps are reported at their delta value, i.e. the likelihood that the fixed rate will convert to variable.

## FOLLOWING THE CONCLUSION OF THE REPORT PERIOD

Following the conclusion of the report period, Drott sold 34 properties for SEK 6.5 billion with a capital gain of approximately SEK 147 M.

CHANGES IN THE PORTFOLIO	June 30, 2003		Following the report period		Pro forma after sales	
Property portfolio	No. of prop- erties	Rentable space sq. m.	No. of prop- erties	Rentable space sq. m.	No. of prop- erties	Rentable space sq. m.
Inner city	106	586,000	-11	-87,000	95	499,000
Globen, Marievik, Alvik	21	362,000	-5	-184,000	16	178,000
Kista	17	310,000	-1	-27,000	16	283,000
Other, Stockholm region	163	914,000	-17	-95,000	146	819,000
<b>Stockholm region</b>	<b>307</b>	<b>2,172,000</b>	<b>-34</b>	<b>-393,000</b>	<b>273</b>	<b>1,779,000</b>
Uppsala	19	120,000	-	-	19	120,000
Öresund region	100	537,000	-	-	100	537,000
Gothenburg region	66	498,000	-	-	66	498,000
Rest of Sweden	5	7,000	-	-	5	7,000
<b>Total</b>	<b>497</b>	<b>3,334,000</b>	<b>-34</b>	<b>-393,000</b>	<b>463</b>	<b>2,941,000</b>
<b>Annual rent, SEK M</b>						
Annual rent		3,671		-637		3,034
Vacant rent		398		-50		348
<b>Annual rent incl. vacant rent</b>		<b>4,069</b>		<b>-687</b>		<b>3,382</b>
<i>Occupancy rate</i>		<i>90.2%</i>		<i>92.7%</i>		<i>89.7%</i>

Thus far in 2003 (as of August 21), Drott has sold a total of 44 properties for SEK 6.7 billion. Of the aggregate capital gain of SEK 193 M, SEK 147 M accrues in the third quarter.

Stockholm, August 21, 2003

**Drott AB (publ)**

Anders Böös  
President

*The interim report has not been reviewed by the company's auditors.*

# FINANCIAL STATEMENTS

## Income statement

GROUP	3 months		6 months		12 months	
	Apr-Jun 2003	Apr-Jun 2002	Jan-Jun 2003	Jan-Jun 2002	Jul-Jun rolling	Jan-Dec 2002
<b>SEK M</b>						
Rental revenues	919	893	1,848	1,788	3,694	3,634
Other revenues	11	9	21	17	45	41
Operating, maintenance and tenant modification costs	-236	-217	-494	-466	-953	-925
Site lease rents	-16	-17	-33	-34	-67	-68
Property tax	-53	-54	-108	-106	-217	-215
Rental and property administration	-67	-55	-137	-125	-282	-270
<b>Operating surplus</b>	<b>558</b>	<b>559</b>	<b>1,097</b>	<b>1,074</b>	<b>2,220</b>	<b>2,197</b>
Depreciation	-85	-85	-169	-167	-337	-335
<b>Profit from property management operations</b>	<b>473</b>	<b>474</b>	<b>928</b>	<b>907</b>	<b>1,883</b>	<b>1,862</b>
Gains on property sales	33	55	46	175	128	257
Write-downs	-702	-	-702	-	-1,040	-338
Central corporate and Group expenses	-21	-24	-44	-49	-93	-98
<b>Operating profit</b>	<b>-217</b>	<b>505</b>	<b>228</b>	<b>1,033</b>	<b>878</b>	<b>1,683</b>
Interest subsidy	1	1	2	2	5	5
Interest income	2	6	7	11	17	21
Interest expense	-273	-271	-548	-525	-1,115	-1,092
<b>Profit for the period before tax</b>	<b>-487</b>	<b>241</b>	<b>-311</b>	<b>521</b>	<b>-215</b>	<b>617</b>
Current and deferred tax	98	-50	71	-89	87	-73
<b>Profit for the period</b>	<b>-389</b>	<b>191</b>	<b>-240</b>	<b>432</b>	<b>-128</b>	<b>544</b>

Average number of shares outstanding (M)	88.4	91.0	88.7	91.7	89.3	90.8
Earnings per share after current and deferred tax, SEK	-4.40	2.10	-2.70	4.71	-1.43	5.99

ONGOING PROPERTY MANAGEMENT	3 months		6 months		12 months	
	Apr-Jun 2003	Apr-Jun 2002	Jan-Jun 2003	Jan-Jun 2002	Jul-Jun rolling	Jan-Dec 2002
<b>SEK M</b>						
Profit for the period before tax	182	186	345	346	697	698
Profit for the period after current tax	181	183	343	341	681	679
Profit for the period after current and deferred tax	152	157	289	292	581	584
Cash flow	266	268	512	508	1,018	1,014

Average number of shares outstanding (million)	88.4	91.0	88.7	91.7	89.3	90.8
Earnings per share after current and deferred tax, SEK	1.72	1.73	3.26	3.19	6.51	6.43
Cash flow per share, SEK	3.01	2.94	5.77	5.54	11.40	11.17

## Profit per property category

April-June 2003 SEK M	MANAGEMENT		PROJECT	SERVICES	GROUP
	Commercial properties	Residential properties	Project properties	Drott Service	
Rental revenues, etc.	655	245	19	11	930
Property costs, etc.	-218	-122	-17	-15	-372
<b>Operating surplus</b>	<b>437</b>	<b>123</b>	<b>2</b>	<b>-4</b>	<b>558</b>

## Balance sheet

GROUP				
SEK M	June 30, 2003	Mar. 31, 2003	Dec. 31, 2002	June 30, 2002
Properties	35,491	36,001	35,978	35,770
Deferred tax assets	202	222	237	269
Other fixed assets	151	169	141	140
<b>Fixed assets</b>	<b>35,844</b>	<b>36,392</b>	<b>36,356</b>	<b>36,179</b>
Accounts receivable	320	358	449	922
Liquid assets	237	391	73	59
<b>Current assets</b>	<b>557</b>	<b>749</b>	<b>522</b>	<b>981</b>
<b>ASSETS</b>	<b>36,401</b>	<b>37,141</b>	<b>36,878</b>	<b>37,160</b>
Equity	9,091	9,922	9,904	9,836
Provisions	2,425	2,540	2,519	2,568
Non-interest-bearing liabilities	1,231	1,186	1,468	1,241
Interest-bearing liabilities	23,654	23,493	22,987	23,515
<b>EQUITY AND LIABILITIES</b>	<b>36,401</b>	<b>37,141</b>	<b>36,878</b>	<b>37,160</b>

CHANGE IN EQUITY	Apr-Jun 3 months		Jan-Jun 6 months		Jan-Dec 12 mos.
SEK M	2003	2002	2003	2002	2002
<b>Balance at beginning of period</b>	<b>9,922</b>	<b>10,289</b>	<b>9,904</b>	<b>10,145</b>	<b>10,145</b>
Dividend	-442	-459	-442	-459	-459
Share repurchases	-	-185	-131	-282	-325
Change in translation differences, etc.	-	-	-	-	-1
Net profit for period	-389	191	-240	432	544
<b>Balance at end of period</b>	<b>9,091</b>	<b>9,836</b>	<b>9,091</b>	<b>9,836</b>	<b>9,904</b>

## Accounting principles

Drott's accounting principles are unchanged since the latest annual report. The company complies with the recommendations of the Swedish Financial Accounting Standards Council and the pronouncements of the Swedish Emerging Issues Task Force. The interim report has been prepared in accordance with recommendation RR20 of the Swedish Financial Accounting Standards Council on interim reporting.

## Cash flow statement

GROUP	3 months		6 months		12 months	
	Apr-Jun 2003	Apr-Jun 2002	Jan-Jun 2003	Jan-Jun 2002	Jul-Jun rolling	Jan-Dec 2002
<b>SEK M</b>						
<b>OPERATING ACTIVITIES</b>						
Operating surplus	558	559	1,097	1,074	2,220	2,197
Central corporate and Group expenses	-21	-24	-44	-49	-93	-98
Interest subsidies	1	1	2	2	5	5
Interest income	2	6	7	11	17	21
Interest expense	-273	-271	-548	-525	-1,115	-1,092
Tax paid on ongoing property management operations	-1	-3	-2	-5	-16	-19
<b>Cash flow from operations</b>	<b>266</b>	<b>268</b>	<b>512</b>	<b>508</b>	<b>1,018</b>	<b>1,014</b>
<i>Cash flow from nonrecurring items, etc.</i>						
Nonrecurring items and difference between paid and expensed interest	2	13	-133	-90	-121	-78
<b>Cash flow before change in working capital</b>	<b>268</b>	<b>281</b>	<b>379</b>	<b>418</b>	<b>897</b>	<b>936</b>
Cash flow from change in working capital	81	-390	-137	-765	681	53
<b>Cash flow from operating activities (A)</b>	<b>349</b>	<b>-109</b>	<b>242</b>	<b>-347</b>	<b>1,578</b>	<b>989</b>
<b>INVESTING ACTIVITIES</b>						
Investments, properties	-377	-195	-548	-1,305	-1,738	-2,495
Investments, machinery and equipment	-5	-3	-8	-6	-25	-23
Property sales (incl. selling expenses)	160	6	384	1,377	842	1,835
Tax paid on capital gains	-	-3	-	-28	-2	-30
<b>Cash flow from investing activities (B)</b>	<b>-222</b>	<b>-195</b>	<b>-172</b>	<b>38</b>	<b>-923</b>	<b>-713</b>
<b>FINANCING ACTIVITIES</b>						
Interest-bearing loans raised/amortized	161	926	667	1,017	139	489
Share repurchases	-	-185	-131	-282	-174	-325
Dividend	-442	-459	-442	-459	-442	-459
<b>Cash flow from financing activities (C)</b>	<b>-281</b>	<b>282</b>	<b>94</b>	<b>276</b>	<b>-477</b>	<b>-295</b>
<b>CHANGE IN LIQUID ASSETS (A+B+C)</b>	<b>-154</b>	<b>-22</b>	<b>164</b>	<b>-33</b>	<b>178</b>	<b>-19</b>
Liquid assets at beginning of period	391	81	73	92	59	92
<b>LIQUID ASSETS AT END OF PERIOD</b>	<b>237</b>	<b>59</b>	<b>237</b>	<b>59</b>	<b>237</b>	<b>73</b>

OPERATIONS Quarter	1999			2000				2001				2002				2003	
	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II
Cash flow, SEK M	216	263	165	206	279	297	263	286	297	296	255	240	268	279	227	246	266
Average number of shares outstanding, million	101.7	101.7	101.7	101.7	101.7	101.2	99.5	97.3	94.9	93.2	92.7	92.3	91.0	90.0	89.8	89.1	88.4
Cash flow, SEK/share	2.12	2.59	1.62	2.03	2.74	2.94	2.64	2.94	3.13	3.18	2.75	2.60	2.94	3.10	2.53	2.76	3.01
Rolling annual cash flow, SEK M	744	817	836	850	913	947	1045	1125	1143	1142	1134	1088	1059	1042	1014	1020	1018
Average number of shares outstanding, million	107.8	104.7	101.7	101.7	101.7	101.6	101.0	99.9	98.2	96.2	94.5	93.3	92.3	91.5	90.8	90.0	89.3
Rolling annual cash flow, SEK/share	6.90	7.80	8.22	8.36	8.98	9.32	10.34	11.26	11.64	11.87	12.00	11.67	11.47	11.39	11.17	11.34	11.40

## Key ratios

GROUP	3 months		6 months		12 months	
	Apr-Jun 2003	Apr-Jun 2002	Jan-Jun 2003	Apr-Jun 2002	Jul-Jun rolling	Jan-Dec 2002
<b>SEK M</b>						
<b>PROPERTY-RELATED</b>						
Rental revenues	919	893	1,848	1,788	3,694	3,634
Operating surplus	558	559	1,097	1,074	2,220	2,197
Surplus ratio, %	61	63	59	60	60	60
<b>At end of period</b>						
Rentable space, sq. m.	3,334,000	3,379,000	3,334,000	3,379,000	3,334,000	3,344,000
Economic occupancy rate, %	90.2	91.2	90.2	91.2	90.2	91.1
Book value of properties	35,491	35,770	35,491	35,770	35,491	35,978
<b>FINANCIAL</b>						
<b>Ongoing property management operations</b>						
Profit before tax	182	186	345	346	697	698
Profit after current and deferred tax	152	157	289	292	581	584
Cash flow	266	268	512	508	1,018	1,014
Interest coverage ratio, multiple	2.0	2.0	1.9	2.0	1.9	1.9
<b>Total</b>						
Profit before tax	-487	241	-311	521	-215	617
Profit after tax	-389	191	-240	432	-128	544
Return on equity, %	no data	no data	no data	no data	-1.4	5.4
Cash flow incl. property sales gain	299	320	558	655	1,144	1,241
Interest coverage ratio, multiple	-0.8	1.9	0.4	2.0	0.8	1.6
<b>At end of period</b>						
Interest-bearing liabilities	23,654	23,515	23,654	23,515	23,654	22,987
Equity	9,091	9,836	9,091	9,836	9,091	9,904
Total assets	36,401	37,160	36,401	37,160	36,401	36,878
Equity/assets ratio, %	25	26	25	26	25	27
Debt/equity ratio, multiple	2.6	2.4	2.6	2.4	2.6	2.3

### PER SHARE, SEK<sup>6 7</sup>

Avg. number of shares outstanding during period	88,380,397	91,023,335	88,729,766	91,662,847	89,305,575	90,772,116
- Total profit	-4.40	2.10	-2.70	4.71	-1.43	5.99
- Cash flow, ongoing property management	3.01	2.94	5.77	5.54	11.40	11.17
- Cash flow incl. gain on property sales	3.38	3.52	6.29	7.15	12.81	13.67
<b>Number of shares outstanding at end of period</b>	<b>88,383,908</b>	<b>90,181,385</b>	<b>88,383,908</b>	<b>90,181,385</b>	<b>88,383,908</b>	<b>89,781,385</b>
- Equity at end of period	102.86	109.07	102.86	109.07	102.86	110.31
<b>Number of registered shares at end of period</b>	<b>88,833,908</b>	<b>92,415,285</b>	<b>88,833,908</b>	<b>92,415,285</b>	<b>88,833,908</b>	<b>92,415,285</b>

<sup>6</sup> Key data per share are calculated based on the number of shares outstanding, i.e. the number of registered shares less the number of shares Drott owns.

<sup>7</sup> In June 1999, Drott issued a convertible debenture loan of SEK 46.2 M with preferential rights for employees in Sweden. Employees have subscribed for SEK 43.1 M, and the remaining convertibles have been subscribed for by a wholly owned subsidiary of Drott AB. Conversions are permitted until April 30, 2004, at an exercise price of SEK 84. Upon full conversion, the number of Class B shares will increase by 550,000. The dilution effect from potential conversions has not been taken into account in the key ratio table, since the dilution has only a marginal impact on the ratios.

## Definitions

<b>PROPERTY-RELATED</b>	
Economic occupancy rate	Annual rent for leases that extend to the end of the period divided by the sum of annual rents, incl. vacant rent.
Like-for-like portfolio - profit	Properties included in the Drott Group from the beginning of a period until the corresponding period a year later.
Annual rent	Basic annual leased-based rent after indexing and adjustments for rent discounts and surcharges.
Annual rent incl. vacant rent	The sum of annual rents and vacant rent.
Rentable space	Leased space generating rental revenues at the end of the period plus vacant space. Rentable space includes indoor garages.
Vacant rent	Estimated rent for vacant housing plus annual market rent for vacant commercial space after reasonable refurbishment.
Surplus ratio	Operating surplus as a percentage of rental revenues.
<b>FINANCIAL</b>	
Return on equity	Profit for the period as a percentage of average equity.
Central corporate and Group expenses	Expenses not directly attributable to property management, such as corporate management, group staff functions and maintenance of the company's stock exchange listing.
Cash flow	Profit before tax after the reversal of depreciation, the result from property sales and nonrecurring items less current tax on ongoing property management operations.
Nonrecurring items	All income and expenses not included in ongoing property management operations or in the result from property sales.
Profit - ongoing property management operations	Profit excluding result from property sales and nonrecurring items.
Interest coverage ratio	Profit after net financial items after the reversal of interest expense divided by interest expense.
Interest coverage ratio – ongoing property management operations	Profit after net financial items after the reversal of interest expense, the result from property sales, depreciation and nonrecurring items divided by interest expense.
Debt/equity ratio	Interest-bearing liabilities divided by equity.
Equity/assets ratio	Equity plus minority interest as a percentage of total assets.
Earnings per share	Profit for the period divided by the average number of shares outstanding.
Annual cash flow	Sum of cash flow over the last four quarters.

## Further information

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Interim report July-September 2003	October 29, 2003		
Year-end report 2003	February 19, 2004		
Annual report 2003	Early March 2004		
Annual General Meeting	March 30, 2004		
Interim report January-March 2004	May 4, 2004		
Interim report April-June 2004	August 19, 2004		
Interim report July-September 2004	October 26, 2004		
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## THE DROTT SHARE



Since July 1, 2003, the Drott Class B share has been included in the OMX index of the 30 most actively traded stocks on the Stockholm Stock Exchange.

### Largest shareholders, July 31, 2003

SHAREHOLDER	Class A shares	Class B shares	Total number	Shares outstanding (%)		Registered shares (%)	
				Capital	Votes		
Wihlborgs	-	9,434,500	9,434,500	10.7	10.1	10.6	10.1
Robur mutual funds	-	5,668,698	5,668,698	6.4	6.1	6.4	6.1
AMF Pension	-	5,317,000	5,317,000	6.0	5.7	6.0	5.7
Öresund	14,700	5,131,800	5,146,500	5.8	5.7	5.8	5.6
HQ mutual funds	-	3,672,400	3,672,400	4.2	3.9	4.1	3.9
Sten A Olsson	-	3,447,100	3,447,100	3.9	3.7	3.9	3.7
Skandia	-	2,129,398	2,129,398	2.4	2.3	2.4	2.3
Latour	15,400	2,100,000	2,115,400	2.4	2.4	2.4	2.4
Jonas Wahlström	-	1,059,000	1,059,000	1.2	1.1	1.2	1.1
Foreign shareholders	19,680	13,502,909	13,522,589	15.3	14.7	15.2	14.7
Other	467,447	36,411,970	36,879,417	41.7	44.2	41.5	43.9
<b>Shares outstanding</b>	<b>517,227</b>	<b>87,874,775</b>	<b>88,392,002</b>	<b>100.0</b>	<b>100.0</b>	<b>99.5</b>	<b>99.5</b>
Drott	-	450,000	450,000			0.5	0.5
<b>Registered shares</b>	<b>517,227</b>	<b>88,324,775</b>	<b>88,842,002</b>			<b>100.0</b>	<b>100.0</b>