

Vasakronan year-end report 2003

- **Economic downturn** generated lower rent levels and increased vacancies. The vacancy rate rose to 10% (7) of rental revenues.
- **Rental revenues** amounted to SEK 2,961 M (2,899). The rental increase for new and renegotiated leases was 4% (48).
- **The income after financial items** amounted to SEK 585 M (617), excluding capital gains of SEK 587 M, write-downs of properties, as well as write-downs of properties and participations in associated companies of SEK 1,135 M. Income after financial items amounted to SEK 37 M (601).
- **The market value** of the properties amounted to SEK 31.4 billion (34.1). The value decline for comparable portfolios was 2%. Write-down of properties was made in an amount of SEK 712 M.
- **The outlook** for 2004 is that the income after financial items, before capital gains and possible write-downs, will amount to approximately SEK 350 M (585).

FINANCIAL DATA

SEK M	Full year 2003	Oct.–Dec. 2003	Full year 2002	Oct.–Dec. 2002
Rental revenues	2,961	714	2,899	737
Income after financial items	37	–491	601	51
Income after financial items, excluding capital gains, property write-downs, property write-downs and participations in associated companies	585	77	617	64
Cash flow	859	126	925	99
Investments, including property acquisitions	1,620	132	708	142
Market value, properties	31,394	31,394	34,063	34,063
Book value, properties	21,452	21,452	22,191	22,191
Equity/assets ratio, %	34%	34%	33%	33%
Vacancy rate, rent, %	10%	10%	7%	7%

Property and rental premises market

Weak rental market

The weak economy had a negative impact on demand for premises, primarily in Stockholm, while the trend in Göteborg, Malmö, Lund and Uppsala was more stable.

Competition in the Swedish property market has changed substantially in recent years. Foreign property investors have acquired a large number of Swedish property portfolios and the listed companies have restructured their portfolios. In 2003, sales of Swedish properties totaled approximately SEK 90 billion, with foreign investors accounting for about half of these investments.

Stockholm

The recession has had a harsh effect on Stockholm. Growth has slowed and Stockholm is no longer Sweden's growth engine. The effects of the downturn in the three major industries – IT, telecom and finance – are clearly noticeable in the rental-premises market in Stockholm.

Market rents in central Stockholm declined in the past year to a current level of SEK 3,300-4,000/m². There has been a definite change in the perception of what is regarded as the most attractive location and in the design of premises; from offices on Stureplan to effective premises, with high-technology content, at Hötorget and Hamngatan. The trend is also noticeable within the retail sector.

The recession has also had a strong impact on Stockholm's inner suburbs. In some areas, the vacancy rate is estimated at nearly 30% and the rent levels have nearly halved, compared with a few years ago. In Stockholm's outer suburbs vacant premises amount to about 1.2 million m². When the economy turns around, it will take a long time to fill these vacancies. The structural vacancy level will probably be high for several years ahead. The economy must first recover before it generates positive effects in the rental market.

Kista has the highest vacancy rate at nearly 30%. The reason is the addition of new offices, which has been substantial in recent years. The vacancy levels are especially high in older premises, with less advantageous locations.

However, the vacancies in Kista are not a real reflection of the labor market in Kista. During the strong years, companies rented more space than they needed because they were confident of expansion. But today they endeavor to have as small premises as possible.

The fact is that there are as many people working in Kista today as during the economic boom in 2001. The general assessment is that the vacancies in Kista could decline rapidly when the economy improves.

Göteborg

Growth has been strong in Göteborg in recent years and rent levels have been relatively stable, despite increased vacancies. The office premises market has declined, however, since the peak in 2001.

Certain market sectors with a high presence of tenants in the areas of IT consultancy and telecom have a greater vacancy rate, which was most apparent in Gullbergsvass. Telia vacated substantial premises in the city center and moved to Gårda, which affected the rental premises market. Norra Älvstranden, which has been affected by substantial new construction of office premises in recent years, had a high vacancy rate after some of the large companies relocated or reduced their number of employees.

Malmö

Economic growth was stable in the Öresund region and economic growth was 2.5–3 percent in 2003. The Öresund Link generated a dynamic in the region and many Danes have moved across Öresund and commute to work in Copenhagen. Both the population and employment have increased.

The rental market remains stable, although vacancies increased somewhat during the year. The new production that is taking place is demand-driven and amounts to about 20,000 m² of office space. Construction is mostly in the Västra Hamnen area.

Market value

At year-end 2003, NewSec Analys conducted an assessment of the market value of Vasakronan's property portfolio. The properties were also valued at year-end in the six preceding years in accordance with the same basic principles. Prior to this, the total property portfolio was valued in connection with the purchase of properties from the Government in 1993.

Market valuation

External valuation was applied to all properties.

The market value of Vasakronan's property portfolio was assessed at SEK 31.4 billion (34.1), a decline of SEK 2.7 billion. The decline for the comparable property portfolio amounted to SEK 0.8 billion (2%), of which investments accounted for SEK 0.4 billion (2%) and

the change in market value accounted for SEK 1.2 billion (4%).

The book value of the property portfolio, including projects in progress, is SEK 21.8 billion (23.3). The assessed market value exceeded the book value by SEK 9.6 billion.

The valuation resulted in certain properties having an assessed market value that is a total of SEK 915 M less than the book value.

Vasakronan's main principle is that write-downs are made for those properties with book values that exceed their market value.

All property assessments are the result of an appraiser's assessment at a certain point in time and these are connected with some uncertainty. This uncertainty is stated in a value interval of approximately +/-5-10%.

On this basis, Vasakronan conducts a write-down at a value interval based on the assessed market value +/- 5%. If the book value is within this interval, no write-down or reversal of an earlier write-down is made. In certain cases, a calculated new utility value – if this is higher than the assessed market value – can be applied to determine whether there is a need for a write-down. In the 2003 Year-end Report, write-downs were made at a value interval based on the assessed market value +/- 5%. Write-downs were made in an amount of SEK 712 M, which were charged against earnings for 2003.

The market valuation includes the assessed value of the building rights for which there are detailed development plans, but no assessed values regarding potential development land.

ASSESSED MARKET VALUE

SEK M	Contracted annual rent ¹	Income before depreciation ²	Yield, % ³	Market value	Book value
Stockholm					
– City	408	286	5.7	5,004	3,874
– Old Town	43	33	6.3	526	360
– Vasastan	129	100	6.2	1,609	1,172
– Östermalm	472	346	6.2	5,545	3,235
– Other, central	243	187	7.4	2,533	1,307
– Northern Greater Stockholm	180	115	7.4	1,564	862
– Southern Greater Stockholm	110	77	7.2	1,070	621
– InfraCity/Kista	199	112	4.8	2,315	2,360
Uppsala	80	55	7.3	754	445
Göteborg	455	343	7.0	4,917	3,568
Malmö	395	264	5.7	4,595	3,061
Lund	90	66	6.9	962	587
Work in progress					370
Total	2,804	1,984	6.3	31,394	21,822
Cost of local property management		-111			
Total	2,804	1,873		31,394	21,822

¹ All leases valid at January 1, 2004, computed on a full-year basis.

² Income before depreciation computed for leases at January 1, 2004.

³ Direct yield based on market value at January 1, 2004.

GEOGRAPHICAL ANALYSIS OF PROPERTY VALUES COMPARABLE PROPERTIES

SEK M	2003	2002	Change	%	Invested 2002	Net change, %
Stockholm	19,334	20,319	-985	-5	-281	-6
Göteborg	4,917	4,772	145	3	-38	2
Malmö	4,594	4,532	62	1	-59	0
Lund	962	908	54	6	-27	3
Uppsala	794	849	-55	-6	-5	-7
Total	30,601	31,380	-779	-2	-410	-4

The value of Vasakronan's property portfolio for the comparable properties declined by SEK 0.8 billion (decline: 2%) between 2002 and 2003, of which investments represented SEK 0.4 billion (2%) and market value change represented a decline of SEK 1.2 billion (decline: 4%).

The total market value amounted to SEK 31.4 billion.

Income Statement

SEK M	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
Rental revenues	2,961	2,899	2,725	2,536	2,496	2,319
Operating expenses	–640	–600	–636	–545	–511	–519
Maintenance, tenant-adaptation	–221	–220	–259	–184	–184	–226
Property tax	–207	–197	–163	–183	–170	–139
Income before depreciation	1,893	1,882	1,667	1,624	1,631	1,435
Property depreciation	–476	–449	–395	–381	–364	–320
Property write-downs	–712	–22	–	–712	–22	–
Gross income	705	1,411	1,272	531	1,245	1,115
Gain on sale of properties	587	6	1,863	–193	0	2,726
Income from shares in associated companies	–443	–14	0	–458	–28	–6
Other operating income and expenses	–7	–11	–9	0	1	–11
Central administration and marketing	–93	–112	–87	–97	–118	–87
Operating income	749	1,280	3,039	–217	1,100	3,737
Net financial items						
Interest income	172	142	93	304	270	204
Interest expense	–884	–821	–851	–889	–823	–849
Total financial items	–712	–679	–758	–585	–553	–645
Income after financial items	37	601	2,281	–802	547	3,092
Appropriations	–	–	–	227	–98	–741
Tax	127	–148	–670	86	–127	–662
Minority participation in income	–11	1	1	–	–	–
Income for the period	153	454	1,612	–489	322	1,689
KEY DATA						
Income before depreciation, margin, %	64	65	61			
Cash-flow interest-coverage ratio, multiple	2.5	2.6	2.1			
Earnings per share, SEK	38	114	403			

Comments on the Income Statement

Rental revenues

Vasakronan's rental revenues in 2003 rose by SEK 62 M to SEK 2,961 M (2,899), an increase of 2% (6). For comparable property portfolios, the increase was 2% (9), and the effect of property divestments and acquisitions was a 0% (decline: 3). The 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, resulting in significant changes in rent levels in conjunction with new and renegotiated contracts, despite a weaker rental market. The average term in the lease portfolio declined to 3.6 years (4.1). The divestment of properties reduced the average term by 0.2 years.

The average rental revenue overall increased to SEK 1,430 per m² (1,390), while for office premises the average was SEK 1,694 per m² (1,656). The increase is a result of new and renegotiated contracts.

During the year, contracts corresponding to a value of SEK 369 M (404) in annual rents were renegotiated or newly negotiated, with rents increasing by 4% (48) on average. New and renegotiated leases in the Stockholm region involved rental reductions, while rents increased in the other regions. A total of 13% (14) of all leases were renegotiated during 2003. Since most of these contracts became effective during the fourth quarter, the revenue effect in 2002 was limited.

The largest leases during this period were signed with the Police Academy in Solna (42,000 m²), the Patent and Registration Office in Stockholm (16,000 m²), SWECO in

Göteborg (7,600 m²), the Royal College of Music in Stockholm (7,600 m²), the Enforcement Service in Göteborg (6,700 m²), the Police Authority in Solna (6,300 m²) and the Confederation of Swedish Enterprise in the Hötorg Buildings in Stockholm (4,000 m²).

The number of government tenants increased to 35% (33) of rental revenues. This increase is attributable to property transactions implemented.

Vacancy rate

The vacancy rate at year-end amounted to 10% (7) of rental revenue, corresponding to SEK 311 M (200). In terms of floor space, the vacancy rate totaled 12% (7) and corresponded to 227,000 m² (151,000). This is an increase of 76,000 m², of which Kista Entré accounts for 25,000 m². Of the total vacancy rate of 12%, Infra City accounts for 3 percentage points, Kista Entré 1 percentage point and vacancies in ongoing property projects 1 percentage point of the premises floor space. The increase in the vacancy rate is attributable to a weak rental market, the acquisition of Kista Entré and the sale of properties with a low vacancy rate.

Operating expenses

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

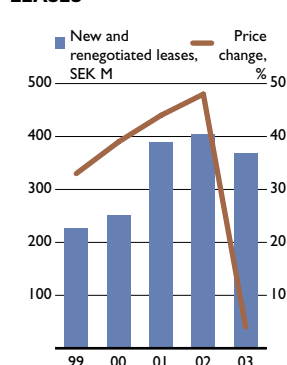
Operating expenses increased by SEK 40 M to SEK 640 M (600), a rise in costs of 7% (decrease: 6). The increase for

RENT REVENUE



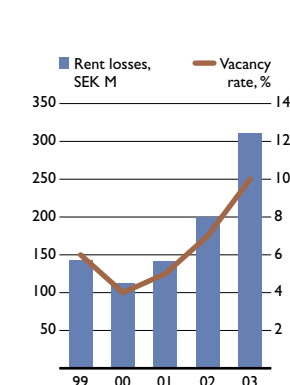
Since 15–20% of contracts are renegotiated each year, there is a delay before price changes affect the average rent. Average rent rose to SEK 1,390/m².

NEW AND RENEGOTIATED LEASES



Price increases have been high in recent years. In 2003, however, the increase amounted to 4 percent.

VACANCY RATE – RENT LOSSES



The vacancy rate has increased as a result of the weaker rental market.

TYPES OF PREMISES, DEC. 31, 2003

	Rental revenues, SEK M	Share, %	Rental value, SEK/m ²
Office premises	2,389	81	1,694
Retail	301	10	1,889
Garage/warehouse	82	3	334
Housing	26	1	885
Other	163	5	849
Total	2,961	100	1,430

Vasakronan's property portfolio is focused on office premises, which account for 81% of rental revenues.

ANALYSIS OF LEASE PORTFOLIO, DEC. 31, 2003

Lease period until	No. of leases	Annual rent, SEK M ¹	Share, %
2004	701	520	19
2005	506	489	17
2006	539	561	20
2007	191	285	10
2008	90	377	13
2009	36	155	6
2010	27	223	8
2011	8	43	2
2012	7	24	1
2013	20	73	3
Housing	818	40	1
Total	2,943	2,790	100

About 15–20% of the lease portfolio is renegotiated every year. During the next three years, approximately 60% will be renegotiated.

¹ Total lease portfolio at the stated annual rentals at December 31, 2003.

VACANCY RATE, DEC. 31, 2003

Region	Rent, SEK M	Rent, %	Floor space, 1,000m ²	Floor space, %
Stockholm	106	8	47	8
Greater Stockholm-Uppsala	151	20	129	22
Göteborg	28	6	20	7
Öresund	26	5	31	8
Total	311	10	227	12

The vacancy rate has increased in all markets due to a harsher market.

comparable property portfolios was 10% (5), and the effect of property acquisitions and divestments was a decrease of 3% (decrease: 11). The increase in the comparable portfolios is due to higher costs for energy, fuel and water. Credit losses amounted to SEK 2 M (9). Operating expenses amounted to SEK 309/m² (288).

Maintenance and tenant adaptations

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

The cost of maintenance and tenant adaptations increased by SEK 1 M and amounted to SEK 221 M (220), an increase in costs of 0% (decline: 15). The increase for comparable property portfolios was 1% (decline: 8), and the effect of property acquisitions and divestments was a decrease of 1% (7).

The cost of maintenance and tenant adaptations amounted to SEK 107/m² (106).

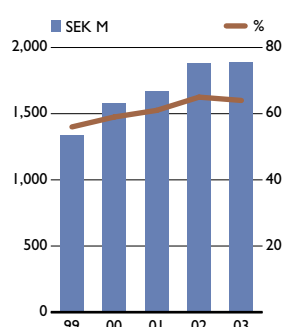
Property tax

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

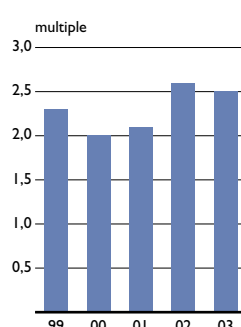
Property tax increased by SEK 10 M in 2003 to SEK 207 M (197). The increase was due to a higher conversion figures for tax assessment value. Since the tenants pay 90% (90) of the property tax, corresponding to SEK 187 M (177), the cost increase was almost entirely eliminated.

Income before depreciation

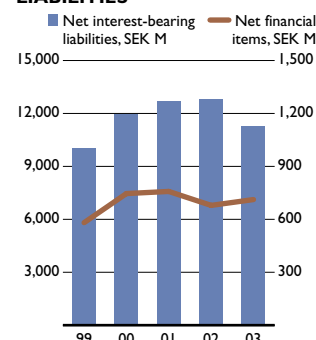
The income before depreciation improved by SEK 11 M and amounted to SEK 1,893 M (1,882), an increase of 1% (13). The increase for comparable property portfolios was 0% (12), and the effect of property acquisitions and divestments was an increase of 1% (1). The income before depreciation margin decreased to 64% (65).

**INCOME BEFORE DEPRECIATION
(SEK M)
INCOME BEFORE DEPRECIATION
MARGIN (%)**


Income before depreciation margin improved as a result of higher rental revenue. In 2003, costs increased more rapidly, which led to a decline.

**CASH-FLOW INTEREST
COVERAGE RATIO**


Cash-flow interest coverage ratio exceeded the target, which is 2 x.

**NET FINANCIAL ITEMS/
NET INTEREST-BEARING
LIABILITIES**


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

Depreciation of properties

Office and retail properties are depreciated at a rate of 2% per year, which corresponds to taxable depreciation. Depreciation increased by SEK 27 M to SEK 476 M (449). This increase is the result of the acquisition of Kista Entré and investments conducted.

Depreciation periods vary from one property company to another. If Vasakronan depreciated office and retail properties at 1% annually, depreciation would have amounted to SEK 220 M and income after financial items would have improved by SEK 256 M to SEK 293 M.

Write-down of properties

Based on market valuations carried out at year-end 2003, the write-down of book values was implemented where the book value exceeds the market value. Write-downs were implemented at a value interval based on the externally assessed market value \pm 5%. If the book value is within this value interval, no write-down or return of earlier write-downs are made. In the preceding year, it was assessed that there was a write-down requirement of book value only against the externally assessed market value to the extent that the utility value was not higher.

Write-downs amounting to SEK 712 M (22) were charged against income. After the implementation of the write-down, the book value exceeded the market value by SEK 203 M on the properties written down.

The market value of Vasakronan's property portfolio including work in progress amounted to SEK 31.4 billion and the book value totaled SEK 21.8 billion. The market value exceeded the book value by SEK 9.6 billion.

Gain of property sales

In 2003, properties were sold at a capital gain of SEK 586 M (6). The two dominating transactions were the sale of six properties in Stockholm to London & Regional for SEK 1,871 M, with a capital gain of SEK 424 M, and the divestment of the property portfolio in Linköping to Norrporten for SEK 782 M, with a capital gain of SEK 186 M. The sale price of both transactions corresponded to the market valuation at year-end 2002.

Since the divestment to Norrporten was a sale to an associated company, SEK 62 M of the capital gain, corresponding to Vasakronan's ownership share, was eliminated. The eliminated capital gain will be diluted over 50 years or at the pace that the underlying assets are capitalized or the ownership share declines. The dissolution of capital gains eliminated earlier totaled SEK 10 M (6).

On December 22, 2003, the Stockholm City Council approved the contract whereby Vasakronan sold Gameln 8 (the Tax Tower) to Svenska Bostäder for SEK 566 M, generating a capital gain of SEK 226 M, and acquired part of Beridarebanan 10 (the first Hötorg Building) from the City of Stockholm for SEK 650 M. Since the transaction carries the

condition that the City Council's decision becomes final, the transaction was not reported in 2003. It is Vasakronan's assessment that the transaction will be reported in 2004.

Income from participations in associated companies

Loss from participation in associated companies amounted to SEK 443 M (loss: 14). The result was charged with the write-down of properties in associated companies totaling SEK 315 M and the write-down of participations in associated companies of SEK 108 M. The result includes a positive income post from the investment in Norrporten.

Income from participations in associated companies will be reported as of 2003 in operating income. This income was previously reported in financial items and a recalculation for the preceding year was made.

Other operating income and expenses

Other operating income and expenses include the conference, reception, restaurant and messenger services offered by Vasakronan Service Partner in major properties in Stockholm and Göteborg.

Revenues totaled SEK 72 M (44), an increase of 64%. The increase is attributable to geographic expansion and increased sales in properties where the business is already established. The income from Vasakronan Service Partner AB amounted to SEK 2 M (loss: 2). Adjusted for intra-Group revenues and expenses, the earnings in the Group amounted to a loss of SEK 7 M (loss: 11).

Central administration and marketing

Central administration and marketing expenses include costs for the Board of Directors, the President, Group management and Groupwide marketing.

The cost of central administration and marketing declined to SEK 93 M (112), of which marketing expenses amounted to SEK 25 M (27). The decline is attributable to reduced administration and consulting expenses.

The cost of central administration and marketing totaled SEK 54/m² (54), or 3.1 % (3.9) of rental revenue.

Financial items

Net interest income increased by SEK 33 M and amounted to SEK 712 M (679). Of this change, SEK 32 M is attributable to higher average borrowing resulting from property acquisitions and investments. In addition, a higher average interest rate on borrowing generated a negative earnings effect of SEK 15 M. Interest income on financial assets improved the net financial items by SEK 14 M.

The cash-flow interest-coverage ratio amounted to 2.5 (2.6). Vasakronan's goal is that the cash-flow interest-coverage ratio should be not lower than 2.0.

Vasakronan's average interest-rate on borrowing amounted to 5.3% (5.2). The average interest-rate on borrowing was 5.4 % (5.3) at December 31, 2003. At year-end,

the average fixed-interest period for borrowing was 2.1 years (2.2).

Income after financial items

Income after financial items declined to SEK 37 M (601).

Income after financial items, excluding property sales, property write-downs, as well as write-downs of properties and participations in associated companies, declined to SEK 585 M (617).

Personnel

At December 31, 2003, 370 (356) persons were employed by Vasakronan. The average number of employees in 2003 was 365 (336). This increase is mainly attributable to a higher number of employees at Vasakronan Service Partner. The number of employees at Vasakronan Service Partner was 87 (70) at December 31, 2003.

Taxes

The tax for the year amounted to income of SEK 127 M (expense: 148). Tax expense amounted to SEK 221 M (146). The increased tax expense is attributable to the return of tax allocation reserves. Deferred tax income amounted to 348 M (–1). The deferred tax income was attributable to property write-downs and write-downs of properties in associated companies.

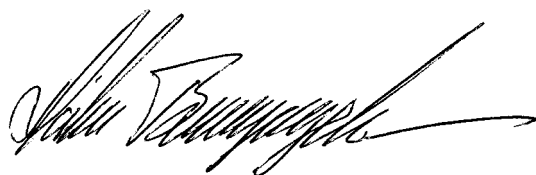
Parent company

The rental revenues of the Parent Company, Vasakronan AB, amounted to SEK 2,536 M (2,496) during 2003. Revenues from external management assignments were SEK 10 M (12). The Parent Company's loss after net financial items was SEK 802 M (547). Purchases from other Group companies amounted to SEK 15 M (13). Parent Company sales to other Group companies, excluding properties, totaled SEK 6 M (6).

Dividend

The Board of Directors of Vasakronan AB proposes that shareholders at the Annual General Meeting approve a dividend of SEK 9 M (216). In December 2003, an extra dividend of SEK 100 M was paid.

Stockholm, January 30, 2004



Håkan Bryngelson
President

This report is unaudited.

Outlook for 2004

The economic downturn has affected the premises rental market in the form of declining rent levels and increased vacancies. The economy is expected to improve in 2004, although at a slow rate. Even if economic growth increases, it will take until 2005 at the earliest before any visible effects impact the 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 revenue will decline as a result of a weaker rental market and property sales undertaken. Operating and maintenance costs will increase, especially tenant adaptations in conjunction with renegotiated and new rental leases. Depreciation will be unchanged as a result of property divestments. Central administration and marketing will decline somewhat. Overall, this will lead to a lower operating result. Net financial items will improve due to a lower borrowing volume resulting from property divestments implemented.

Vasakronan's forecast is that the income after net financial items and before income from property divestments and any write-downs will amount to approximately SEK 350 M (585).

It is estimated that income from property divestments will amount to SEK 226 M through the sale of the Tax Tower.

SEK M	Forecast 2004	Outcome 2003
Rental revenues	2,740	2,961
Operating expenses	–690	–640
Maintenance	–270	–221
Property tax	–210	–207
Income before depreciation	1,570	1,893
Depreciation of properties	–470	–476
Loss from participations in associated companies	–40	–20
Income/loss from other operations	0	–7
Central administration and marketing	–90	–93
Operating income	970	1,297
Financial net	–620	–712
Income after net financial items¹	350	585
Gain on property sales	226	587
Write-down of properties	0	–712
Write-down of properties/participations in associated companies	0	–423
Net profit	576	37

¹ Before property sales, write-down of properties and write down of properties and participations in associated companies.

Balance Sheet

SEK M	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
ASSETS						
Fixed assets						
<i>Intangible fixed assets</i>	27	30	25	27	30	25
<i>Tangible fixed assets</i>						
Buildings, land, ground installations	21,452	22,191	22,244	17,396	18,433	18,514
Work in progress in properties	370	1,137	890	220	904	760
Equipment and inventory	42	43	34	33	34	27
	21,864	23,371	23,168	17,649	19,371	19,301
<i>Financial fixed assets</i>	2,533	2,207	1,843	6,653	6,062	5,581
Total financial fixed assets	24,424	25,608	25,036	24,329	25,463	24,907
Current assets						
Current receivables	1,611	1,153	1,231	1,577	1,421	1,377
Short-term investments	–	28	–	–	53	–
Cash and bank balances	425	444	393	394	430	341
Total current assets	2,036	1,625	1,624	1,971	1,904	1,718
TOTAL ASSETS	26,460	27,233	26,660	26,300	27,367	26,625
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity						
<i>Restricted shareholders' equity</i>						
Share capital	4,000	4,000	4,000	4,000	4,000	4,000
Restricted reserves	2,009	2,147	2,077	800	800	800
	6,009	6,147	6,077	4,800	4,800	4,800
<i>Unrestricted shareholders' equity</i>						
Unrestricted reserves	2,791	2,515	1,509	3,303	3,294	2,156
Total for the year	153	454	1,612	–489	322	1,689
	2,944	2,969	3,121	2,814	3,616	3,845
Total shareholders' equity	8,953	9,116	9,198	7,614	8,416	8,645
Minority interest	10	0	1	0	0	–
Untaxed reserves	–	–	–	1,584	1,811	1,713
Provisions	419	448	445	336	11	15
Long-term liabilities						
Interest-bearing liabilities	13,614	14,386	14,174	13,614	14,386	14,167
Non-interest-bearing liabilities	933	662	673	12	12	–
Total long-term liabilities	14,547	15,048	14,847	13,626	14,398	14,167
Current liabilities						
Interest-bearing liabilities	440	946	86	440	946	86
Non-interest-bearing liabilities	2,091	1,675	2,083	2,700	1,785	1,999
Total current liabilities	2,531	2,621	2,169	3,140	2,731	2,084
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	26,460	27,233	26,660	26,300	27,367	26,625
Pledged assets	0	0	25	0	0	25
Guarantees	217	–	–	217	–	–
KEY RATIOS						
Return on shareholders' equity, %	1.7	5.0	19.0			
Interest-bearing liabilities, net	11,301	12,785	12,708			
Equity/assets ratio, %	34	33	35			

Comments on the Balance Sheet

Properties

The properties' book value declined by SEK 739 M to SEK 21,452 M (22,191). Property divestments reduced the book value by SEK 1,913 M (0) and property acquisitions increased the book value by SEK 1,008 M (15). Investment projects initiated increased the book value by SEK 1,354 M (693). Depreciation and write-downs of properties reduced the book value by SEK 476 M (449) and SEK 712 M (22), respectively.

Work in progress on properties

Work in progress declined by SEK 767 M to SEK 370 M (1,137). A number of projects were completed during the year, but as a result of the weak rental market, only a small number of projects were started during the year.

Financial fixed assets

Financial fixed assets mainly contain interest-bearing receivables on NS holding (Norrporten) and joint development companies with NCC and Skanska. The financial fixed assets increased by SEK 326 M to SEK 2,533 M (2,207). The increase is mainly attributable to borrowing for the construction of the Kista Science Tower and increased investment in NS Holding in conjunction with the sale of the property portfolio in Linköping to Norrporten. 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 1,484 M to SEK 11,301 M (12,785), largely due to property divestments. Net interest-bearing liabilities amounted to SEK 13,193 M (12,866) on average.

Liquid assets declined by SEK 19 M to SEK 425 M (444), to which can be added unutilized credit facilities of SEK 4,525 M (4,525). Short-term investments declined by SEK 28 M to 0 (28). Interest-bearing receivables increased by SEK 258 M to SEK 2,350 M (2,092).

Gross interest-bearing liabilities declined by SEK 1,273 M to SEK 14,076 M (15,349). Of the gross interest-bearing liabilities, 97% 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 amount of tied-up capital declined to 2.0 years (2.2). Committed credit facilities and liquid funds corresponded to 126% (122) of short-term interest-bearing liabilities.

Standard & Poor's, the international credit-ratings institute, changed Vasakronan's credit rating for long-term borrowing from BBB+ /negative outlook to BBB/stable outlook. The Swedish credit rating for short-term domestic borrowing was lowered from K1 to K2. The short-term international credit rating was unchanged at A2.

Vasakronan's borrowing is conducted without pledges. The group has at its disposal mortgages amounting to SEK 3.8 billion.

Shareholders' equity

Shareholders' equity declined by SEK 163 M to SEK 8,953 M (9,116). The change is attributable to the year's income of SEK 153 M (454) and the dividend paid of SEK 316 M (537).

Return

The return on shareholders' equity fell to 1.7% (5.0). The return, excluding income from property companies, write-downs of properties, as well as write-downs of properties and participations in associated companies, declined to 4.6% (5.0). The return on adjusted shareholders' equity increased to a negative 4.7% (neg: 3.9).

Equity/assets ratio and debt/equity ratio

The equity/assets ratio amounted to 34% (33). The debt/equity ratio declined to 1.3 (1.4). Net interest-bearing liabilities amounted to 36% (38) of the externally assessed market value of the properties.

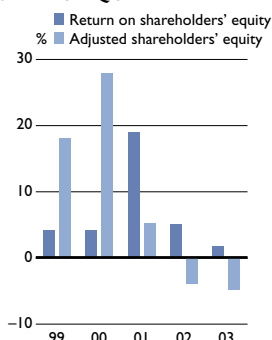
Vasakronan's goal is that the visible equity/assets ratio will amount to not less than 35% in the long term.

The adjusted equity/assets ratio was 43% (44) at year-end.

Parent Company

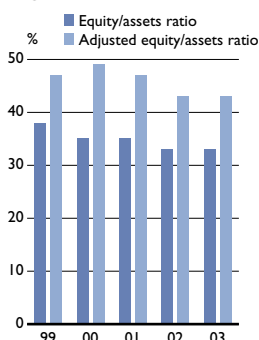
Liquid assets at the end of the period totaled SEK 394 M (430). The investments, including property acquisitions during the year, amounted to SEK 1,504 M (474). Interest-bearing liabilities totaled SEK 14,076 M (15,349).

RETURN ON SHAREHOLDERS' EQUITY AND ADJUSTED SHAREHOLDERS' EQUITY



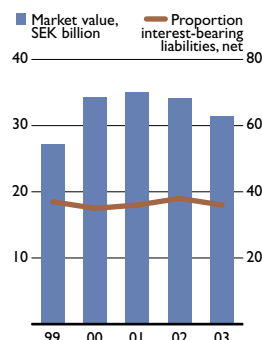
The variation in returns is attributable to property sales and write-downs, as well as change in market value.

EQUITY/ASSETS RATIO AND ADJUSTED EQUITY/ASSETS RATIO



Visible equity/assets ratio amounted to 34%. Adjusted equity/assets ratio was 43%.

MARKET VALUE, PROPERTIES



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	GROUP			PARENT COMPANY		
	2003	2002	2001	2003	2002	2001
CURRENT OPERATIONS						
Income before financial items	749	1,294	3,039	-217	1,128	3,743
Adjustment for items not included in cash flow	1,071	485	-1,454	1,772	402	-2,390
Interest income	172	142	93	304	270	204
Interest expenses	-884	-821	-851	-889	-823	-849
Tax paid, excl. property sales	-248	-175	-119	-303	-152	-105
Cash flow before changes in working capital	860	925	708	667	825	603
Cash flow before changes in working capital	-408	214	-525	-192	81	1,428
Increase (+)/decrease (-) in current receivables	397	79	-181	980	274	-49
Cash flow from current operations	849	1,218	2	1,455	1,180	1,982
INVESTMENT ACTIVITIES						
Investments	-609	-693	-1,009	-501	-475	-798
Acquisition of properties	-1,011	-15	-5,187	-1,003	-	-4,883
Acquisition of subsidiaries and associated companies	-144	1	-443	-254	1	-443
Less acquired consolidated goodwill	-	-	301	-	-	-
Properties sold	70	-	6,193	2,112	-	6,044
Companies sold	2,490	-	250	3	-	250
Acquisition of financial fixed assets	-634	-390	-1,702	-520	-535	-3,975
Divestment of financial fixed assets	217	0	0	217	0	0
Tax paid on property sales	-7	-590	-112	-4	-590	-102
Cash flow from investment activities	372	-1,687	-1,709	50	-1,599	-3,907
FINANCING ACTIVITIES						
Loans raised	3,123	5,141	5,711	2,797	5,148	5,767
Amortization of loans	-4,075	-4,057	-3,814	-4,075	-4,057	-3,814
Group contribution paid/received	-	1	-	-	-18	117
Dividend paid	-316	-537	-165	-316	-537	-165
Cash flow from financing activities	-1,268	548	1,732	-1,594	536	1,905
Cash flow for the period	-47	79	25	-89	117	-20
Liquid assets at Jan. 1	472	393	368	483	341	361
Liquid assets at close of period	425	472	393	394	458	341
Net interest-bearing liabilities at Jan. 1	-12,785	-12,708	-11,944	-	-	-
Net interest-bearing liabilities at close of period	-11,301	-12,785	-12,708	-	-	-
Net increase (+)/decrease (-) in interest-bearing liabilities	1,484	-77	-764	0	0	0

Comments on the cash-flow statement

Cash flow from current operations

Cash flow from current operations, before changes in short-term receivables and liabilities, declined by SEK 65 M to SEK 860 M (925). This decline was mainly due to more tax paid in an amount of SEK 73 M in conjunction with the return of the tax allocation reserve to taxation. The increase in short-term receivables reduced the cash flow by SEK 408 M (increase: 214). The increase in short-term liabilities increased the cash flow by SEK 397 M (79). The increase in short-term receivables and liabilities is largely attributable to property transactions.

The cash flow from ongoing operations, after changes in short-term receivables and liabilities, declined by SEK 369 M to SEK 849 M (1,128).

Cash flow from investment activities

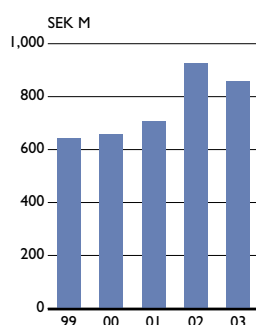
Cash flow amounted to SEK 372 M (neg: 1,687), an increase of SEK 2,059 M. The improved cash flow is largely attribut-

able to property divestments. Investments in fixed assets declined by SEK 84 M and amounted to SEK 609 M (693). The decline is due to the weaker rental market. Acquisition of properties increased and amounted to SEK 1,011 M (15), which is the acquisition of Kista Entré. The sale of properties and companies rose to SEK 2,560 M (0). Financial fixed assets increased net by SEK 27 M, amounting to SEK 417 M (390).

Cash flow from financing activities

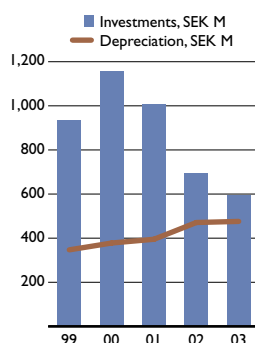
Cash flow was negative in amount of SEK 1,268 M (548), which was a change of SEK 1,816 M. Interest-bearing loans declined by SEK 952 M (increase: 1,084) as a result of a positive cash flow from ongoing operations and investment operations. The dividend paid was SEK 221 M lower and totaled SEK 316 M (537).

CASH FLOW BEFORE CHANGE IN WORKING CAPITAL



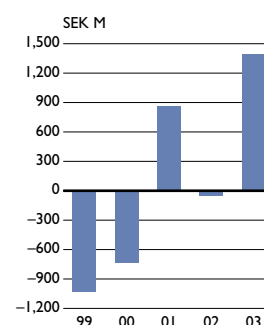
Cash flow has developed positively over the past five years.

INVESTMENTS AND DEPRECIATION OF PROPERTIES



Investments continued to decline, while depreciation increased.

PROPERTY SALES/ACQUISITION, NET



Vasakronan had net sales of properties totaling SEK 1.5 billion in 2003.

KEY DATA

	1994 Pro forma ¹	1995 Pro forma ¹	1996	1997	1998	1999	2000	2001	2002	2003
Property-related										
Book value, SEK M	14,527	14,848	14,771	12,777	16,508	18,159	19,654	22,244	22,191	21,452
Market value, SEK M	–	–	–	17,810	22,280	27,200	34,193	35,104	34,063	31,394
Floor space, 1,000m ²	3,381	3,341	3,268	2,312	2,444	2,674	2,687	2,095	2,084	1,922
Property acquisitions, SEK M	64	148	246	2,357	4,992	1,809	1,317	5,187	15	1,011
Investments (excl. property acquisitions), SEK M	617	431	411	378	663	935	1,157	1,009	693	609
Property sales, SEK M	50	415	577	6,541	2,192	277	291	6,506	–	2,630
Income from property sales, SEK M	17	61	144	2,008	834	63	84	1,863	6	587
Vacancy rate, floor space, %	7	8	10	9	8	8	6	7	7	12
Vacancy rate, rent, %	–	5	7	6	5	6	4	5	7	10
Financial										
Income before depreciation margin, %	56	54	50	46	54	56	59	61	65	64
Cash flow interest-coverage ratio, multiple	3.0	2.5	1.5	2.1	2.3	2.3	2.0	2.1	2.6	2.5
EVA factor	–	–	–	–	1.03	1.06	1.10	1.01	0.94	0.95
Shareholders' equity, average SEK M	6,236	6,213	6,040	6,745	7,879	7,923	7,672	8,474	9,157	9,153
Adjusted shareholders' equity, SEK M	–	–	–	10,900	11,817	13,087	17,141	17,888	16,672	15,596
Return on shareholders' equity, %	8.9	7.4	3.2	23.9	10.5	4.1	4.1	19.0	5.0	1.7
Return on adjusted shareholders' equity, %	–	–	–	–	9.8	18.1	27.9	5.2	–3.9	–4.7
Cash flow, SEK M	–	–	–	441	376	644	660	708	925	860
Equity/assets ratio, %	39	38	37	46	46	38	35	35	33	34
Net interest-bearing liabilities, SEK M	7,304	7,544	7,517	3,862	7,463	10,043	11,944	12,708	12,785	11,301
Debt/equity ratio, multiple	1.2	1.2	1.3	0.5	0.9	1.3	1.6	1.4	1.4	1.3
Average loan interest-rate, %	7.9	9.1	8.6	7.3	7.1	6.5	6.2	5.1	5.2	5.3
Share-related										
Earnings per share, SEK	552	459	48	404	208	80	78	403	114	38
Cash flow per share, SEK	–	–	–	110	94	161	165	177	231	215
Shareholders' equity per share, SEK	6,331	6,095	1,497	1,876	2,064	1,898	1,937	2,299	2,279	2,238
Adjusted shareholders' equity per share, SEK	–	–	–	2,725	3,050	3,275	4,250	4,472	4,138	3,899
Ordinary dividend, SEK	300	300	95	330	366	157	165	537	216	9 ²
Ordinary dividend per share, SEK	300	300	24	83	92	39	41	134	54	2
Special dividend, SEK M	–	150	934	–	616	–	–	–	–	100
Special dividend per share, SEK	–	150	–	–	154	–	–	–	–	25
Number of shares, 000s	1,000	1,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000

¹ Historically, the result is adjusted for the sale of Vasajorden and Vasakronan Krim.

² Board of Directors' proposal to the Annual General Meeting of April 27, 2004.

ACCOUNTING PRINCIPLES

Vasakronan's accounting principles correspond with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations and opinions. No changes have been made in the accounting principles applied in the preceding year. During the 2003 fiscal year, there has been adaptation to the Financial Accounting Standards Council's new recommendations: RR 22 Presentation of financial statements, RR 24 Investment property, RR 25 Segment reporting, RR 26 Events after year-end, and RR 27 Financial instruments - recognition and measurement.

DEFINITIONS

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

Return on adjusted shareholders' equity. Income for the year after tax plus change in properties' and interest-bearing liabilities/derivative instruments surplus/under value after tax, divided by adjusted shareholders' equity.

Income before depreciation. Rental revenues less operating and maintenance expenses and property tax.

Income before depreciation margin. Income before depreciation divided by rental revenues.

Average shareholders' equity. Average visible shareholders' equity.

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

EVA factor. EVA income divided by capital employed plus 1.0 EVA factor the same as or greater than 1.0 means that the return requirement has been achieved.

Adjusted shareholders' equity. Shareholders' equity adjusted by properties' and interest-bearing liabilities/derivative instruments surplus/under value after tax, divided by adjusted shareholders' equity.

Adjusted shareholders' equity per share. Adjusted shareholders' equity divided by number of shares.

Cash flow. Operating income before financial items, adjusted for items not included in the cash flow, interest income/expense and tax paid, excluding property sales.

Cash flow per share. Cash flow divided by the number of shares.

Cash flow interest coverage ratio. Operating income excluding capital gains/losses, with reversal of depreciation, divided by net financial items.

Premises floor space. Rentable floor space.

Earnings per share. Income after estimated tax, divided by the number of shares.

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

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

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

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

Interim Report, January–March 2004	April 27, 2004
Interim Report, January–June 2004	July 12, 2004
Interim Report, January–September 2004	October 26, 2004
Year-end Report 2004	January 2005
Annual Report 2004	February 2005

A N N U A L G E N E R A L M E E T I N G

The Annual General Meeting will be held on Tuesday, April 27, 2004, at 4:00 p.m., at Vasakronan's head office, Karlavägen 108, 13th floor, Stockholm.

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

January 30, 2004	Media and analysts' meeting in cooperation with Financial Hearings
July 12, 2004	Media and analysts' meeting at Vasakronan's head office
October 26, 2004	Media and analysts' meeting in conjunction with the Stockholm Open tennis tournament

www.vasakronan.se

More information about the capital market meetings and other information about the Company is available on Vasakronan's website, www.vasakronan.se.



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