

Year-end report 2003

- Rental revenues SEK 3.6 billion (3.7)
- Profit from ongoing property management operations SEK 0.7 billion (0.7)
 - in line with forecast
- Property sales of SEK 12.1 billion (0.9)
 - gains of SEK 1.1 billion (0.3)
- Profit after tax SEK 0.7 billion (0.5)
 - earnings per share SEK 8.12 (5.99)
- Property value according to independent appraisal: SEK 27.5 billion (40.2)
- Estimated adjusted equity: SEK 150 per share (170)

Proposal to the Annual General Meeting

- Change the name of Drott AB to Fabege AB
- Distribute the subsidiary Bostads AB Drott to shareholders
- Cash transfer of SEK 3.3 billion to shareholders through redemption

Results, SEK million	3 months Oct-Dec			12 months Jan-Dec		
GROUP	2003	2002	△	2003	2002	△
Ongoing property management operations ("Operations")	123	151	-18.5%	667	698	-4.4%
Gain on property sales	769	82		1,060	257	
Write-downs/Nonrecurring items	-213	-338		-1,270	-338	
Profit before tax	679	-105		457	617	
Current tax	-97	-11		-230	-49	
Deferred tax	293	65		493	-24	
Profit after tax	875	-51		720	544	
Earnings per share, SEK	9.87	-0.57		8.12	5.99	

OPERATIONS	2003	2002		2003	2002	
Cash flow per share, SEK	2.10	2.53	-17.0%	10.92	11.17	-2.2%

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I. COMMENT

SUMMARY

Market

The office rental market in the Stockholm region weakened in 2003. Hidden vacancies are gradually becoming evident in connection with lease renegotiations, and rent levels are under pressure. At year-end, the total vacancy rate in Stockholm was approximately 18 percent. A rapid reversal in vacancies is unlikely, although there are signs that they may have peaked in 2004.

Prime rent (rent for prime space in top locations) has stabilized in a number of market sectors, e.g. office parks such as Frösunda, Kista and Marievik with flexible space and high standards. In CBD's (Central Business Districts), prime rents remain under pressure, however.

Average rents, which fell more than prime rents in 2003, stabilized in the latter part of the year and are expected to level off in 2004.

New office construction is very limited, as is planned construction volume.

The investment market was strong during the year. A number of major acquisitions were finalized. The aggregate value of all commercial property transactions in Sweden in 2003 is estimated at nearly SEK 100 billion, the majority by foreign investors. International interest in offices and other commercial properties, particularly in Stockholm, remains significant and is expected to continue. Greater interest has been noted among Swedish institutional and private investors. Interest among tenant-owner associations in purchasing their buildings was strong during the year. The trend continues to gain ground in Gothenburg and Malmö and remains strong in Stockholm.

New direction and strategy for Drott Group

During the spring of 2003, a review of the Drott Group's strategy was initiated with the aim of establishing a strategy and direction that provides good long-term growth and returns for shareholders. The strategy work, which was completed in June, led to the decision to divide the Drott Group into two companies – **Bostads AB Drott** and **Fabege AB** – with the intention of proposing to the Annual General Meeting on March 30, 2004 to distribute all the shares in Bostads AB Drott to the shareholders. It was proposed that Drott AB change its name to Fabege AB. In addition, the new strategy entailed the sale of certain office and residential properties in and outside Stockholm and that the funds freed from these sales would be transferred to the shareholders through a one-time distribution, redemption and/or repurchase.

Management of commercial properties and residential properties has little in common and creates few synergies. The commercial real estate market is distinguished by unrestricted pricing and major swings, while the residential market has regulated pricing and stability. As an investment, residential real estate should attract a broad-based group of investors that seek low risk but stable long-term growth. Bostads AB Drott therefore has a good opportunity to appreciate in value and develop positively as an independent, listed company.

COMMENT: Summary**Bostads AB Drott**

Bostads AB Drott, which is currently a wholly owned subsidiary of Drott AB, owns residential real estate in Stockholm, Uppsala, Gothenburg, Malmö and Lund. Its strategy is to own, manage, buy and sell residential properties in locations with housing shortages and where condominium conversions are expected to increase.

The market value of Bostads AB Drott's property portfolio amounts to SEK 9.4 billion. Adjusted equity amounts to SEK 2.4 billion.

The Board of Directors of Bostads AB Drott is comprised of Mats Qviberg (Chairman), Anders Böös, Märtha Josefsson, Göran Nord, Lars Söderblom and Daniel Skoghäll (President).

A listing prospectus for Bostads AB Drott will be distributed to shareholders prior to the Annual General Meeting on March 30, 2004.

Fabege AB

Provided that the Annual General Meeting on March 30, 2004 approves the Board of Directors' proposal, Drott AB will change its name to Fabege AB and become a streamlined real estate company focused on commercial properties in the Stockholm region.

Its strategy is to own, manage, buy and sell – and thus capitalize on the long-term growth and high turnover – of commercial properties in the Stockholm region.

The market value of Fabege AB's property portfolio, including residential properties it intends to sell in 2004 but excluding Bostads AB Drott, amounts to SEK 18.1 billion. Adjusted equity, excluding Bostads AB Drott but before the redemption, amounts to SEK 10.9 billion.

A presentation of the future Fabege AB will be distributed to shareholders prior to the Annual General Meeting on March 30, 2004.

Operations 2003

Property management operations were distinguished during the year by changes resulting from the decision to adopt a new strategy. Properties were sold for SEK 12 billion. The organization was adapted to these new conditions and a review was conducted in order to ensure efficiency in costs and procedures.

Profit before tax amounted to SEK 457 (617) M and was affected by a number of nonrecurring items. Profit from ongoing property management operations amounted to SEK 667 (698) M, in line with the previous forecast.

The properties that were divested consisted of the Drott Group's commercial property portfolio outside Stockholm, commercial properties in Stockholm and residential properties. The properties that remain to be sold as per the decision in June 2003 consist of residential properties for approximately SEK 1 billion, which are scheduled for sale in 2004.

As a whole, properties have been sold for SEK 12.1 billion and acquired for SEK 0.1 billion. The gain on the property sales amounted to SEK 1,060 M. Additional provisions for estimated expenses related to the sale to Whitehall (lease guarantee Globen) resulted in a charge against profit of SEK 75 M during the fourth quarter. Provisions subsequently amount to SEK 130 M after nearly SEK 20 M was utilized in 2003.

During the second half of the year, the organization was adapted to its new conditions, in connection with which savings and efficiency improvements were made that could reduce expenses by up to SEK 85 on an annual basis with a full effect within a year. The savings consist primarily of reduced personnel and new purchasing routines. All the changes that have been initiated in the organization and its controls as well as the cost reductions that have been identified have been finalized.

COMMENT: Summary

Profit-impacting nonrecurring items for the savings program and demerger of the Drott Group amount to SEK 90 M, of which SEK 15 M during the fourth quarter 2003. In addition, capitalized items, primarily stamp tax, amount to approximately SEK 60 M.

The expense in the fourth quarter comprises the difference between what had previously been estimated would be expensed and what was capitalized as well as further expenses for employee lay-offs.

During the second half of the year, derivatives were eliminated or adapted to current market terms. The expense for this amounted to SEK 280 M and has been reported as an item affecting comparability. As a result of the market adjustment, profit from ongoing property management operations for 2003 improved by SEK 30 M.

An internal appraisal of the market value of the Drott Group's commercial property portfolio made at mid-year 2003 resulted in a downward revision in the estimated market value of SEK 1.3 billion and a write-down of book value of SEK 0.7 billion. An independent appraisal was conducted as of year-end, which appraised the Drott Group's property portfolio at SEK 27.5 billion. For the year, the estimated market value - adjusted for purchases, sales and capitalizations - of the Drott Group's commercial properties decreased by SEK 1.9 billion (-10 percent) to SEK 18.2 billion and increased for its residential properties by SEK 0.4 billion (+5 percent) to SEK 9.3 billion. During the fourth quarter, book value was written down by SEK 0.3 billion. Write-downs of the properties' book value have thus been charged against profit in the total amount of SEK 1.0 billion for the year as a whole.

Adjusted equity amounted to SEK 13.3 billion (15.3) at year-end, corresponding to SEK 150 (170) per share.

During the fourth quarter, an agreement was reached on early termination of a portion of a lease in Kista. The effect on profit amounted to SEK 136 M and is reported under other revenues.

Developments to date in 2004

Following the conclusion of the report period, the residential properties Pyramiden 4 in Stockholm's Södermalm section and Gullfaxe 4 in Danderyd were sold for a total of SEK 103 M, exceeding their independently appraised values as of December 31, 2003 by 30 percent. The properties were included in the subsidiary Bostads AB Drott's balance sheet as of December 31, 2003. The consolidated sales gain was approximately SEK 40 M.

As planned, Anders Böös will step down as President in connection with the Annual General Meeting, when it is proposed that Drott AB change its name to Fabege AB. Lennart Sten has been appointed President of Fabege AB. Lennart Sten, 45, was employed most recently as President of GE Capital Real Estate Nordic.

Demerger of two focused, listed companies and cash transfer to shareholders

Pending the approval of the Annual General Meeting of Drott AB, the Board of Directors is proposing, among other things, that:

- Drott AB change its name to Fabege AB
- All shares in Bostads AB Drott be distributed to the shareholders in Drott AB
- SEK 3.3 billion in cash be transferred to the shareholders through a redemption of shares

As proposed, adjusted equity as of December 31, 2003 (SEK 13.3 bn) will be divided into:

Dec. 31, 2003	SEK bn	Share
Fabege AB	7.6	57%
Bostads AB Drott	2.4	18%
Redemption	3.3	25%
Adjusted equity	13.3	100%

The Board of Directors' proposal to the Annual General Meeting is presented on page 19.

COMMENT: Full-year results**FULL-YEAR RESULTS****2003**

Figures in parentheses refer to the full-year 2002

Drott's profit before tax for 2003 amounted to SEK 457 M (617 M).

The change from 2002 [SEK -160 M] is due to:

- profit/loss from ongoing property management operations [SEK -31 M]
- property sales gains [SEK +803 M]
- write-downs, reversals and nonrecurring items [SEK -932 M]

Profit after tax amounted to SEK 720 M (544).

RESULTS 12 months	2003				2002
	Ongoing property management operations	Property sales	Write-downs, reversals and nonrecurring items	Total	Total
SEK M					
Rental revenues, etc.	3,446	-	136	3,582	3,675
Property expenses, etc.	-1,474	-	-	-1,474	-1,478
Operating surplus	1,972	-	136	2,108	2,197
Depreciation	-311	-	-	-311	-335
Gross profit	1,661	-	136	1,797	1,862
Sales gain	-	1,060	-	1,060	257
Write-downs/reversals	-	-	-1,036	-1,036	-338
Other items affecting comparability	-	-	-90	-90	-
Central company and Group expenses	-91	-	-	-91	-98
Operating profit	1,570	1,060	-990	1,640	1,683
Net financial items	-903	-	-280	-1,183	-1,066
Profit before tax	667	1,060	-1,270	457	617
Current tax (= tax paid)	-10	-220	-	-230	-49
Deferred tax	-99	279	313	493	-24
Profit after tax	558	1,119	-957	720	544
CASH FLOW 12 months, SEK M	2003	2002			
Operating profit before tax	667	698			
Current tax	-10	-19			
Profit after current tax	657	679			
Reversal of depreciation	311	335			
Cash flow	968	1,014			
Cash flow per share, SEK	10.92	11.17			

● **ONGOING PROPERTY MANAGEMENT OPERATIONS (12 MONTHS)**

Profit from ongoing property management operations amounted to SEK 667 M before tax (698), in line with the forecast. Cash flow amounted to SEK 968 M (1,014). Cash flow per share declined by 2 percent to SEK10.92 (11.17).

Profit and cash flow from ongoing property management operations were affected by a number of factors. The year's property sales, a lower occupancy rate in the commercial portfolio and higher operating expenses all had a negative effect. On the other hand, a lower average interest rate level and rising rental revenues from residential properties had a positive effect. Moreover, the completion of renovation and new construction projects have affected profit and cash flow positively. Due to higher interest expenses, share repurchases

affected profit and cash flow negatively in absolute terms, while profit and cash flow per share were affected positively.

COMMENT: Full-year results

The Group's rental revenues in 2003 amounted to SEK 3,396 M (3,634), of which residential rents accounted for SEK 867 M (864). The operating surplus was SEK 1,972¹ M (2,197) and the surplus ratio 58 percent (60).

The occupancy rate fell during the year to 88.0 percent (91.1). For residential space, the occupancy rate rose slightly to 99.8 percent (99.5), while for commercial space it fell to 83.4 percent (88.8). Properties sold during the year had a higher occupancy rate than the average for the portfolio, which affected the rate negatively. For comparable portfolios, the occupancy rate decreased by 1 percentage point for the portfolio as a whole and by 3 percentage points for commercial space.

➡ *In the like-for-like portfolio – i.e. in the portfolio Drott owned in both 2002 and 2003 – rental revenues decreased by SEK 19 M, or 1 percent. Residential revenues increased by SEK 17 M, while commercial revenues decreased by SEK 36 M. The decrease in commercial revenues is largely attributable to the terminated lease in Kista.*

The operating surplus in the like-for-like portfolio fell by SEK 59 M, or 4 percent. In the residential portfolio, the operating surplus rose by SEK 3 M, but fell by SEK 62 M in the commercial portfolio. The decrease in the operating surplus is mainly attributable to lower income as well as higher expenses for electricity, heating/cooling and other utilities.

Drott Service affected profit/operating surplus by SEK –9 M (-10).

Interest income amounted to SEK 84 M (21). The high interest income was attributable to staggered payments from the Whitehall sale².

The Group's interest expenses amounted to SEK 991 M (1,092)³. Interest expenses were affected positively by the year's property sales and lower average interest rate level compared with the previous year. At year-end, the average interest rate on Drott's interest-bearing liabilities was 4.3 percent (4.9).

Profit was charged with current tax of SEK 10 M (1 percent of profit from ongoing property management operations before tax). Including a deferred tax expense of SEK 99 M, the total reported tax expense was SEK 109 M (16 percent of profit from ongoing property management operations before tax). The low tax expense and low current tax on profit from ongoing property management operations were due mainly to the utilization of tax loss carryforwards. Profit from ongoing property management operations after tax amounted to SEK 558 M (584).

¹ Excluding other income of SEK 136 M from the early termination of a lease in Kista (included in nonrecurring items but not taken into account in profit from ongoing property management operations).

² The nominal underlying transaction price of the sale was SEK 5.2 billion. The financial handover date (i.e. when the results generated from the properties pass to the buyer) was July 1, 2003. The proceeds, on the other hand, was received during the fourth quarter of 2003, with the exception of a five-year, SEK 400 million promissory note with a 6-percent nominal interest rate as of January 1, 2004. After adjusting for the terms of the promissory note and the staggered payments, the sales price corresponds to SEK 5.0 billion. The promissory note has been discounted with a 10% annual interest rate. In accordance with recommendation RR:11 of the Swedish Financial Accounting Standards Council, the sales price has therefore been adjusted downward to fair value. According to same recommendation, the difference between fair value and nominal value of the payments is subsequently reported as interest income on an ongoing basis until full payment has been received.

³ Interest expenses during major new construction and renovation projects have been capitalized in the amount of SEK 29 M (43).

COMMENT: Full-year results

● **PROPERTY SALES (12 MONTHS)**

In 2003, Drott sold properties for SEK 12,056 M⁴. Aggregate sales proceeds (after selling expenses) were 4 percent lower than the properties' independent appraised market values as of December 31, 2002. Capital gains of SEK 1,060 M (257) were charged with current tax of SEK 220 M. Including deferred tax assets of SEK 279 M, a positive tax expense of SEK 59 M was reported. The low expense is due to the utilization of tax loss carryforwards, sales of companies, and reversals of previous allocations for deferred tax. (The fiscal residual value of Drott's properties is less than their book value. Drott has allocated provisions for deferred tax to cover this discrepancy.) The capital gain after tax was SEK 1,119 M (212).

Property sales 2003

Buyer	No. of properties sold	Rentable space, sq. m.	Sales price, SEK bn	Economic closing date
Whitehall	31	280,000	5.0	July 1, 2003
Grundbesitz Global	2	46,000	1.5	Oct. 1, 2003
Wallenstam	27	118,000	1.4	Dec. 30, 2003
Kungsleden	45	201,000	2.2	Dec. 30, 2003
Norrporten	7	49,000	0.5	Dec. 31, 2003
Other commercial	10	23,000	0.4	2003
Tenant-owner associations	22	56,000	1.1	2003
	144	773,000	12.1	

● **WRITE-DOWNS, REVERALS AND NONRECURRING ITEMS (12 MONTHS)**

In the mid-year accounts as per June 30, 2003, a number of commercial properties in Stockholm were written down by a total of SEK 702 M as their market values were estimated to have fallen below book value. As of December 31, 2003, the property portfolio was independently appraised, necessitating additional write-downs of SEK 364 M as well as reversals of previous write-downs of SEK 30 M. In total in 2004, net write-downs/reversals of book value therefore resulted in a charge against profit of SEK 1,036 M before tax (338) and SEK 858 M after tax (252). After write-downs/reversals as per December 31, 2003, market value (according to independent appraisal) exceeded book value by SEK 2.5 billion for the property portfolio as a whole.

During the fourth quarter, an agreement was reached on the early termination of a portion of the leases in Kista. The effect on profit amounted to SEK 136 M and was reported among other revenues.

Other nonrecurring items relate to expenses for the cost reduction program and demerger (incl. market listing of Bostadsaktiebolaget Drott) of SEK 90 M (SEK 75 M in Q3 and SEK 15 M in Q4) as well as the elimination and market adjustment of the derivative portfolio of SEK 280 M (Q3).

During the fourth quarter, the tax authorities approved additional tax loss carryforwards of SEK 424 M, resulting in deferred tax income of SEK 119 M (corresponding to 28 percent of the additional tax loss carryforwards).

In total, write-downs/reversals and nonrecurring items affected profit before tax for the year by SEK -1,270 M (-338) and profit after tax by SEK -957 M (-252).

⁴ A list of acquired and divested properties in 2003 is available on Drott's website, www.drott.se.

COMMENT: Quarterly results**QUARTERLY RESULTS****Quarter IV 2003**

Figures in parentheses refer to the fourth quarter of 2002

The Group's quarterly profit before tax amounted to SEK 679 M (-105).

The change from 2002 [SEK +784 M] is due to:

- profit/loss from ongoing property management operations [SEK -28 M]
- property sales gains [SEK +687 M]
- write-downs, reversals and nonrecurring items [SEK +125 M]

Profit after tax amounted to SEK 875 M (-51).

RESULTS 3 months	October-December 2003				Oct-Dec 2002
	Ongoing property management operations	Property sales	Write-downs, reversals and nonrecurring items	Total	Total
SEK M					
Rental revenues, etc.	771	-	136	907	949
Property expenses, etc.	-392	-	-	-392	-409
Operating surplus	379	-	136	515	540
Depreciation	-68	-	-	-68	-85
Gross profit	311	-	136	447	455
Sales gain	-	769	-	769	82
Write-downs/reversals	-	-	-334	-334	-338
Other items affecting comparability	-	-	-15	-15	-
Central company and Group expenses	-27	-	-	-27	-30
Operating profit	284	769	-213	840	169
Net financial items	-161	-	-	-161	-274
Profit before tax	123	769	-213	679	-105
Current tax (= tax paid)	-5	-92	-	-97	-11
Deferred tax	-20	158	155	293	65
Profit after tax	98	835	-58	875	-51
CASH FLOW 3 months, SEK M	2003	2002			
Operating profit before tax	123	151			
Current tax	-5	-9			
Profit after current tax	118	142			
Reversal of depreciation	68	85			
Cash flow	186	227			
Cash flow per share, SEK	2.10	2.53			

● **ONGOING PROPERTY MANAGEMENT OPERATIONS (3 MONTHS)**

Quarterly rental revenues amounted to SEK 755 M (933), of which residential rents accounted for SEK 209 M (221). The operating surplus was SEK 379 M (540) and the surplus ratio 50 percent (58).

In the like-for-like portfolio – i.e. in the portfolio Drott owned in both 2002 and 2003 – rental revenues decreased by SEK 11 M, or 2 percent. The decrease is attributable in its entirety to the market area Kista.

The operating surplus in the like-for-like portfolio fell by SEK 24 M. As announced in the previous interim report, Q4 was charged with higher costs for scheduled maintenance

and tenant modifications. Furthermore, generally higher utility expenses in 2003 affected the operating surplus negatively in a quarter-to-quarter comparison.

COMMENT: Quarterly results

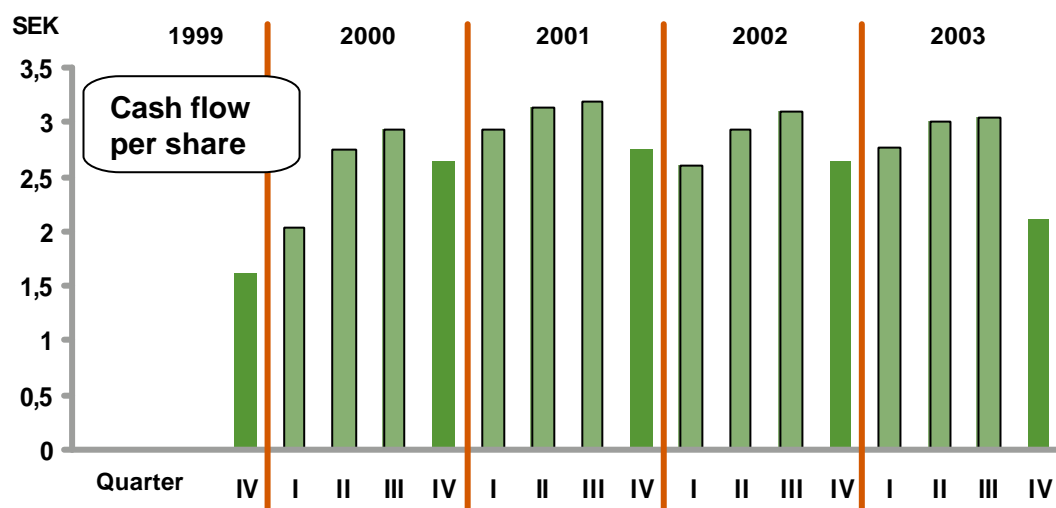
The occupancy rate fell during Q4 by 2.0 percentage points to 88.0 percent. The decrease was due to the fact that properties sold during the quarter had a higher occupancy rate than the average for the portfolio and to the aforementioned early lease termination in Kista. Changes during the quarter were otherwise small.

Interest income amounted to SEK 22 M (6) M and quarterly interest expenses to SEK 184 M (281). The higher interest income was attributable to staggered payments from the Whitehall sale, lower interest expenses due to lower average borrowing following the property sales, and a lower average interest rate level.

Quarterly profit from ongoing property management operations before tax amounted to SEK 123 M (151).

Operating profit was charged with tax of SEK 25 M, of which current tax SEK 5 M and deferred tax SEK 20 M. Profit after tax amounted to SEK 98 M (128).

Cash flow amounted to SEK 186 M (227), or SEK 2.10 per share (2.53).



- **PROPERTY SALES (3 MONTHS)**

In October-December 2003, 92 properties were sold for SEK 4,990 M, with a sales gain of SEK 769 M (82) before tax. The sales were made with a positive net tax expense of SEK 66 M, of which current tax SEK -92 M and deferred tax SEK 158 M. The capital gain after tax was SEK 835 M (73).

- **WRITE-DOWNS, REVERALS AND NONRECURRING ITEMS (3 MONTHS)**

As mentioned above, quarterly results were affected by net write-downs/reversals of SEK -334 M before tax (-338), added expenses for the cost reduction program and demerger of SEK -15 M and revenues from the early termination of leases in Kista SEK +136 M. In total, write-downs and non-recurring items affected profit by SEK -213 M before tax (-338) and SEK -58 M after tax (-252). Profit after tax included deferred tax income of SEK 119 M attributable to additional tax loss carryforwards.

COMMENT: Balance sheet**BALANCE SHEET**

Figures in parentheses refer to December 31, 2002

● **PROPERTIES**

During the year, 144 properties were sold for SEK 12.1 billion (0.9).

During the year, Drott acquired two properties for SEK 0.1 billion (0.9). A total of SEK 0.9 billion was invested in new construction and renovations. One new construction⁵ and two major renovations⁶ were completed during the year.

CHANGE 2003	Oct-Dec	Jan-Dec
SEK M	3 mos.	12 mos.
Book value of properties at start of period	29,228	35,978
Sales	-4,115	-10,720
Acquisitions	82	146
Investments in new construction and renovations	189	911
Depreciation	-65	-294
Write-offs/reversals	-334	-1,036
Book value of properties at end of period	24,985	24,985

The property portfolio was independently appraised at SEK 27.5 billion (40.2) as of December 31, 2003 (see page 16).

Property categories

Dec. 31, 2003	BAB Drott	Group excl. BAB Drott					GROUP
	Residential properties and commercial properties	Commercial properties			Residential properties	Total	
		Management properties	Properties under construction or renovation	Other project properties			
Properties no.	208	98	5	49	12	164	372
Appraised value SEK bn	9.4	14.3	2.2	0.7	0.9	18.1	27.5
Book value SEKbn	7.8	13.7	2.2	0.6	0.7	17.2	25.0
Commercial space sq. m.	273,000	1,159,000	96,000	29,000	20,000	1,304,000	1,577,000
Residential space sq. m.	890,000	2,000	0	1,000	40,000	43,000	933,000
Rentable space sq. m.	1,163,000	1,161,000	96,000	30,000	60,000	1,347,000	2,510,000
Comm. leases no.	991	1,636	18	8	57	1,719	2,710
Residential leases no.	12,789	32	0	0	590	622	13,411
Occupancy rate	97.8%	87.0%	38.1%	60.0%	95.6%	83.2%	88.0%
Annual rent SEK M	942	1,462	56	16	62	1,596	2,538
Vacant rent SEK M	22	218	91	10	3	322	344
Annual rent incl. vacant rent SEK M	964	1,680	147	26	65	1,918	2,882
- comm. rent SEK M	192	1,678	147	25	26	1,876	2,068
- residential rent SEK M	772	2	0	1	39	42	814

⁵ Solsten 1:132 (Mölnlycke).

⁶ Lustgården 12 (Stadshagen), Mimer 5 (Vasastan).

COMMENT: Balance sheet**Breakdown of property space**

Dec. 31, 2003	BAB Drott			Group excl. BAB Drott			GROUP
	Resid.	Comm.	Total	Resid.	Comm.	Total	
RENTABLE SPACE, sq. m.							
Inner city	63,000	40,000	103,000	42,000	311,000	353,000	456,000
Kista	-	-	-	0	288,000	288,000	288,000
Marievik	-	-	-	0	125,000	125,000	125,000
Rest of northern Stockholm	151,000	62,000	213,000	1,000	191,000	192,000	405,000
Rest of southern Stockholm	52,000	28,000	80,000	0	382,000	382,000	462,000
Stockholm region	266,000	130,000	396,000	43,000	1,297,000	1,340,000	1,736,000
Uppsala	68,000	2,000	70,000	-	-	-	70,000
Öresund region	234,000	84,000	318,000	-	-	-	318,000
Gothenburg region	322,000	57,000	379,000	-	-	-	379,000
Rest of Sweden	-	-	-	0	7,000	7,000	7,000
Rentable space	890,000	273,000	1,163,000	43,000	1,304,000	1,347,000	2,510,000
ANNUAL RENT, SEK M							
Inner city	66	44	110	41	588	629	739
Kista	-	-	-	0	407	407	407
Marievik	-	-	-	0	232	232	232
Rest of northern Stockholm	179	57	236	1	232	233	469
Rest of southern Stockholm	4	18	22	0	411	411	433
Stockholm region	249	119	368	42	1,870	1,912	2,280
Uppsala	56	2	58	-	-	-	58
Öresund region	206	45	251	-	-	-	251
Gothenburg region	261	26	287	-	-	-	287
Rest of Sweden	-	-	-	0	6	6	6
Annual rent incl. vacant rent	772	192	964	42	1,876	1,918	2,882
Occupancy rate	99.9%	89.2%	97.8%	97.5%	82.8%	83.2%	88.0%
Annual rent	771	171	942	41,	1,555	1,596,	2,538
Vacant rent	1	21	22	1	321	322	344
Annual rent incl. vacant rent	772	192	964	42	1,876	1,918	2,882

Lease structure (current leases)

As of December 31, 2003, Drott had current leases that generate total annual rent of SEK 2.5 billion, of which SEK 1.6 billion is from commercial leases with a weighted average expiration of 3.0 years. The five largest tenants accounted for SEK 0.3 billion, with a weighted average expiration of 3.5 years.

YEAR OF LEASE EXPIRATION	Annual rent, SEK M		
	BAB Drott	Group excl. BAB Drott	Group
Dec. 31, 2003			
2004 ⁷	28	254	282
2005	31	318	349
2006	32	241	273
2007	37	340	377
2008	5	219	224
2009 and later	9	106	115
Garages, parking, etc.	29	77	106
Commercial leases	171	1,555	1,726
Residential leases	771	41	812
ANNUAL RENT	942	1,596	2,538

⁷ Including leases that expired on Dec. 31, 2003.

COMMENT: Balance sheet

DISTRIBUTION BY INDUSTRY		- Annual rent, SEK M -		
Dec. 31, 2003	GICS code	BAB Drott	Group excl. BAB Drott	Group
Consumer staples	30	6	30	36
Retail	2550	16	109	125
Energy	10	<1	29	29
Financials and real estate	40	14	81	95
Health care	35	7	82	89
Industrial goods and services	2010	3	54	57
Information technology	45	21	446	467
Utilities	55	<1	1	1
Suppliers of commercial services	2020	15	160	175
Materials	15	2	20	22
Telecom services	50	-	6	6
Transportation	2030	1	29	30
Consumer discretionary	2510-2540	11	153	164
State and municipal activities		34	199	233
Companies majority owned by the state		1	45	46
Garages, parking, facilities <20 sq. m., etc.		39	110	149
Annual rent, commercial		170	1,554	1,724
Annual rent, residential		772	41	813
Annual rent, total		942	1,595	2,537
Vacant rent		22	323	345
ANNUAL RENT incl. vacant rent		964	1,918	2,882

Properties under construction or renovation

At year-end, four major constructions were under way. Remaining investments: SEK 0.6 billion. Upon completion, annual rent from these properties can rise from SEK 56 M at present to SEK 216 M, of which SEK 135 M (62 percent) is already leased.

Dec. 31, 2003	Region	Space added sq. m.	Space when completed, sq. m.	Com- pletion
Marievik 23, Marievik	Stockholm	4,000	17,000	dec-04
Stuten 12+17, Norrmalm	Stockholm	4,000	14,600	dec-04
Fatburssjön 5, Södermalm, Drott' s share (50%)	Stockholm	4,200	25,900	dec-04
Färöarna 1, Kista	Stockholm	-	60,000	dec-05
TOTAL incl. garage		12,200	117,500	

- OTHER ASSETS**

As of December 31, 2003, Drott had tax loss carryforwards, which it expects to offset against future surpluses, totaling SEK 1.2 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 175 M (237).

Other fixed assets include a promissory note of SEK 332 M (nominal SEK 400 M) received in connection with the property sale to Whitehall (see footnote on page 7).

Current receivables amounted to SEK 918 M, of which SEK 750 M refers to receivables from properties sold in 2003. Proceeds have been received or will be received in 2004.

Liquid assets include the balance in a escrow account from a property sale, SEK 214 M, which is conditional on the newly formed tenant-owners association not exercising its right of first refusal.

For Drott, the outcome would be the same if the tenant-owners association instead decides to acquire the property.

COMMENT: Balance sheet

● EQUITY

As of December 31, 2003, equity amounted to SEK 10,085 M (9,904), distributed among 88,788,865 shares outstanding (89,781,385). Changes in equity are indicated in the table on page 23.

At year-end 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
Dec. 31, 2002	89,781,385	2,633,900	92,415,285
Share repurchases	-1,404,500	+1,404,500	-
March 31, 2003	88,376,885	4,038,400	92,415,285
Share retirement	-	-3,588,400	-3,588,400
Conversion	+7,023	-	+7,023
June 30, 2003	88,383,908	450,000	88,833,908
Conversion	+143,913	-	+143,913
Sep. 30, 2003	88,527,821	450,000	88,977,821
Conversion	+261,044	-	+261,044
Dec. 31, 2003	88,788,865	450,000	89,238,865
Conversion	+75,824	-	+75,824
2004-02-19	88,864,689	450,000	89,314,689

● PROVISIONS

Provisions for deferred tax amounted to SEK 1,892 M, of which SEK 1,666 M related to provisions for deferred tax on differences between the book value and fiscal residual value of the properties.

Other provisions as of December 31, 2003 related to provisions for pensions SEK 75 M, provisions for the remaining expenditures for the cost reduction program and the demerger of the company SEK 71 M, and provisions of SEK 130 M for the remaining commitment (lease guarantee) from the last year's property sale to the U.S. real estate investment fund Whitehall.

In a letter to Drott, Whitehall, which acquired the properties for approximately SEK 5 billion, has put forth demands in connection with what it asserts are guarantee breaches in the sales agreement. Drott fundamentally disputes the buyer's claim, which is groundless in Drott's opinion. Several of the demands relate to the exercise of the rental guarantee Drott issued in connection with the sale and for which provisions have been allocated for estimated future commitments (see above). Drott seems no need for further provisions.

The Group's total provisions amounted to SEK 2,168 M (2,519).

● INTEREST-BEARING LIABILITIES

The Group's interest-bearing liabilities amounted to SEK 13,389 M (22,987) with an average interest rate of 4.3 percent (4.9). Loan capital has been secured long-term. In total, credit facilities amount to SEK 25.8 billion with a weighted average expiration of 7.3 years.

COMMENT: Balance sheet

INTEREST RATE MATURITY STRUCTURE December 31, 2003							
Interest due within	12 mos.	24 mos.	36 mos.	48 mos.	60 mos.	72 mos.-	Total
<i>SEK M</i>	5,078	2,761	850	3,300	500	900	13,389
<i>Average interest rate, %</i>	4.6%	3.5%	3.6%	4.3%	4.5%	5.6%	4.3%
Share	38%	20%	6%	25%	4%	7%	100%

As of April 19, 2004, the average fixed interest term was 43 months and the average interest rate 4.4 percent.

In the Group excluding Bostads AB Drott, financing is largely in the form of long-term bilateral credit facilities with Swedish and international banks. Pledged assets consist primarily of mortgage deeds. Moreover, Drott has a commercial paper program in the Swedish capital market. Outstanding commercial paper had a nominal value of SEK 2.8 billion as of December 31, 2003.

The derivatives market is utilized to secure the desired fixed interest structure. As of December 31, 2003, the average fixed interest term⁸ was 24 months.

Bostads AB Drott

As of year-end, Bostads AB Drott had available mortgage facilities of SEK 9.6 billion, i.e. more than its entire borrowings. The average interest rate was 4.0 percent and interest terms were fixed for 16 months. Capital is tied up for 12 years. Pledged assets consist primarily of mortgage deeds (Bostads AB Drott has pledged mortgage deeds of SEK 6.5 billion for utilized facilities as per Dec. 31, 2003).

As of February 19, 2004, the company has a fixed interest term of 56 months. The average interest rate was 4.4 percent. As of April 1, 2004, the average fixed interest term will be no less than 60 months and the average interest rate no more than 4.75 percent.

PARENT COMPANY

For 2003, the Parent Company reported a profit before tax of SEK 1,589 M (-339). Revenues, which consist largely of intra-Group services, amounted to SEK 94 M (61). Investments amounted to SEK 2 M (9) during the year.

⁸ Drott works with structured derivatives. The fixed interest term for the structured swaps is determined based on the swaps' delta value, i.e. the likelihood that the fixed rate will convert to variable or that the lenders terminate the swaps.

VALUATION

II. VALUATION

MARKET VALUATION

DTZ VärderingsHuset AB has appraised the Drott Group's entire real estate holdings in Sweden, a total of 269 properties (372 registered properties)⁹. The purpose of the appraisal is to separately assess the market value of each property as of December 31, 2003. Market value is defined as the most likely price in the event of a sale in a free and open market. This is in line with the European definition stated in the European Valuation Standard. The appraisals have been carried out in accordance with the Swedish Property Index's (SFI) guidelines.

The main approach used in the appraisal was cash flow analysis, entailing a present value calculation of estimated future operating surpluses, interest subsidies and investments over a specific period, i.e. a residual value at the end of the period. A five-year calculation period is normally used.

Based on these appraisals, the aggregate market value of Drott's 372¹⁰ properties is estimated at SEK 27.5 billion on the appraisal date, December 31, 2003. In accordance with the Swedish Property Index's valuation guidelines, the value is reported net after the deduction of the estimated stamp tax on eventual sales.

Adjusted for purchases, sales and investments, the value of the Drott Group's commercial properties decreased by SEK 1.9 billion (-10 percent) during the year, to SEK 18.2 billion, while the value of its residential properties rose by SEK 0.4 billion (+5 percent) to SEK 9.3 billion

MARKET VALUE	BAB Drott	Group excl. BAB Drott				GROUP
Dec. 31, 2003 SEK bn		Comm. mgmt. properties	Comm. project properties	Residential properties	Total	
Inner city	1.5	5.1	1.3	0.9	7.3	8.8
Kista	-	2.9	0.8	-	3.7	3.7
Marievik	-	1.7	0.4	-	2.1	2.1
Rest of northern Stockholm	2.0	1.7	0.2	-	1.9	3.9
Rest of southern Stockholm	0.6	2.9	0.1	-	3.0	3.6
Stockholm region	4.1	14.3	2.8	0.9	18.0	22.1
Uppsala	0.5	-	-	-	-	0.5
Öresund region	2.5	-	-	-	-	2.5
Gothenburg region	2.3	-	-	-	-	2.3
Other	-	-	0.1	-	0.1	0.1
TOTAL	9.4	14.3	2.9	0.9	18.1	27.5

Drott's properties are included in the Swedish Property Index (SFI), whose measurements comprise properties valued at approximately SEK 200 billion. Overall results for 2003 will be reported on February 25, 2004. Based on SFI's yield measures, the results for Drott's portfolio are as follows:

DROTT in the Swedish Property Index	1999	2000	2001	2002	2003
Change in value, like-for-like portfolio	+9.1%	+11.3%	-0.9%	-1.3%	-4.2%
Total return, like-for-like portfolio	+16.4%	+18.2%	+5.2%	+4.8%	+2.1%
Total return, all properties	+17.4%	+23.0%	+5.0%	+4.6%	+0.4%

⁹ DTZ's appraisal report is available on Drott's web site (www.drott.se).

¹⁰ Incl. a small property in Belgium (valued at book value = SEK 25 M).

VALUATION

ESTIMATED ADJUSTED EQUITY

Dec. 31, 2003 SEK bn	Group	Dec. 31, 2002
Calculation of surplus value		
Market value acc. to independent appraisal	27.5	40.2
Book value	-25.0	-36.0
Adjustment entry (see below)	0.7	1.2
Surplus value	3.2	5.4
Calculation of adjusted equity		
Equity (acc. to balance sheet)	10.1	9.9
Surplus value	3.2	5.4
ADJUSTED EQUITY	13.3	15.3
Number of shares, million	88.8	89.8
ADJUSTED EQUITY PER SHARE, SEK	150	170

Calculation of adjustment entry		
Market value acc. to independent appraisal	27.5	40.2
Fiscal residual value	-16.9	-24.2
Fiscal surplus value (FSV)	10.6	16.0
Deferred tax (10% of FSV) and deferred stamp tax	-1.1	-1.6
Allocated in BS for deferred tax on FSV	1.7	2.3
Present value, tax loss carryforwards	0.3	0.7
Book value, tax loss carryforwards	-0.2	-0.2
Adjustment entry	0.7	1.2

Balance sheet adjusted for the above calculation (10% deferred tax)

Adjusted balance sheet Dec. 31, 2003	BAB Drott	Group excl. BAB Drott	Group
Properties	9.4	18.1	27.5
Deferred tax claim	0.1	0.2	0.3
Other fixed assets	0.0	0.4	0.4
Fixed assets	9.5	18.7	28.2
Current receivables	0.0	0.9	0.9
Liquid assets	0.0	0.3	0.3
Current assets	0.0	1.2	1.2
ASSETS	9.5	19.9	29.4
Equity	2.4	10.9	13.3
Provisions	0.5	1.1	1.6
Non-interest-bearing liabilities	0.2	0.9	1.1
Interest-bearing liabilities	6.4	7.0	13.4
EQUITY AND LIABILITIES	9.5	19.9	29.4
Equity/assets ratio	25%	55%	45%

VALUATION**NOTES**

The calculation of adjusted equity is based on the adopted balance sheet adjusted for:

1. The market value of the properties

The book value of the properties, SEK 25.0 billion, is replaced by their market value, SEK 27.5 billion according to an independent appraisal.

2. Provisions for deferred tax on fiscal surplus values, etc.

In the closing accounts per December 31, 2003, Drott has allocated SEK 1.7 billion for deferred tax on the difference between the book value and fiscal residual value of the properties. In calculating adjusted equity, this fiscal allocation is replaced by an imputed allocation of SEK 1.1 billion, or 10 percent of the fiscal surplus value (market value less fiscal residual value).

The reasons for using a lower tax rate than the nominal 28 percent in calculating adjusted equity are as follows:

- Drott's property portfolio is concentrated in growth markets where the company will remain active long-term, due to which tax expenses should be discounted.
- Property sales are often in company form, which can significantly reduce the tax charge.

The following table indicates how estimated adjusted equity is affected by alternative tax rates on Drott's fiscal surplus value.

Tax rate	Adjusted equity/share, SEK
0%	162
10%	150
20%	138
28%	128

The allocation of SEK 1.1 billion also includes deferred stamp taxes of approximately SEK 50 M attributable to intra-Group sales prior to the packaging of an independent Bostads AB Drott. The stamp tax is payable in connection with the distribution of Bostads AB Drott and will be paid by the distributed company.

3. Deferred tax assets from the Group's tax loss carryforwards

As of December 31, 2003, the Drott Group had tax loss carryforwards – which are expected to be utilized against future surpluses – totaling SEK 1.2 billion. Their present value – SEK 0.3 billion – replaces the deferred tax assets of SEK 0.2 billion booked in the balance sheet.

PROPOSAL TO THE ANNUAL GENERAL MEETING**III. PROPOSAL TO THE AGM**

The Annual General Meeting will be held at 4:00 p.m. (CET) on Tuesday, March 30, 2004 at Polstjernan Konferens, Sveavägen 77, Stockholm. A notice will be published on March 1, 2004. The Board of Directors' complete proposal containing its resolutions will be available as of March 23, 2004 from Drott AB, Vattugatan 17, Stockholm.

Prior to the Annual General Meeting, an annual report and listing prospectus for Bostads AB Drott will be distributed to all shareholders registered directly in their own names. A presentation of Fabège AB will be distributed as well.

The publications are available at www.drott.se beginning in the second week of March.

THE BOARD'S PROPOSAL IN SUMMARY**MAIN POINTS**

- Every four shares in Drott AB will be exchanged for one share in Bostads AB Drott, three shares in Fabège AB and SEK 150 in change
- Drott AB will change its name to Fabège AB

Distribution of all shares in Bostads AB Drott

The Board of Directors is proposing that for every four shares in Drott AB of Class A or B, shareholders receive without consideration one share of the same class in Bostads AB Drott. A listing prospectus for Bostads AB Drott will be distributed to shareholders beginning March 8, 2004 together with Drott AB's annual report.

Ordinary dividend

The Board of Directors is proposing, in light of the proposed distribution of the shares in Bostads AB Drott and redemption, that no dividend be paid for fiscal year 2003.

Name change

The Board of Directors is proposing that Drott AB (publ) change its name to Fabège AB (publ).

Retirement of shares

The Board of Directors is proposing a reduction in the share capital through the retirement of all shares held by the company (the holding totaled 450,000 Class B shares as of year-end).

Repurchase of shares

The Board of Directors is requesting authorization, until the Annual General Meeting in 2005, to approve the repurchase of a maximum of 10 percent of company's own shares.

Convertible debenture loan

The Board of Directors is proposing the issuance of a convertible debenture loan of SEK 30 M with preferential rights for employees of the future Fabège AB. The convertible debenture loan would mature in 5 years, carry a Stibor-related interest rate and give holders the right to convert to shares at a price corresponding to at least 110 percent of the price determined during a measurement period following the approval of the Annual General Meeting.

The Board of Directors is also proposing that the Annual General Meeting approve the issuance of a convertible debenture loan of SEK 29.5 M with similar terms by Bostads AB Drott.

The dilution effect resulting from the convertible issues will be maximized at approximately 0.6 percent of the votes and capital in the future Fabège AB and 2.4 percent in Bostads AB Drott.

Redemption of shares

The Board of Directors is proposing that, after the distribution of all shares in Bostads AB Drott, shareholders be offered the opportunity to redeem one of every four shares they own for SEK 150 in cash. If fully accepted, SEK 3.3 billion will be transferred to shareholders and the number of shares will be reduced by 22.2 million to 66.6 million.

PROPOSAL TO THE ANNUAL GENERAL MEETING

Conditional on the approval of the Annual General Meeting, an information brochure on the redemption offer will be distributed to shareholders. The brochure will be distributed after the record day for redemption rights (the preliminary record day is April 27, 2004).

NOMINATION COMMITTEE'S PROPOSAL IN SUMMARY

Board election

The Nomination Committee is proposing the reelection of Urban Jansson, Anders Böös, Lars Söderblom and Jonas Wahlström as well as the election as new members of Sven Hagströmer, Anne-Marie Pouteaux, Mats Paulsson and Lennart Sten. Peggy Bruzelius, Roland Nilsson and Göran Nord have declined reelection.

Auditors' election

The mandate period for the current auditors expires at the Annual General Meeting 2004. The Nomination Committee is proposing the election of Ernst & Young as auditors, with Anders Wiger as chief auditor for the mandate period 2004 - 2007.

The Nomination Committee includes Stefan Dahlbo (Investment AB Öresund), Jan-Erik Eurenus (AMF), Hans Hedström (HQ Fonder), John Helgesson (Stena Fastigheter), Erik Paulsson (Wihlborgs), Caroline af Ugglas (Skandia) and Urban Jansson. The Nomination Committee represents shareholders with combined holdings corresponding to 48.9 percent of the capital and 47.4 percent of the votes in Drott AB (publ).

EFFECTS OF PROPOSAL

ADJUSTED BALANCE SHEET SEK bn	Group Dec. 31, 2003 Outcome ¹¹	Conver- sion ¹²	Balance sheet effect of property Sales 2003 ¹³	Proposal		Pro forma Dec. 31, 2003 ¹⁴
				Distrib- ution BAB Drott	Redem- p- tion	
Properties	27.5			-9.4		18.1
Deferred tax assets	0.3			-0.1		0.2
Other assets	1.3		-0.8			0.5
Liquid assets	0.3		-0.2			0.1
ASSETS	29.4		-1.0	-9.5		18.9
Adjusted equity	13.3			-2.4	-3.3	7.6
Provisions	1.6		-0.1	-0.5		1.0
Non-interest-bearing liabilities	1.1		-0.3	-0.2		0.6
Interest-bearing liabilities	13.4		-0.6	-6.4	3.3	9.7
EQUITY AND LIABILITIES	29.4		-1.0	-9.5		18.9
No. of shares outstanding, million	88.79	0.08			-22.22	66.65
Adjusted equity/assets ratio	45%			25%		40%

¹¹ See page 17 ("Estimated adjusted equity").

¹² Conversion of convertibles in 2004 (through February 19).

¹³ Proceeds received and estimated balance sheet effects in 2004 from property sales in 2003.

¹⁴ The Group after adjustments. Of the anticipated property portfolio in Fabegö of SEK 18.1 billion are residential properties in downtown Stockholm with an estimated market value (DTZ) of approximately SEK 0.9 billion. The sale of these properties is planned in 2004 and, taking this into consideration, the adjusted equity/assets ratio rises from 40% to 43%.

PROPOSAL TO THE ANNUAL GENERAL MEETING

NUMBER OF SHARES	Outstanding I	Own holding II	Registered I+II
Dec. 31, 2003	88,788,865	450,000	89,238,865
Conversion through April 2, 2004	+75,824	-	+75,824
Retirement (proposed)	-	-450,000	-450,000
Redemption (proposed)	-22,216,172	-	-22,216,172
Pro forma	66,648,517	-	66,648,517

Adjusted equity following distribution and redemption

	BAB Drott	Redemp- tion	Fabege	Dec. 31, 2003
Adjusted equity, SEK bn	2.4	3.3	7.6	13.3
No. of shares, million	22.22	22.22	66.65	88.79
Adjusted equity/share, SEK	108	150	114	150

PRELIMINARY TIMETABLE

DROTT AB/FABEGE AB		
MARCH	Annual report 2003 + Fabege presentation brochure	second week in March
	Board's complete proposal with resolutions for AGM is made available	March 16, 2004
	Annual General Meeting of Drott AB	March 30, 2004
	Fabege share listed excl. distribution of Bostads AB Drott	March 31, 2004
APRIL	Record day for distribution of Bostads AB Drott	April 2, 2004
	Fabege share listed excl. redemption right	April 23, 2004
	Record day for redemption	April 27, 2004
MAY	Interim report Fabege (January-March)	May 4, 2004
	Acceptance period for redemption begins	May 6, 2004
	Trading in redemption rights begins	May 6, 2004
	Trading in redemption rights ends	May 24, 2004
	Acceptance period for redemption ends	May 27, 2004
JUNE	Payment of redemption proceeds	June 22, 2004
BOSTADS AB DROTT		
MARCH	Listing prospectus for Bostads AB Drott	second week in March
APRIL	Trading in fractional shares in Bostads AB Drott begins	April 7, 2004
	Trading in fractional shares in Bostads AB Drott ends	April 22, 2004
MAY	Bostads AB Drott share listed on O-list	May 6, 2004
	Interim report Bostads AB Drott (January-March)	May 10, 2004
	Payment of proceeds for fractional shares	May 27, 2004

Stockholm, February 19, 2004

Drott AB (publ)

Anders Böös

President

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

FINANCIAL STATEMENTS

IV. FINANCIAL STATEMENTS

INCOME STATEMENT

GROUP	3 months		12 months	
	2003	2002	2003	2002
SEK M	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Rental revenues	755	933	3,396	3,634
Other revenues	152 ¹⁵	16	186 ¹⁶	41
Operating, maintenance and tenant modification costs	-263	-261	-952	-925
Site lease rents	-12	-17	-59	-68
Property tax	-49	-50	-201	-215
Rental and property administration	-68	-81	-262	-270
Operating surplus	515	540	2,108	2,197
Depreciation	-68	-85	-311	-335
Gross profit	447	455	1,797	1,862
Gains on property sales	769	82	1,060	257
Write-downs/reversals	-334	-338	-1,036	-338
Other items affecting comparability	-15	-	-90	-
Central corporate and Group expenses	-27	-30	-91	-98
Operating profit	840	169	1,640	1,683
Interest subsidy	1	1	4	5
Interest income	22	6	84	21
Interest expense	-184	-281	-1,271	-1,092
Profit for the period before tax	679	-105	457	617
Current and deferred tax	196	54	263	-73
Profit for the period	875	-51	720	544
Average number of shares outstanding (million)	88.7	89.8	88.6	90.8
Earnings per share after current and deferred tax, SEK	9.87	-0.57	8.12	5.99

ONGOING PROPERTY MANAGEMENT	3 months		12 months	
	2003	2002	2003	2002
SEK M	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Profit for the period before tax	123	151	667	698
Profit for the period after current tax	118	142	657	679
Profit for the period after current and deferred tax	98	128	558	584
Cash flow	186	227	968	1,014
Average number of shares outstanding (million)	88.7	89.8	88.6	90.8
Earnings per share after current and deferred tax, SEK	1.11	1.43	6.29	6.43
Cash flow per share, SEK	2.10	2.53	10.92	11.17

¹⁵ Including other revenues of SEK 136 M for early termination of leases in Kista (not included in profit from ongoing property management operations).

FINANCIAL STATEMENTS**BALANCE SHEET**

GROUP		
SEK M	Dec. 31, 2003	Dec. 31, 2002
Properties	24,985	35,978
Deferred tax assets	175	237
Other fixed assets	388	141
Fixed assets	25,548	36,356
Accounts receivable	918	449
Liquid assets	330	73
Current assets	1,248	522
ASSETS	26,796	36,878
Equity	10,085	9,904
Provisions	2,168	2,519
Non-interest-bearing liabilities	1,154	1,468
Interest-bearing liabilities	13,389	22,987
EQUITY AND LIABILITIES	26,796	36,878

CHANGE IN EQUITY	Oct-Dec 3 months		Jan-Dec 12 months	
SEK M	2003	2002	2003	2002
Balance at beginning of period	9,188	9,956	9,904	10,145
Dividend	-	-	-442	-459
Repurchase of shares	-	-	-131	-325
Redemption of convertibles	22	-	34	-
Change in translation differences, etc.	-	-1	-	-1
Net profit for period	875	-51	720	544
Balance at end of period	10,085	9,904	10,085	9,904

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 Interim reporting of the Swedish Financial Accounting Standards Council.

FINANCIAL STATEMENTS

CASH FLOW STATEMENT

GROUP	3 months		12 months	
SEK M	2003 Oct- Dec	2002 Oct-Dec	2003 Jan-Dec	2002 Jan-Dec
OPERATING ACTIVITIES				
Operating surplus	381	540	1,974	2,197
Central corporate and Group expenses	-27	-30	-91	-98
Interest subsidies	1	1	4	5
Interest income	20	6	82	21
Interest expense	-184	-281	-991	-1,092
Tax paid on ongoing property management operations	-5	-9	-10	-19
Cash flow from operations	186	227	968	1,014
<i>Cash flow from nonrecurring items, etc.</i>				
Nonrecurring items and difference between paid and expensed interest	33	-23	-338	-78
Cash flow before change in working capital	219	204	630	936
Cash flow from change in working capital	86	488	14	53
Cash flow from operating activities (A)	305	692	644	989
INVESTING ACTIVITIES				
Investments, properties	-191	-383	-974	-2,495
Investments, machinery and equipment	-	-14	-8	-23
Property sales (incl. selling expenses)	10,354	195	10,952	1,835
Tax paid on capital gains	-220	-2	-220	-30
Cash flow from investing activities (B)	9,943	-204	9,750	-713
FINANCING ACTIVITIES				
Interest-bearing loans raised/amortized	-10,085	-720	-9,564	489
Share repurchases	-	-	-131	-325
Dividend	-	-	-442	-459
Cash flow from financing activities (C)	-10,085	-720	-10,137	-295
CHANGE IN LIQUID ASSETS (A+B+C)	163	-232	257	-19
Liquid assets at beginning of period	167	305	73	92
LIQUID ASSETS AT END OF PERIOD	330	73	330	73

OPERATIONS Quarter	1999 IV	2000				2001				2002				2003			
		I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Cash flow, SEK M	165	206	279	297	263	286	297	296	255	240	268	279	227	246	266	270	186
Average number of shares outstanding, million	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	88.5	88.7
Cash flow, SEK/share	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	3.05	2.10
Rolling annual cash flow, SEK M	836	850	913	947	1 045	1 125	1 143	1 142	1 134	1 088	1 059	1 042	1 014	1 020	1 018	1 009	968
Average number of shares outstanding, million	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	88.9	88.6
Rolling annual cash flow, SEK/share	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	11.35	10.92

FINANCIAL STATEMENTS**KEY RATIOS**

GROUP	3 months		12 months	
SEK M	2003 Oct-Dec	2002 Oct-Dec	2003 Jan-Dec	2002 Jan-Dec
PROPERTY-RELATED				
Rental revenues	755	933	3,396	3,634
Operating surplus	379	540	2,108	2,197
Surplus ratio, %	50	58	58	60
At end of period				
Rentable space, sq. m.	2,510,000	3,344,000	2,510,000	3,344,000
Economic occupancy rate, %	88.0	91.1	88.0	91.1
Book value of properties	24,985	35,978	24,985	35,978
FINANCIAL				
Ongoing property management operations				
Profit before tax	123	151	667	698
Profit after current and deferred tax	98	128	558	584
Cash flow	186	227	968	1,014
Interest coverage ratio, multiple	2.0	1.8	2.0	1.9
Total				
Profit before tax	679	-105	457	617
Profit after tax	875	-51	720	544
Return on equity, %	iu	iu	7.2	5.4
Cash flow incl. property sales gain	4.7	0.6	1.5	1.6
At end of period				
Interest-bearing liabilities	13,389	22,987	13,389	22,987
Equity	10,085	9,904	10,085	9,904
Total assets	26,796	36,878	26,796	36,878
Equity/assets ratio, %	38	27	38	27
Debt/equity ratio, multiple	1.3	2.3	1.3	2.3

PER SHARE, SEK ¹⁶ ¹⁷

Avg. number of shares outstanding during period	88,658,343	89,781,385	88,643,435	90,772,116
Profit, total	9.87	-0.57	8.12	5.99
Cash flow (ongoing property management)	2.10	2.53	10.92	11.17
Number of shares outstanding at end of period	88,788,865	89,781,385	88,788,865	89,781,385
Equity at end of period	113.58	110.31	113.58	110.31
Number of registered shares at end of period	89,238,865	92,415,285	89,238,865	92,415,285

¹⁶ 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.

¹⁷ 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 513,000. As of December 31, 2003, 412,000 Class B shares had been added through conversions, while the remaining convertible debenture loan amounted to SEK 8.5 M. 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

PROPERTY-RELATED

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.

FINANCIAL

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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Scheduled information		
Annual report 2003/listing prospectus	second week in March	second week in March
Annual General Meeting	March 30, 2004	
Interim report January-March 2004	May 4, 2004	May 10, 2004
Interim report April-September 2004	August 19, 2004	August 18, 2004
Interim report July-September 2004	October 26, 2004	October 28, 2004
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V. THE SHARE



LARGEST SHAREHOLDERS JANUARY 30, 2004

Adjusted for known subsequent changes through February 18, 2004

SHAREHOLDER	Class A shares	Class B shares	Total number	Shares outstanding (%)		Registered shares (%)	
				Capital	Votes		
Wihlborgs	29,200	18,573,100	18,602,300	20.9	20.2	20.8	20.1
Sten A Olsson	43,400	10,330,600	10,374,000	11.7	11.5	11.6	11.5
Öresund	15,700	7,359,200	7,374,900	8.3	8.0	8.3	8.0
HQ funds	-	3,672,400	3,672,400	4.1	3.9	4.1	3.9
AMF Pension	-	2,517,000	2,517,000	2.8	2.7	2.8	2.7
SPP Liv	-	1,280,900	1,280,900	1.4	1.4	1.4	1.4
Jonas Wahlström	-	1,132,000	1,132,000	1.3	1.2	1.3	1.2
Skandia	-	999,398	999,398	1.1	1.1	1.1	1.1
Länsförsäkringar funds	-	762,607	762,607	0.9	0.8	0.9	0.8
Oktogonen	-	673,284	673,284	0.8	0.7	0.8	0.7
Foreign shareholders	19,863	13,596,565	13,616,428	15.3	14.8	15.2	14.7
Other	409,064	27,450,408	27,859,472	31.4	33.7	31.2	33.6
Shares outstanding	517,227	88,347,462	88,864,689	100.0	100.0	99.5	99.5
Drott	-	450,000	450,000			0.5	0.5
Registered shares	517,227	88,797,462	89,314,689			100.0	100.0