

# VASAKRONAN

## Year-end Report 2010

- Rental revenues rose to SEK 5,508 M (5,367).
- Occupancy rate improved to 92.8% (91.9).
- Net surplus rose to SEK 3,706 M (3,579).
- Income before changes in value and tax improved to SEK 2,325 M (2,086), an increase of 11%, mainly due to higher net surplus.
- Market value of properties rose 6.1% (decline: 6.6), due to lower yield requirements and rising market rents.
- Income after tax improved to SEK 5,303 M (loss: 1,354).
- Property acquisitions totaled SEK 5.4 billion and property divestments SEK 5.8 billion. The acquisitions were made in the fourth quarter and involved commercial properties in central Stockholm.

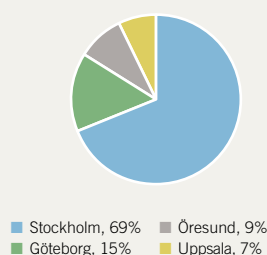
Due to the divestment of Dombron, all comparative data has been restated, see also page 5.

### Vasakronan in brief (SEK M)

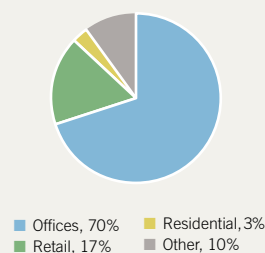
	Jan-Dec 2010	Jan-Dec 2009	Oct-Dec 2010	Oct-Dec 2009
Rental revenues	5,508	5,367	1,406	1,354
Net surplus	3,706	3,579	924	835
Income before changes in value and tax	2,325	2,086	551	485
Income after tax	5,303	-1,354	1,105	-307
Cash flow from current operations before changes in working capital	2,339	2,101	562	543
Market value of properties	77,633	66,383	77,633	66,383
Occupancy rate, %	92.8	91.9	92.8	91.9
Surplus ratio, %	67	67	66	62
Interest-coverage ratio, multiple	2.9	2.8	2.6	2.7
Equity/assets ratio	32	32	32	32

Comparative data, except equity/assets ratio, excluding Dombron

### Contracted rent by geographic market



### Contracted rent by property type



# Vasakronan 2010

## Streamlining of property portfolio

During the year, Vasakronan continued to streamline its property portfolio on offices and retail premises in Sweden's most attractive regions. Most of the residential properties, organized in the subsidiary Bostadsaktiebolaget Dombron, were sold to the Fourth Swedish Pension Fund in 2010. The purchase consideration for Dombron was based on the underlying property value of SEK 5.4 billion.

At the same time, the property portfolio in central Stockholm was increased through two major acquisitions in the fourth quarter. The Blåmannen 20 property, in the Klara Zenit district of central Stockholm, was acquired for a purchase consideration of SEK 4.3 billion. The acquisition was the largest transaction involving a single property in Sweden in 2010. In addition, the Stuten 12 property on Regeringsgatan in central Stockholm was acquired for a purchase consideration of SEK 1.1 billion.

With the completion of several projects during the year, more modern and efficient office properties were added to the portfolio. Major property projects totaling SEK 3 billion were completed in 2010.

## Rising property values

The trend for the Swedish rental and property market was positive in 2010, which was also reflected in rising property values. The total value increase for Vasakronan's properties was 6.1%, of which 1.3 percentage points in the fourth quarter. This increase was largely attributable to lower yield requirements, but market values were also positively impacted by expectations of rising market rents, particularly in the second half of the year.

## New leases

The occupancy rate improved in 2010, amounting to 92.8% at the end of the year (91.9). New leases corresponding to annual rent of SEK 424 M or 151,000 m<sup>2</sup> were finalized during the year.

In December, leases were signed with the Ashurst Advokatbyrå and HiQ for premises of 1,400 m<sup>2</sup> and 1,600 m<sup>2</sup>, respectively, in the Jakob Större 18 block on Jakobsgatan in Stockholm. Accordingly, all of the newly built office premises in this property, also known as The View, are leased.

During the year, several major new leases were completed.

The single largest of these was to Teracom, involving premises of 6,800 m<sup>2</sup> in the Lyckan 9 block on Lindhagensgatan in Stockholm.

In addition to new leases, renegotiations or extensions corresponding to annual rent of SEK 812 M were completed during the year. These resulted in new rent that exceeds that applied earlier by 0.1%.

## Continued environmental work

Vasakronan assumes extensive responsibility in the environmental field. For example, Vasakronan was first to offer its tenants "Green leases". These leases contain specific, shared commitments by Vasakronan and the tenant to implement practical measures that contribute to reduced environmental impact. A total of 223 green leases were signed in 2010.

Vasakronan is now moving forward in its environmental efforts and, as a natural extension and development of its green leases, has launched "the green office" as of January 2011. This offering comprises environmentally compatible solutions for tenants relocating to new offices and their wind-up of former offices, including services and transports.

## Earnings improvement 2010

The year's income before changes in value and tax rose to SEK 2,325 M (2,086), up 11%. This rise was mainly due to higher rent revenues from completed projects, but lower administrative costs and improved net interest income also contributed to the improvement. The change in value of properties totaled SEK 4,029 M (neg: 4,528) for the year, meaning that income after tax rose to SEK 5,303 M (loss: 1,354).

## Fourth quarter

Higher rental revenues and lower property costs resulted in a rise in net surplus to SEK 924 M (835) for the fourth quarter, an increase of 11%. Income before changes in value and tax for the quarter rose to SEK 551 M (485), attributable to improved net surplus. Income after tax for the quarter, through changes in value of properties, amounted to SEK 1,105 M (loss: 307).

# Market overview

There is currently a strong recovery in the Swedish economy. The recovery arrived more swiftly and was significantly stronger than most analysts could predict. In 2010, Sweden's GDP is expected to rise 5.6% and continued growth is forecast for the next few years, but at a somewhat slower pace. The Swedish Institute of Economic Research (KI) forecasts GDP growth for 2011 and 2012 of 3.8 and 2.9%, respectively.

The labor market is developing favorably, with employment rising in pace with production increases. In all of the metropolitan regions, office employment recorded positive growth figures in 2010. Employment in Sweden is expected to continue rising in 2011, with the largest increase in the service sector, which is key for the office rental market.

The Swedish Riksbank raised the key interest rate during the year. Most recently to 1.25% in December. In its interest-rate forecast in December, the Riksbank's Board assesses that the key rate of interest will continue to rise and will have an average level of 3.3% in 2013. Compared with earlier forecasts, this means that interest-rate rises are expected to take place over a longer period of time and reach a somewhat lower level at the end of the forecast period.

In 2010, transactions with a value totaling approximately SEK 100 billion were conducted in the Swedish property market, reflecting an increase of 124% compared with 2009. Improved access to capital, combined with increased interest in property investments among international investors, forms part of the explanation of the increased turnover.

The number of international buyers increased during the year, but overall they made net sales of properties in 2010. However, interest in the Swedish property market should increase further as a result of Sweden's strong economic situation compared with other countries in Europe.

## Stockholm

Office rent levels in central Stockholm increased during the year, which was particularly noticeable for high-class and modern office premises in attractive locations. In the Stockholm CBD, market rents for such offices are assessed to have increased by between 10 and 15% since the beginning of 2010. Increases, albeit smaller ones, are also apparent in other areas of the city center. The vacancy rate in the Stockholm CBD fell during the year to slightly less than 8%. In the remainder of central Stockholm, vacancies amounted to 10%. In Stockholm's suburban districts, the rents were relatively stable during the year and the vacancy rate was about 14%.

The market's yield requirement for office properties in the CBD is deemed to have declined in 2010. This is most apparent for modern properties in attractive locations. The most recent transactions indicate yield requirements for such objects at levels under 5%. Also in other areas of central Stockholm, the yield requirement is deemed to have decreased during the year. In suburban areas, the yield requirement is now assessed as just below 6.5% depending on location and quality. For the very best properties in the most attractive inner suburbs, a somewhat declining yield requirement at levels under 6% was noted.

## Göteborg

Office rents in Göteborg have remained relatively stable in recent years, particularly for modern premises in central locations. The vacancy rate in Göteborg CBD recorded a continued rising trend, assessed as about 7–8% at the end of 2010.

A number of transactions were completed during the year that indicate lower yield requirements for offices in Göteborg. The yield requirement for the prime office premises in Göteborg's CBD fell by about 0.5 percentage points and is now assessed as being in the 5.5–5.75% range.

## Öresund

Nor have office rents in Öresund changed significantly in the past year. For offices in Malmö CBD, the vacancy rate is estimated at about 9% and for offices in prime locations in Lund, this is estimated at about 5%.

Some transactions completed during the year indicated reduced yield requirements for office properties in the Malmö CBD. At the end of the year, yield requirements were assessed at about 5.5–5.75% for the prime office properties in Malmö CBD and just under 6% for prime locations in Lund.

## Uppsala

The office rental market in central Uppsala remained stable, with an unchanged vacancy rate of approximately 5%.

Only a few transactions were completed in Uppsala in 2010, but the tendency since the end of the year has been toward declining yield requirements. For central office properties, yield requirements are now estimated at about 6%.

# Summary of consolidated income statement

Amounts in SEK M	Jan-Dec 2010	Jan-Dec 2009	Oct-Dec 2010	Oct-Dec 2009
Rental revenues	5,508	5,367	1,406	1,354
Operating expenses	-786	-733	-213	-208
Repairs and maintenance	-166	-170	-54	-70
Property administration	-305	-343	-81	-108
Property tax	-433	-409	-102	-103
Site leasehold fees	-112	-133	-32	-31
<b>Total property expenses</b>	<b>-1,802</b>	<b>-1,788</b>	<b>-482</b>	<b>-519</b>
<b>Net surplus</b>	<b>3,706</b>	<b>3,579</b>	<b>924</b>	<b>835</b>
Central administration	-108	-171	-28	-44
Result from participations in joint ventures and associated companies	2	12	0	3
Other operating expenses	-1	-14	-1	-
<b>Operating income</b>	<b>3,599</b>	<b>3,406</b>	<b>895</b>	<b>794</b>
Net interest expense	-1,274	-1,320	-344	-309
<b>Income before changes in value and tax</b>	<b>2,325</b>	<b>2,086</b>	<b>551</b>	<b>485</b>
Changes in value of investment properties	4,029	-4,528	832	-1,013
Unrealized changes in value of financial instruments	103	63	53	4
Divested goodwill	-12	-69	-3	-61
<b>Income before tax</b>	<b>6,445</b>	<b>-2,448</b>	<b>1,433</b>	<b>-585</b>
Tax	-1,644	672	-326	183
<b>Income from continuing operations</b>	<b>4,801</b>	<b>-1,776</b>	<b>1,107</b>	<b>-402</b>
Income from discontinued operations <sup>1)</sup>	502	422	-2	95
<b>Income for the period</b>	<b>5,303</b>	<b>-1,354</b>	<b>1,105</b>	<b>-307</b>
<b>Other aggregate income</b>				
Cash-flow hedges	287	70	340	7
Income tax related to cash-flow hedges	-76	-19	-90	-
<b>Net other aggregate income for the period</b>	<b>211</b>	<b>51</b>	<b>250</b>	<b>7</b>
<b>Sum of aggregate income for the period<sup>2)</sup></b>	<b>5,514</b>	<b>-1,303</b>	<b>1,355</b>	<b>-300</b>
<b>Key data</b>				
Surplus ratio, %	67	67	66	62
Interest-coverage ratio, multiple	2.9	2.8	2.6	2.7

1) Pertains mainly to Bostadsaktiebolaget Dombron, also refer to page 14.

2) Since no minority interests exist, the entire income is attributable to the Parent Company's shareholders.  
Because no potential shares exist, there is no dilution effect.

# Comments on the income statement

In June 2010, a contract was signed with the Fourth Swedish Pension Fund regarding the sale of the shares in Dombron and these shares were transferred on July 1, 2010. As of the interim report for January–June 2010, Bostadsaktiebolaget Dombron is reported as a discontinued operation in accordance with IFRS 5. This means that earnings from Dombron's operations and gains from the sale of Dombron are recognized as a net amount on the line Income from discontinued operations in the consolidated income statement. Comparative data, key data and information in diagrams have been restated and pertain to consolidated income and position excluding Dombron, unless otherwise stated.

## Rental revenues

In 2010, rental revenues increased 3% to SEK 5,508 M (5.367). Rental revenues were positively impacted by completed projects, higher surcharges for utilities and property tax. At the same time, the CPI index adjustment for 2009 had a negative impact. In a comparative portfolio, rental revenues were unchanged.

New leases were finalized corresponding to annual rents of SEK 424 M or 151,000 m<sup>2</sup>. Renegotiations or extensions corresponding to annual rent of SEK 812 M were completed during the year and resulted in a new basic rent that exceeds that applied earlier by 0.1%.

Contracted rent rose to SEK 5,989 M (5,355) due to property acquisitions and finished projects. Of the contracted rent, 98% pertains to commercial premises with an average remaining period to maturity of 4.6 years (4.3).

Confirmed bad debt losses and provisions for uncertain rental receivables amounted to SEK 6 M (8).

The occupancy rate in Vasakronan's portfolio increased and amounted to 92.8% at December 31, 2010 (91.9).

## Property expenses

Property expenses during the year amounted to SEK 1,802 M (1,788), an increase of 1%. The cold and snowy winter impacted operating expenses by about SEK 50 M. At the same time, administrative costs were lower, resulting in unchanged property expenses overall in a comparable portfolio.

The expense for property tax rose during the year, but this was largely offset by rental surcharges.

## Net surplus

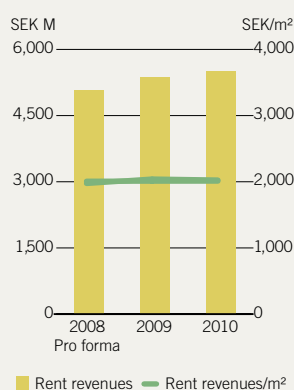
Net surplus rose 4% to SEK 3,706 M (3,579). The rise was mainly attributable to rent revenues from finished projects. In a comparative portfolio, the net surplus was unchanged. The surplus ratio amounted to 67% (67).

## Administration

Central administration costs declined during the year and amounted to SEK 108 M (171). Of the total, SEK 34 M (61) comprised nonrecurring costs. In 2010, these costs pertained to efficiency measures implemented to adapt personnel to the company's now concentrated and streamlined property portfolio.

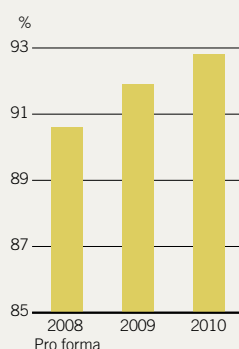
The total cost of administration, excluding nonrecurring costs and after the measures implemented, declined to SEK 379 M (453). The decline pertained primarily to costs for personnel and IT.

### Rent revenues



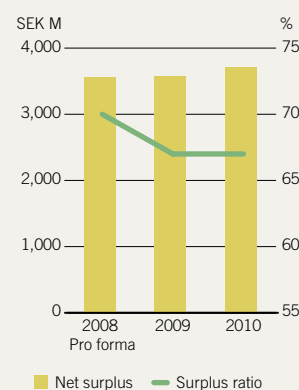
Rent revenues continued to increase in 2010, mainly as a result of finished projects.

### Occupancy rate



New leases contributed to the occupancy rate increasing to 92.8% at December 31, 2010.

### Net surplus



The net surplus rose in 2010 due to higher rent revenues.

# Comments on the income statement

## Net interest expense

Net interest expense decreased to SEK 1,274 M (1,320), an improvement of SEK 46 M derived mainly from lower interest-bearing liabilities.

On December 31, 2010, the average rate of borrowing was 3.3% (3.0), while the refinancing rate, including credit margins, for the corresponding loan portfolio amounted to 2.6%. The average fixed interest period for borrowing was unchanged at 1.7 years and the share of expiring fixed-interest terms falling due in the next 12 months increased to 64% (58). The interest-coverage ratio improved to 2.9 times (2.8). Vasakronan's policy is that the interest-coverage ratio shall be not less than 1.9.

## Income before changes in value and tax

Income before changes in value and tax rose 11% to SEK 2,325 M (2,086). The increase was mainly attributable to a higher net surplus, but also to lower administrative and interest expenses.

## Changes in value, investment properties

At December 31, 2010, the entire property portfolio was externally appraised by DTZ or Forum Fastighetsekonomi.

Overall, the market value of Vasakronan's properties increased by SEK 4,029 M, corresponding to a value increase of 6.1%, calculated in accordance with the guidelines of SFI. Of the value increase, 3.9 percentage points comprised the impact on value of a reduced yield requirement and 2.9 percentage points an increase in assumed market rents. On average, the yield requirement in the portfolio declined 0.2 percentage points to 6.0% compared with the beginning of 2010.

## Value-impacting factors

	Value impact, %
Yield requirement	3.9
Change in market rents	2.9
Other value-impacting factors <sup>1)</sup>	- 0.7
<b>Total Vasakronan</b>	<b>6.1</b>

1) Pertains to unchanged contractual relations and commitments regarding investments, costs and vacancies.

## Change in value by location

	Change in value, %	Contribution to change in value, %-age points
Stockholm	5.4	3.6
Göteborg	10.0	1.7
Öresund	4.8	0.5
Uppsala	5.1	0.3
<b>Total Vasakronan</b>		<b>6.1</b>

## Change in value by property type

	Change in value, %	Contribution to change in value, %-age points
Investment properties	5.0	4.0
Project and development properties	12.5	2.2
Transactions	-	-0.1
<b>Total Vasakronan</b>		<b>6.1</b>

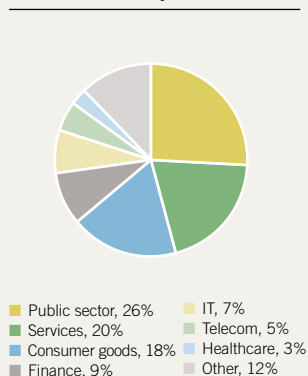
## Ten largest tenants

	Share, % <sup>1)</sup>
SEB	3
Swedish Social Insurance Administration	2
Ericsson Sweden	2
National Swedish Police Board	2
Sweden Post	2
Swedish Prison and Probation Service	2
Sony Ericsson Mobile Communications	2
H&M	2
Swedish National Courts Administration	1
If Skadeförsäkring	1
<b>Total</b>	<b>19</b>

1) Contracted rent

Vasakronan has a diversified contract portfolio, in which the largest tenant accounts for 3% of the contracted rent.

## Contracted rent by sector



Public sector operations comprise 26% of the contracted rent.

## Maturity structure – contract leases

	No. of contracts	Annual rent, SEK M	% of total
2011	1,446	1,030	17
2012	953	930	15
2013	876	822	14
2014	347	757	13
2015	205	597	10
2016- et seq.	672	1,551	26
Garage	2,034	166	3
<b>Total commercial</b>	<b>6,533</b>	<b>5,853</b>	<b>98</b>
Residential	1,704	136	2
<b>Total</b>	<b>8,237</b>	<b>5,989</b>	<b>100</b>

Approximately 15% of the contract portfolio is renegotiated each year. The average remaining period to maturity is 4.6 years.

# Comments on the income statement

## Tax

The Group recognized a total tax expense of SEK 1,644 M (672). Of the tax expense, SEK 1,273 M (1,079) comprised deferred tax on temporary differences, mainly attributable to investment properties. This tax expense derives from the increased property values that resulted in a rise in temporary difference between fair value and tax value during the period.

Current tax expense amounted to SEK 371 M (407) and pertained to tax calculated on an accounting basis. This will not be paid, since Group contributions are paid to the owner, Vasakronan Holding.

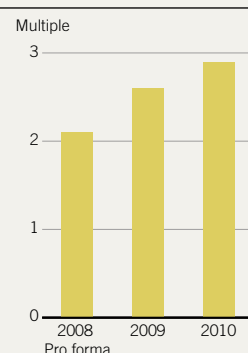
## Income from discontinued operations

Income from discontinued operations comprises the income from operations in the divested company Dombron, meaning both income from the operation and the actual divestment. Total income is specified in detail on page 14.

## Other aggregate income

The change in value of derivatives that meet the requirement for hedge accounting is recognized under Other aggregate income and amounted to SEK 287 M (70). The increase in value was attributable to higher market rates of interest. Including the SEK 103 M (63) increase in the value of the derivatives that did not meet the requirements of hedge accounting, the net value rose SEK 390 M (133).

## Interest-coverage ratio



The interest-coverage ratio rose due to improved income and comfortably exceeded the target of a multiple of 1.9.

## Funding sources, December 31, 2010

SEK M	Limit	Of which, utilized	Share, %
Certificate program	15,000	5,465	12
MTN program	25,000	21,668	47
Bank loans without security	6,766	6,766	14
Bank loans against security	12,591	12,591	27
Committed credit facilities	15,000	–	–
<b>Total</b>		<b>46,490</b>	<b>100</b>

Vasakronan has a diversified funding, with reserves in the form of committed credit facilities of SEK 15 billion.

## Funding maturity structure, December 31, 2010

Year	Interest term			Loan maturity		Committed credit facilities	
	SEK M	Share, %	Interest, %	SEK M	Share, %	SEK M	Share, %
0–1 year	29,831	64	2.8	14,498	31	14,000	93
1–2 year	1,850	4	5.3	8,490	18	1,000	7
2–3 year	3,171	7	3.6	8,443	18	–	–
3–4 year	4,048	9	3.9	6,868	15	–	–
4–5 year	2,855	6	4.0	4,482	10	–	–
5 years or more	4,735	10	3.8	3,709	8	–	–
<b>Total</b>	<b>46,490</b>	<b>100</b>	<b>3.3</b>	<b>46,490</b>	<b>100</b>	<b>15,000</b>	<b>100</b>

The average rate of borrowing in the portfolio rose to 3.3% (3.0). Average maturity was unchanged at 1.7 years.

# Summary of consolidated balance sheet

Amounts in SEK M	Dec. 31, 2010	Dec. 31, 2009	Sept. 30, 2010	Sept. 30, 2009
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets	2,419	2,434	2,423	2,493
Investment properties	77,633	71,784	70,735	72,849
Equipment	55	58	56	61
Shares and participations	329	320	322	420
Other long-term receivables	342	655	554	816
<b>Total fixed assets</b>	<b>80,778</b>	<b>75,251</b>	<b>74,090</b>	<b>76,639</b>
<b>Current assets</b>				
Other current receivables	943	1,119	1,085	879
Cash and cash equivalents	2,445	290	1,043	1,272
<b>Total current assets</b>	<b>3,388</b>	<b>1,409</b>	<b>2,128</b>	<b>2,151</b>
<b>Total assets</b>	<b>84,166</b>	<b>76,660</b>	<b>76,218</b>	<b>78,790</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>	<b>26,697</b>	<b>24,763</b>	<b>26,421</b>	<b>26,286</b>
<b>Long-term liabilities</b>				
Interest-bearing liabilities	31,992	31,625	29,229	32,068
Deferred tax liabilities	6,661	6,177	6,418	6,723
Non-interest-bearing liabilities	600	1,208	1,201	1,172
<b>Total long-term liabilities</b>	<b>39,253</b>	<b>39,010</b>	<b>36,848</b>	<b>39,963</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	14,498	8,814	10,606	10,291
Non-interest-bearing liabilities	3,718	4,073	2,343	2,250
<b>Total current liabilities</b>	<b>18,216</b>	<b>12,887</b>	<b>12,949</b>	<b>12,541</b>
<b>Total shareholders' equity and liabilities</b>	<b>84,166</b>	<b>76,660</b>	<b>76,218</b>	<b>78,790</b>
<b>Key data</b>				
Net interest-bearing liabilities, SEK M	44,045	40,149	38,792	41,087
Equity/assets ratio, %	32	32	35	33
Loan to market value of properties, %	57	56	55	56



# Comments on the balance sheet

## Intangible assets

Vasakronan's intangible assets primarily comprise goodwill. This goodwill arose mainly through deferred tax on properties in accordance with the applicable accounting policies being recognized at a nominal tax rate, which exceeded the tax rate applied when calculating the purchase consideration at the time of acquisition. The value of goodwill amounted to SEK 2,319 M (2,331) at December 31, 2010. The change compared with the preceding year is attributable to a decline in goodwill in conjunction with divestment of properties and companies.

The remainder of the intangible fixed assets comprises the value of the Vasakronan brand.

(66,383, excluding Dombron). The change in value for the year amounted to SEK 4,029 M (neg: 4,528), corresponding to a value increase of 6.1%.

The valuations were conducted in accordance with the guidelines of the Swedish Property Index and using the same methods as earlier valuations. The market value is affected by property-specific events that impact value, such as the signing of new and renegotiated leases, properties being vacated and investments. Also taken into consideration were changes deemed to have occurred in market rents, yield requirements and anticipated vacancies. For a more detailed description of Vasakronan's method for valuing properties, see Vasakronan's Annual Report for 2009, page 36.

## Investment properties

At December 31, 2010, Vasakronan's property portfolio was valued externally at an assessed market value of SEK 77,633 M

## Property projects

The major property projects in progress comprise a total investment volume of SEK 2,990 M (5,341), of which SEK 1,161 M had been worked up at December 31, 2010. The investment volume was considerably lower in 2010 than in 2009 as several projects were finished during the year.

In total, major projects with a total investment of SEK 3.0 billion were finished during the year. These projects included the City Court in Göteborg, with the National Courts Administration as tenant, and the Pennfåktaren 11 property on Vasagatan, in Stockholm. Pennfåktaren was also the first property in Sweden to be precertified at gold level in accordance with the LEED environmental certification system.

The major projects in progress have a low risk level as a result of the high occupancy rate and for several projects, long leases have been signed with public sector tenants. In total, the occupancy rate in major property projects was 91% on December 31, 2010

### Market value of investment properties

SEK M	2010	2009
<b>Fair value, January 1</b>	<b>71,784</b>	<b>74,252</b>
Investments	2,066	3,069
Acquisitions (incl. acquisition costs)	5,590	642
Reclassification of joint ventures	–	279
Divestments	–5,799	–2,089
Unrealized change in value	3,992	–4,369
<b>Fair value, December 31</b>	<b>77,633</b>	<b>71,784</b>

Unrealized change in value includes the properties in Dombron, which are included in income from discontinued operations in the income statement.

### Major property projects at Dec. 31, 2010

Location	Property	Total investment, SEK M	Invested by	Premises area, m <sup>2</sup>	Estimated completion	Occupancy rate, %
			Dec. 31, 2010, SEK M			
Malmö	Gasklockan 3, Legal Center	1,000	134	58,000	July 2013	100
Göteborg	Heden 42:4 and 42:1, Kriminalvården	710	651	29,000	July 2012	100
Malmö	Kaninen 26 and 27, Triangeln	360	9	22,900	Dec 2013	75
Stockholm, City	Spektern 13, Regeringsgatan	330	215	30,000	Dec 2011	80
Stockholm, Kungsholmen	Lyckan 9, Lindhagensgatan	160	16	7,000	Feb 2012	91
Stockholm, Solna	Bladet 3, If-huset Bergshamra	150	36	32,000	Dec 2013	100
Stockholm, Nacka Strand	Sicklaön 13:82, Hotell J	150	40	6,800	Sept 2011	100
Uppsala	Dragarbrunn 28:5 and 31:1, Svava	140	60	39,500	Dec 2011	82
<b>Total</b>		<b>2,990</b>	<b>1,161</b>			<b>91</b>

# Comments on the balance sheet

## Shares and participations

Shares and participations rose to SEK 329 M (320) and pertain to Vasakronan's holdings in associated companies and joint ventures, mainly related to involvement at Järvafältet in Solna/Sundbyberg.

## Deferred tax

Deferred tax is calculated using a nominal tax rate of 26.3% on the temporary differences between the accounted amount and the tax value of assets and liabilities. Deferred tax, which is a net of deferred tax assets and deferred tax liabilities, amounted to SEK 6,661 M (6,177) at December 31, 2010 and is largely attributable to investment properties. The increase compared with the beginning of 2010 is due to increased market value of properties.

## Interest-bearing liabilities

The Group's interest-bearing liabilities, less cash and cash equivalents, increased to SEK 44,045 M (40,149), which was primarily attributable to investments in the property portfolio and dividends to the owner. The average remaining loan maturity was 2.4 years (2.5) and the percentage of loan maturity in the next 12 months increased to a more normal level of 31% (22). At the end of 2010, capital market financing had declined to 58% (65) and the proportion of bank loans had increased to 42% (35). The increase was due to bank financing being raised for the property acquisition conducted in December 2010. During the year, commercial paper borrowing rose to SEK 5.5 billion and the objective is for further increases.

During 2010, Vasakronan raised new bank financing of SEK 7.9 billion, of which 5.3 billion against security, and issued bonds amounting to SEK 4.3 billion.

Cash and cash equivalents increased to SEK 2,445 M (290) and committed credit facilities rose to SEK 15,000 M (13,050). Committed credit facilities and cash and cash equivalents correspond to 120% (151) of loan maturity in the next twelve months.

Bank loans, against security in mortgage deeds or shares in subsidiaries, rose to SEK 12,591 M, corresponding to 15% of Vasakronan's total assets.

## Shareholders' equity

Shareholders' equity rose to SEK 26,697 M (24,763). During the year, shareholders' equity increased as a result of positive aggregate income of SEK 5,514 M (loss: 1,303). An extraordinary dividend of SEK 2,500 M, in conjunction with the divestment of Dombron, and a Group contribution of SEK 1,080 M after tax to the owner Vasakronan Holding led to a decline in shareholders equity.

The equity/assets ratio was unchanged at 32% and the loan-to-market value of properties increased marginally to 57% (56).

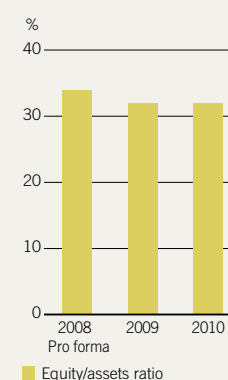
### Change in shareholders' equity (SEK M)

SEK M	Jan-Dec 2010	Jan-Dec 2009
Opening shareholders' equity	24,763	27,288
Dividend	-2,500	-
Group contribution provided after tax	-1,080	-1,221
Aggregate income for the year	5,514	-1,303
<b>Closing shareholders' equity</b>	<b>26,697</b>	<b>24,763</b>

### Treasury policy

Financing risk	Policy	Outcome, Dec.31, 2010
Loan maturity	Min. 2 years	2.4 years
Loans reaching maturity, 12 months	Max 40%	31 %
Credit facilities and cash and cash equivalents in relation to loans reaching maturity, 12 months	At least 100%	120 %
<b>Interest risk</b>		
Interest-coverage ratio	At least 1.9 times	2.9 times
Fixed interest period	1-3 years	1.7 years
Expiring fixed-interest terms, within 12 months	Max 70 %	64 %
<b>Credit risk</b>		
Counterparty rating	At least A-	Fulfilled
<b>Secured financing</b>		
Loans against security/Group's total assets	Max 20 %	15 %

### Equity/assets ratio



The equity/assets ratio is unchanged compared with the preceding year.

# Summary of consolidated cash-flow statement

Amounts in SEK M	Jan-Dec 2010	Jan-Dec 2009	Oct-Dec 2010	Oct-Dec 2009
<b>Current operations</b>				
Operating income	3,599	3,406	895	794
Operating income, discontinued operations <sup>1)</sup>	91	223	–	52
Adjustment for non-cash items	12	100	5	–3
Interest paid, net	–1,347	–1,503	–334	–300
Taxes paid	–16	–125	–4	–
<b>Cash flow before changes in working capital</b>	<b>2,339</b>	<b>2,101</b>	<b>562</b>	<b>543</b>
Increase (-)/decrease (+) in working capital	203	–99	263	129
<b>Cash flow from current operations</b>	<b>2,542</b>	<b>2,002</b>	<b>825</b>	<b>672</b>
<b>Investments</b>				
Investments in existing properties	–2,066	–3,069	–610	–906
Acquisition of properties	–5,590	–642	–5,586	–642
Divestment of properties	411	2,283	130	1,956
Other tangible fixed assets, net	–10	–6,	–2	–
Divestment of net assets in Group companies	4,980	–	–2	–
Shares and participations, net	–7	14	–7	11
<b>Cash flow from investment activities</b>	<b>–2,282</b>	<b>–1,420</b>	<b>–6,077</b>	<b>419</b>
<b>Cash flow after investment activities</b>	<b>260</b>	<b>582</b>	<b>–5,252</b>	<b>1,091</b>
<b>Financing</b>				
Dividends and Group contributions	–4,156	–1,073	–	–
Change in interest-bearing liabilities	6,051	–1,457	6,654	–2,073
<b>Cash flow from financing activities</b>	<b>1,895</b>	<b>–2,530</b>	<b>6,654</b>	<b>–2,073</b>
<b>Cash flow for the period</b>	<b>2,155</b>	<b>–1,948</b>	<b>1,402</b>	<b>–982</b>
<b>Opening cash and cash equivalents</b>	<b>290</b>	<b>2,238</b>	<b>1,043</b>	<b>1,272</b>
Cash flow for the period	2,155	–1,948	1,402	–982
<b>Closing cash and cash equivalents</b>	<b>2,445</b>	<b>290</b>	<b>2,445</b>	<b>290</b>

1) ) Including profits from assets available for sale in 2009.

# Comments on the cash-flow statement

## Current operations

Vasakronan's cash flow from current operations, before changes in working capital, rose to SEK 2,339 M (2,101). The increase was mainly attributable to higher operating income and lower interest payments.

Following a change in working capital of SEK 203 M (neg: 99), cash flow from current activities rose to SEK 2,542 M (2,002).

## Investment activities

Cash flow from investing activities amounted to a negative SEK 2,282 M (neg: 1,420). During December, the Stuten 12 and Blåmannen 20 properties in Stockholm were acquired for a total purchase price of SEK 5,418 M. During the year, the Dombbron subsidiary was divested, generating a positive cash flow of SEK 4,980 M. In addition, the Kallebäck 2:3 property in Göteborg and the Bellona 5 property in Solna were divested for a total purchase price of SEK 425 M.

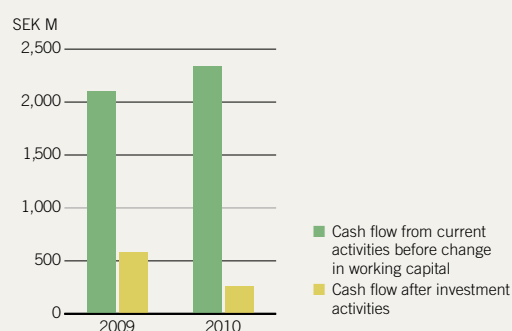
During 2010, several major projects were completed, which entailed a lower investing volume. Total investments during the year amounted to SEK 2.066 M (3.069).

## Financing activities

Cash flow from financing activities amounted to SEK 1,895 M (neg: 2,530). During the third quarter, SEK 2,500 M was distributed to the owner of Vasakronan Holding in connection with the payment made by the buyer of the Dombbron shares. In addition, Group contribution of SEK 1,656 M, recognized in the 2009 Annual Report, were paid to the owner during the year.

The cash flow amounted to SEK 2,155 M (neg: 1,948) and at the end of 2010, cash and cash equivalents amounted to SEK 2,445 M (290).

### Cash flow



### Property divestments

Property	Location	Buyer	Purchase price, SEK M <sup>1)</sup>	Transfer date
Kallebäck 2:3	Göteborg	ICA Fastigheter	295	Apr. 8, 2010
Bostadsfastigheter, Dombbron	Uppsala, Stockholm, Göteborg	Fourth Swedish National Pension Fund	5,402	Jul. 1, 2010
Solna Bellona 5	Stockholm	Wählin Fastigheter AB	130	Dec. 21, 2010
<b>Total</b>			<b>5,827</b>	

1) Purchase price excluding transaction expenses and deductions for deferred taxes.

### Property acquisitions

Property	Location	Seller	Purchase price, SEK M <sup>1)</sup>	Transfer date
Stuten 12	Stockholm	Bank of Ireland	1,068	Dec. 7, 2010
Blåmannen 20	Stockholm	Commerz Real	4,350	Dec. 22, 2010
<b>Total</b>			<b>5,418</b>	

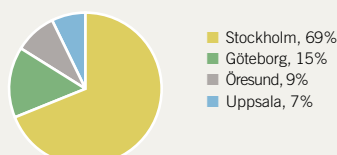
1) Purchase price excluding transaction expenses and deductions for deferred taxes.

# Vasakronan total and by location

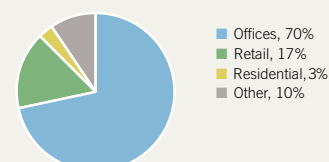
## Total Vasakronan, January-December

	2010	2009
Market value, SEK M, balance-sheet date	77,633	66,383
Rental revenues, SEK M	5,508	5,367
Net surplus, SEK M	3,706	3,579
Surplus ratio, %	67	67
Occupancy rate, %, balance-sheet date	93	92
Number of properties, balance-sheet date	222	222
Floor space, m <sup>2</sup> 000s, balance-sheet date	2,817	2,699

## Rental revenue by location



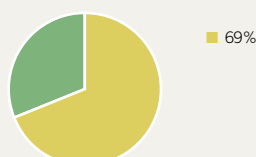
## Contracted rent per property type



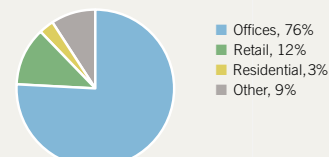
## Stockholm, January-December

	2010	2009
Market value, SEK M, balance-sheet date	53,561	44,362
Rental revenues, SEK M	3,676	3,593
Net surplus, SEK M	2,448	2,375
Surplus ratio, %	67	65
Occupancy rate, %, balance-sheet date	91	90
Number of properties, balance-sheet date	118	117
Floor space, m <sup>2</sup> 000s, balance-sheet date	1,883	1,759

## Rental revenues, share of Vasakronan total



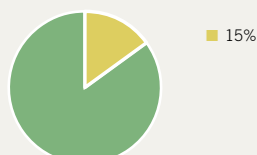
## Contracted rent per property type



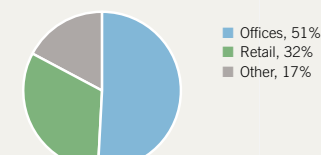
## Göteborg, January-December

	2010	2009
Market value, SEK M, balance-sheet date	12,513	11,320
Rental revenues, SEK M	911	845
Net surplus, SEK M	676	613
Surplus ratio, %	74	73
Occupancy rate, %, balance-sheet date	97	97
Number of properties, balance-sheet date	35	36
Floor space, m <sup>2</sup> 000s, balance-sheet date	365	371

## Rental revenues, share of Vasakronan total



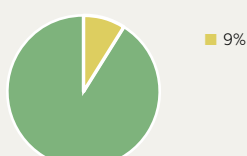
## Contracted rent per property type



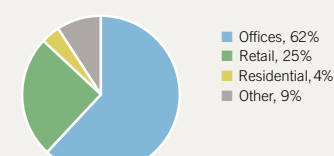
## Öresund, January-December

	2010	2009
Market value, SEK M, balance-sheet date	6,853	6,362
Rental revenues, SEK M	533	531
Net surplus, SEK M	338	332
Surplus ratio, %	63	63
Occupancy rate, %, balance-sheet date	96	96
Number of properties, balance-sheet date	42	42
Floor space, m <sup>2</sup> 000s, balance-sheet date	311	311

## Rental revenues, share of Vasakronan total



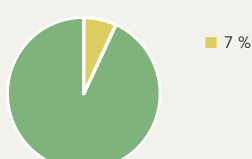
## Contracted rent per property type



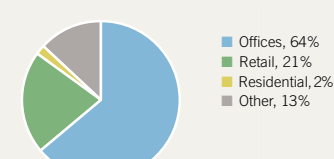
## Uppsala, January-December

	2010	2009
Market value, SEK M, balance-sheet date	4,706	4,339
Rental revenues, SEK M	388	398
Net surplus, SEK M	244	259
Surplus ratio, %	63	65
Occupancy rate, %, balance-sheet date	93	94
Number of properties, balance-sheet date	27	27
Floor space, m <sup>2</sup> 000s, balance-sheet date	258	258

## Rental revenues, share of Vasakronan total



## Contracted rent per property type



# Income from discontinued operations

Amount in SEK M	Jan-Dec 2010	Jan-Dec 2009	Oct-Dec 2010	Oct-Dec 2009
Income from discontinued operations <sup>1)</sup>	49	427	–	95
Income from assets available for sale	–	–5	–	–
Income from the sale of divested operations <sup>2)</sup>	453	–	–2	–
<b>Income from discontinued operations</b>	<b>502</b>	<b>422</b>	<b>–2</b>	<b>95</b>
<b>Key data</b>				
Surplus ratio, %	36	46	–	41
Premises, 000s m <sup>2</sup> , balance-sheet date	–	497	–	497
Number of properties, balance-sheet date	–	66	–	66
Market value, SEK M, balance-sheet date	–	5,402	–	5,402
Investments, SEK M	24	41	–	19
<b>1) Specification of income from divested operations</b>				
Rental income	252	498	–	128
Operating expenses	–106	–145	–	–38
Repairs and maintenance	–19	–53	–	–17
Property administration	–30	–62	–	–18
Property tax	–6	–10	–	–3
<b>Net operating income</b>	<b>91</b>	<b>228</b>	<b>–</b>	<b>52</b>
<b>Income before value changes and tax</b>	<b>91</b>	<b>228</b>	<b>–</b>	<b>52</b>
Value changes, investment properties	–24	351	–	77
<b>Income before tax</b>	<b>67</b>	<b>579</b>	<b>–</b>	<b>129</b>
Tax	–18	–152	–	–34
<b>Income from operations</b>	<b>49</b>	<b>427</b>	<b>–</b>	<b>95</b>
<b>2) Specification of income from the sale of properties</b>				
Reversal of recognized deferred tax, properties	857	–	–	–
Deduction for deferred tax from sale	–402	–	–	–
Difference between actual value from divestment and the carrying amounts in the Group	11	–	–	–
Costs in connection with the divestment	–13	–	–2	–
<b>Income</b>	<b>453</b>	<b>–</b>	<b>–2</b>	<b>–</b>

Income from divested operations pertains to Bostadsaktiebolaget Dombron, which was sold to the Fourth Swedish National Pension Fund on July 1, 2010. Consequently, results for 2010 pertain only to six months.

Income from the sale of divested operations pertains to the sale of Bostadsaktiebolaget Dombron. The purchase price for the shares was based on the underlying property value of SEK 5.4 billion, corresponding to the carrying amount of the properties in the Vasakronan Group.

The annual decrease in the net surplus, resulting from the sale, amounted to approximately SEK 200 M, corresponding to about 5% of the total net surplus for 2010.

At the same time, the Group's interest expenses decreased due to the divestment, which resulted in the net effect on income being restricted.

# Vasakronan AB – Parent Company in summary

## Income statement

Amounts in SEK M	Jan–Dec 2010	Jan–Dec 2009
Net sales	424	510
Operating costs	–535	–689
Capital gain, sales	638	279
<b>Operating income</b>	<b>527</b>	<b>100</b>
<b>Financial items</b>		
Income from participations in Group companies	417	–43
Interest expense	–1,176	–1,052
Unrealized change in value, financial instrument	28	–11
<b>Income before tax</b>	<b>–204</b>	<b>–1,006</b>
Tax	142	267
<b>Income for the year</b>	<b>–62</b>	<b>–739</b>
<b>Other comprehensive income</b>		
Cash flow hedges	287	70
Income tax related to cash flow hedges	–76	–19
<b>Other comprehensive income for the period, net after tax</b>	<b>211</b>	<b>51</b>
<b>Total comprehensive income for the period</b>	<b>149</b>	<b>–688</b>

## Parent Company

The operations of the Parent Company Vasakronan AB (publ) comprise Group-wide functions and an organization for the management of the properties owned by the subsidiaries. No properties are directly owned by the Parent Company.

Revenues in the Parent Company during the year amounted to SEK 424 M (510) and the result before tax was a loss of SEK 204 M (loss: 1,006). Revenues pertained primarily to the Parent Company's invoicing of subsidiaries for services rendered. At the end of the year, cash and cash equivalents amounted to SEK 3,785 M (272).

## Balance sheet

Amounts in SEK M	Dec. 31, 2010	Dec. 31, 2009
<b>ASSETS</b>		
<b>Fixed assets</b>		
Inventories	32	38
Shares and participations in Group companies	29,365	29,306
Deferred tax assets	478	519
Long-term receivables	285	597
<b>Total fixed assets</b>	<b>30,160</b>	<b>30,460</b>
<b>Current assets</b>		
Receivables from subsidiaries	32,167	28,659
Current receivables	366	305
Cash and cash equivalents	3,785	272
<b>Total current assets</b>	<b>36,318</b>	<b>29,236</b>
<b>TOTAL ASSETS</b>	<b>66,478</b>	<b>59,696</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>	<b>17,565</b>	<b>19,615</b>
<b>Liabilities</b>		
Interest bearing liabilities	40,590	32,236
Non-interest-bearing liabilities	1,293	2,060
Liabilities to Parent Company	1,319	1,656
Liabilities to subsidiaries	5,711	4,129
<b>Total liabilities</b>	<b>48,913</b>	<b>40,081</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>66,478</b>	<b>59,696</b>

# Other information

## Personnel

The number of employees at year-end was 364 (461). The decline compared with the preceding year was primarily due to the inclusion of the figures for Dombron in the comparative figures and also because staffing during the year was adapted to the company's concentrated and streamlined property portfolio.

## Risks and uncertainties

The Board of Directors and Group management work continuously on achieving the desired risk profile, based on a policy set by the Board of Directors. The policy contains uniform methods for the identification, valuation, responsibility, management and reporting of risks. Vasakronan's risks are described in the 2009 Annual Report on pages 38–39. No significant changes occurred thereafter to influence the Board's and management's assessment. The general situation in the property and financial markets is commented on in the relevant section of this report.

To be able to prepare financial statements in accordance with generally accepted accounting principles, the company's management and Board must make assessments and assumptions that affect recognized asset and liability items, revenue and expense items as well as disclosures in general. The actual outcome may deviate from these assessments. The statements are particularly sensitive to assessment and assumptions forming the basis of the valuation of investment properties.

## Accounting policies

This year-end report has been prepared in accordance with IAS 34. The same accounting and valuation policies and calculation methods as in the most recently published annual report were applied refer to Vasakronan's 2009 Annual Report, pages 52–55. From January 1, 2010, Vasakronan's operations are reported based on four locations.

During the second quarter, an agreement was signed with the Fourth Swedish National Pension Fund pertaining to the sale of the shares in Dombron, with transfer on July 1, 2010. The listed company Domborn was thus recognized as an "asset held for sale" in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. This means that income from Dombron's operations and income from the divestment of Dombron will be recognized net under "Income from divested operations" in the consolidated income statement. The comparative figures, key data and information in the graphs were recalculated and pertain to the Group's income and position excluding Dombron, unless otherwise stated.

The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities.

## Related-party transactions

Vasakronan's transactions with related parties are described in Note 36 of Vasakronan's 2009 Annual Report. During the period, the Dombron subsidiary was sold to the Fourth Swedish National Pension Fund, one of the owners of the Parent Company Vasakronan Holding. The purchase price was based on an underlying property value of SEK 5.4 billion, which corresponds to the market value at the beginning of the year. In connection with the payment of the sales proceeds to Vasakronan, an extra dividend of SEK 2,500 M was paid to the owner Vasakronan Holding. In addition, a Group contribution of SEK 1,656 M was paid to the owner Vasakronan Holding.

## Events after the end of the reporting period

No significant events took place after the balance-sheet date that could affect the assessment of Vasakronan's financial position.

Stockholm, February 15, 2011

**Fredrik Wirdenius**  
CEO

This report is unaudited

## For further information concerning the Year-end Report, please contact:

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CFO  
Tel: +46 (0)8-566 205 40  
E-mail: christer.nerlich@vasakronan.se



# Key data

	Jan-Dec 2010	Jan-Dec 2009	Oct-Dec 2010	Oct-Dec 2009
<b>Property-related information</b>				
Occupancy rate on balance-sheet date, %	92.8	91.9	92.8	91.9
Surplus ratio, %	67	67	66	62
Investments in existing properties, SEK M	2,066	3,069	610	906
Property acquisitions, SEK M	5,590	642	5,586	642
Property divestments, SEK M	-5,391	-2,283	-128	-1,956
Net investments, properties, SEK M	2,265	1,428	6,068	-408
Market value of properties on balance-sheet date, SEK M	77,633	66,383	77,633	66,383
Floor space on balance-sheet date, 000s m <sup>2</sup>	2,817	2,699	2,817	2,699
Number of premises on balance-sheet date	222	222	222	222
<b>Finance-related information</b>				
Interest-coverage ratio, multiple	2.9	2.8	2.6	2.7
Equity/assets ratio on balance-sheet date, %	32	32	32	32
Loan to market value of properties on balance-sheet date, %	57	56	57	56
Average interest rate on balance-sheet date, %	3.3	3.0	3.3	3.0
Net interest-bearing liabilities on balance-sheet date, SEK M	44,045	40,149	44,045	40,149
Cash flow before changes in working capital, SEK M	2,339	2,101	562	543
<b>Other</b>				
Number of employees on balance-sheet date	364	461	364	461

# Definitions

## **Floor space, m<sup>2</sup>**

Rentable floor space, excluding space for garages and parking.

## **Loan to market value of properties, %**

Net interest-bearing liabilities divided by the appraised market value of properties.

## **Central administration**

Costs at the Group-wide level, which are not directly attributable to property management, such as Group management costs including property investments, funding and central marketing.

## **Net surplus, SEK M**

Rental revenues less operating and maintenance costs, property administration, property tax and site leaseholds.

## **Rental value, SEK M**

Contract rents plus assessed market rent levels for vacant premises.

## **Contract leases, SEK M**

Total rent from contracts that are valid on the balance-sheet date.

## **Net investments, SEK M**

The sum of purchases, including stamp duty and other direct transaction costs, and investments in projects less the sales price for divested properties and the sales price for properties sold through companies and direct transaction costs.

## **Unrealized change in value, properties, %**

Change in the properties' market value during year adjusted for property acquisitions, property divestments and investments made.

## **Pro forma**

As if the acquisition of Vasakronan was made January 1, 2008 instead of September 1, 2008.

## **Interest-coverage ratio, multiple**

Operating income including operating income from discontinued operations divided by net interest.

## **Equity/assets ratio, %**

Shareholders' equity as a percentage of total assets on the balance-sheet date.

## **Occupancy rate, financial, %**

Contract leases divided by rental value.

## **Change in value properties, %**

Change in value including transactions calculated in accordance with the guidelines of SFI.

## **Surplus ratio, %**

Net surplus as a percentage of rental revenues.

# Financial calendar

## **Reports**

Annual Report 2010	Week 13, 2011
Interim report, January–March 2011	May 5, 2011
Six-month report, January–June 2011	August 22, 2011
Interim report January–September 2011	November 8, 2011
Year-end report 2011	February 8, 2011

## **Annual General Meeting**

Annual General Meeting	May 5, 2011
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Further information about the company is available on Vasakronan's website: [www.vasakronan.se](http://www.vasakronan.se)