

Financial statements and notes

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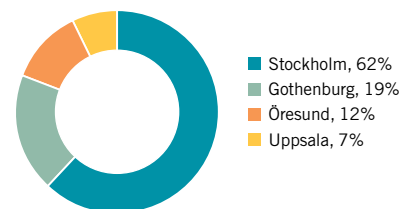
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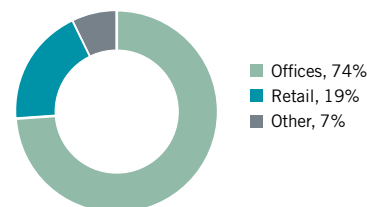
Vasakronan 2016

- Rental revenue increased during the year to SEK 6,251 million (6,009). In comparable property holdings, the increase was 3%.
- The occupancy rate was 94.2% (92.6) at the end of the period.
- Property expenses amounted to a total of SEK 1,792 million (expense: 1,735). In comparable property holdings, the increase was 5%. The increase was primarily due to higher property tax costs.
- Net operating income increased in total to SEK 4,459 million (4,274). In comparable property holdings, the increase was 3%.
- Profit before value changes and tax was SEK 3,217 million (3,064), which corresponds to an increase of 5%. The increase was due to higher rental revenue.
- The change in the property value amounted to SEK 12,056 million (10,212), which corresponded to a 11.6% (11.1) increase in value. At the end of the period, the portfolio amounted to SEK 115,922 million.
- The value change in financial instruments was negative SEK 764 million (positive: 598), which was due to lower long-term interest rates during the year.
- Profit after tax was SEK 11,472 million (10,944).
- The share of environmentally certified buildings increased to 77% (71) at the end of the year.
- A dividend of SEK 4,000 million (6,000, of which SEK 1,500 million in the form of Group contributions), over and above Group contributions of SEK 558 million (824), is proposed to the Annual General Meeting.

Contracted rent by geographic market



Contracted rent by property type



Vasakronan in brief

Amounts in SEK million	2016	2015
Rental revenue	6,251	6,009
Net operating income	4,459	4,274
Profit before value changes and tax	3,217	3,064
Profit after tax	11,472	10,944
Cash flow from operating activities before changes in working capital	3,137	2,855
Market value of properties, SEK m	115,922	103,894
Occupancy rate, %	94.2	92.6
Surplus ratio, %	71	71
Interest coverage ratio, multiple	3.8	3.7
Loan-to-value (LTV) ratio, %	46	47
Environmental certification, share of total area, %	77	71
Energy intensity on closing date, kWh/m ²	110	112

Consolidated income statement

Amounts in SEK million	2016	2015	Note
Rental revenue	6,251	6,009	4, 5
Operating expenses	-681	-693	
Repairs and maintenance	-105	-106	
Property administration	-300	-305	7
Property tax	-544	-474	
Ground rents	-162	-157	
Total property expenses	-1,792	-1,735	6
Net operating income	4,459	4,274	
Central administration	-87	-88	6, 7
Result from participations in joint ventures	-3	-1	
Interest income	10	3	11
Interest expense	-1,162	-1,124	12
Profit before value changes and tax	3,217	3,064	
Change in value of investment properties	12,056	10,212	13
Change in value of financial instruments	-764	598	15
Divested/impaired goodwill	-18	-71	18
Profit before tax	14,491	13,803	
Current tax	0	-45	17
Deferred tax	-3,019	-2,814	17
Profit for the year	11,472	10,944	
Other comprehensive income			
<i>Items that may be reclassified</i>			
Cash-flow hedges	17	5	
Income tax on cash-flow hedges	-4	-1	
<i>Items that may not be reclassified</i>			
Pensions, revaluation	-89	61	29
Restriction for surplus in pension plan with asset cap	16	-26	29
Income tax on pensions	16	-8	29
Other comprehensive income for the year, net of tax	-44	31	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR¹⁾	11,428	10,975	
Key metrics			
Surplus ratio, %	71	71	
Interest coverage ratio, multiple	3.8	3.7	

1) Since there are no minority interests, the entire profit is attributable to the Parent Company's shareholders. The absence of any potential shares means there is no dilutive effect.

Comments on the consolidated income statement

Rental revenue

Rental revenue increased during the period to SEK 6,251 million (6,009). In comparable property holdings, the increase in rental revenue was 3% as a result of new lettings and renegotiated leases.

New lettings corresponding to 140,000 sq. m. and annual rent of SEK 475 million (616) were contracted, of which 17% (15) impacted on revenue in 2016. Notice of termination was received during the year (tenant will be vacating) corresponding to annual rent of SEK 414 million (490), whereby net lettings amounted to SEK 61 million (126). Renegotiations and lease extensions during the year corresponded to annual rent of SEK 807 million (793), resulting in an increase on the previous rent payable of 10.6% (5.4). Contracted rent at the end of the year amounted to SEK 6,481 million (6,177) and the average remaining maturity was 4.3 years (4.6).

The occupancy rate was 94.2% (92.6) on 31 December 2016 and was mainly attributable to new lettings but was also due to few premises being vacated. Of the total vacancies, 0.4 percentage points (0.4) is attributed to ongoing projects and 0.3 (0.7) is attributed to vacant development properties.

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2017	1,343	1,295	20
2018	941	1,037	16
2019	839	1,082	17
2020	444	742	11
≥2021	645	2,000	31
Total	4,212	6,156	95
Residential	1,161	97	2
Garage	–	228	3
Total	5,373	6,481	100

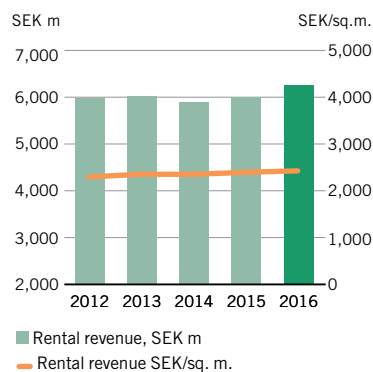
Maturity structure for contracted rent.

Widely distributed over many tenants

	Share in %
SEB	3
Swedish Police Authority	3
Ericsson Sweden	3
H&M	3
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
Åhléns	1
Stadium	1
Ramböll	1
Total	20

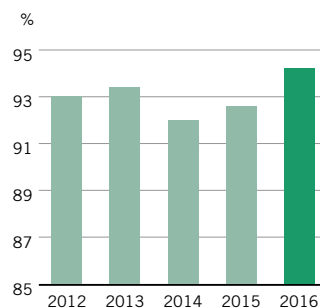
Largest tenants, share of contracted rent.

Rising rental revenue



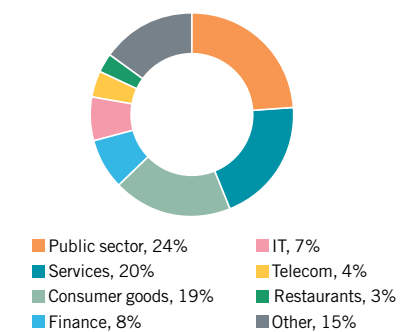
January–December

High occupancy rate



At 31 December

Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

Property expenses

Property expenses amounted to SEK 1,792 million (expense: 1,735) for the period. In comparable property holdings, the increase in property expenses was 5%. The increase was primarily due to higher property tax costs as a result of raised tax assessment values. Of the total property tax, 90% is charged on to tenants.

The portfolio's energy intensity improved to 110 kWh/m² (112) at year end.

Net operating income

Net operating income increased during the year to SEK 4,459 million (4,274). In comparable property holdings, the increase in net operating income was 3%. The surplus ratio was 71% (71).

Administration

Property administration costs were SEK 300 million (expense: 305) and central administration costs were SEK 87 million (expense: 88).

Net interest

Net interest expense deteriorated slightly to SEK 1,152 million (expense: 1,121) due to a larger loan portfolio during the period. The average interest rate at the end of the year was 2.0% (2.1).

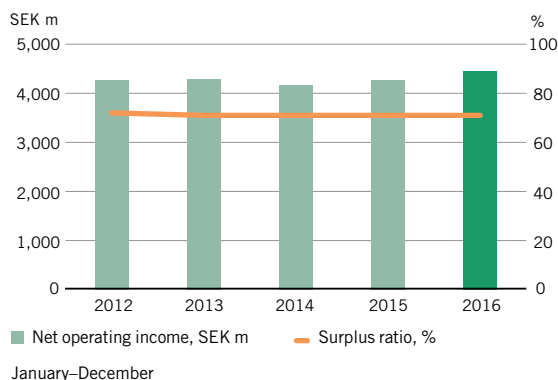
The average fixed-interest tenor was 4.3 years (4.3). The proportion of loans with fixed-interest maturities within one year was 45% (41). The proportion of loans with fixed-interest maturities of five years or more amounted to 42% (49) of interest-bearing liabilities, while the proportion with maturities longer than ten years increased to 10% (4).

The interest coverage ratio increased to a multiple of 3.8 (3.7) as a result of an improved net operating income. The policy for the interest coverage ratio does not permit it falling below a multiple of 1.9.

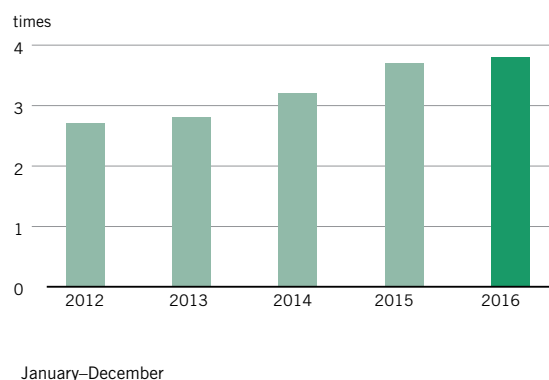
Profit before value changes and tax

Profit before value changes and tax was SEK 3,217 million (3,064), up 5%. The increase was due to higher rental revenue.

Stable surplus ratio



Improved interest coverage ratio



Change in value of investment properties

At 31 December 2016, the entire property portfolio had been valued by external appraisers Cushman & Wakefield or Forum Fastighetsekonomi.

Altogether, the change in the property value amounted to SEK 12,056 million, which corresponded to an 11.6% increase in value. The increase was largely due to rising market rents but also to a generally lower yield requirement in the portfolio. The value increase was greatest in Stockholm, where the value of the portfolio rose 13%. In Stockholm, the value increase was mainly attributable to market rents. On average, the yield requirement for the portfolio was 4.63%, compared to 4.91% for corresponding properties at the end of 2015.

Change in value of financial instruments

Derivatives are primarily used to adjust the maturity structure in the loan portfolio and to hedge borrowings in NOK. The nominal value of the derivative portfolio at the end of the period was SEK 52,781 million (40,149). The value change in

derivatives was a negative SEK 764 million (positive: 598), which was due to lower long-term interest rates during the year. Vasakronan opted for early redemption of interest-rate derivatives for a nominal value of SEK 2,900 million during the year. With that, a previously recognised loss of SEK 519 million was realised. At the same time, new interest-rate swaps were entered into with longer maturities and at current interest rates.

Tax

The Group reported a total tax expense of SEK 3,019 million (expense: 2,859). The tax expense for the year arose entirely from deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments.

The effective tax rate amounted to 20.8% and the difference from the nominal tax rate of 22.0% was due to tax free property sales in corporate wrappers.

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	12.8	8.2
Gothenburg	10.7	2.0
Öresund	8.0	0.9
Uppsala	9.1	0.5
Total Vasakronan		11.6

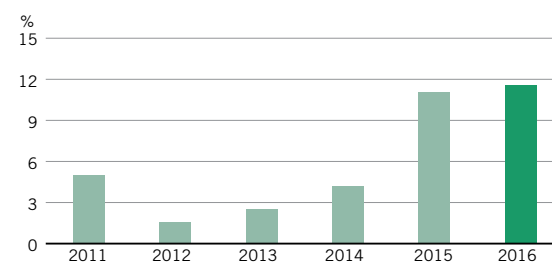
Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	11.1	9.9
Development properties	14.0	1.3
Transactions	–	0.4
Total Vasakronan		11.6

Factors impacting value

	Value impact, %
Yield requirement	5.8
Market rents at properties	7.4
Investments and other value-impacting factors	–1.6
Total Vasakronan	11.6

Value change in the total portfolio



Consolidated balance sheet

Amounts in SEK million	2016	2015	Note
ASSETS			
Intangible assets	2,171	2,188	18
Property, plant and equipment (PPE)			
Investment properties	115,922	103,894	4, 19
Equipment	54	58	20
	115,976	103,952	
Financial assets			
Shares and participations in joint ventures	372	381	22
Derivatives	423	–	32
Other non-current receivables	58	169	23
	853	550	
Total non-current assets	119,000	106,690	
Current assets			
Accounts receivable	31	38	24
Receivables from joint ventures	111	109	
Current tax assets	15	–	
Derivatives	35	15	32
Other current receivables, prepaid expenses and accrued income	717	633	25
Cash and cash equivalents	2,147	2,301	26
Total current assets	3,056	3,096	
TOTAL ASSETS	122,056	109,786	
EQUITY AND LIABILITIES			
Equity			
Share capital	4,000	4,000	
Other contributed capital	4,227	4,227	
Other reserves	–	–13	
Retained earnings	37,890	33,031	
Total equity	46,117	41,245	
Non-current liabilities			
Non-current interest-bearing liabilities	39,334	34,984	27
Deferred tax liability	14,362	11,356	17
Derivatives	3,383	2,894	32
Other non-current liabilities	198	156	28
Provision for pensions	80	17	29
Total non-current liabilities	57,357	49,407	
Current liabilities			
Current interest-bearing liabilities	15,906	15,766	27
Accounts payable	132	177	
Current tax liabilities	–	20	
Liabilities to Parent Company	–	825	
Derivatives	–	24	32
Other current liabilities, accrued expenses and deferred income	2,544	2,322	30
Total current liabilities	18,582	19,134	
TOTAL EQUITY AND LIABILITIES	122,056	109,786	
Key metrics			
Net interest-bearing liabilities, SEK m	53,093	48,449	
Equity/assets ratio, %	38	38	
Loan-to-value (LTV) ratio, %	46	47	

Comments on the consolidated balance sheet

Intangible assets

Intangible assets primarily consist of goodwill. Goodwill has arisen from the recognition of deferred tax on property at the nominal tax rate on the date of the business combination, while the tax rate applied when calculating the purchase price for the acquisition was lower than the nominal rate. At 31 December 2016, goodwill was SEK 2,071 million (2,088), and the decline was primarily due to the sale of properties.

The remaining portion of intangible assets comprised the value of the Vasakronan brand, which amounted to SEK 100 million (100).

Investment properties

At 31 December 2016, based on external appraisals the estimated market value of Vasakronan's property portfolio was SEK 115,922 million compared with SEK 103,894 million at year-end 2015. The change in value during the period was SEK 12,056 million (10,212) and the remaining change in the market value comprised net investments. A change in the yield requirement of +/-0.25 percentage points would have a negative impact of 5.1/5.7% on the value of the current property portfolio.

The valuations were performed pursuant to the RICS Red Book and apply the same methodology as previous valuations. Market value is influenced by property-specific events, such as new and renegotiated leases, properties being vacated and investments. Consideration has also been taken for any

assessed changes in market rents and yield requirements. A more comprehensive description of Vasakronan's property valuation methodology is available in Note 13 on page 87.

Vasakronan has set high goals for environmental certification of its property portfolio. It aims to eventually obtain certification for all of its properties and at 31 December 2016, 77% (71) of the portfolio had environmental certification.

Property projects

Ongoing property projects have a total investment volume of SEK 3,423 million (2,483), of which SEK 2,061 million (1,223) had been capitalised as of 31 December. Overall, projects have low risk due to a high occupancy rate and, for the larger projects, the total occupancy rate was 72%. The strong rental market allows projects to be started at attractive locations without all of the premises needing to have been let by the project start date.

Higher property values

SEK m	2016	2015
Opening value, 1 January	103,894	91,889
Investments	2,035	2,224
Acquisitions, consideration	58	956
Sales, consideration	-2,121	-1,387
Change in value	12,056	10,212
Closing value, 31 December	115,922	103,894

Large investments in property projects

City	Property	Total investments, SEK m	Capitalised, SEK m	Share capitalised, %	Premises area, sq. m.	Estimated completion date	Occupancy rate, % ¹⁾
Stockholm, City	Uggleborg 12, Klara C	1,100	941	86	34,000	Mar 2017	86
Uppsala	Kronåsen 1:1, Hubben	560	190	34	12,850	Dec 2017	82
Stockholm	Hilton 7	390	121	31	11,000	Nov 2018	0
Gothenburg	Part of Läppstiftet	200	55	28	9,200	Jun 2018	62
Stockholm	Part of Nöten 5	184	76	41	3,980	Oct 2017	75
Gothenburg	Drivhuset	170	43	25	12,200	Mar 2018	96
Total major property projects		2,604	1,426	55			72
Other projects		819	635				
Total at 31 December		3,423	2,061				

1) Calculated based on area.

Diversified funding with healthy reserves

SEK m	Loan limit	Amount utilised	Share, %
Commercial paper	20,000	9,206	17
MTNs	30,000	19,968	36
Green MTNs	–	5,219	9
Inflation-linked MTNs	–	820	1
NOK MTNs	10,000	4,109 ¹⁾	8
Secured bank loans	–	15,473	28
Unsecured bank loans	–	445	1
Subscription commitment	18,000	–	–
Total		55,240	100

1) The amount corresponds to NOK 3,900 million and is fully hedged.
Breakdown of funding sources, share of total loan portfolio.

Deferred tax

Deferred tax is calculated using a nominal rate of 22% on differences between the carrying amount and tax base of assets and liabilities. At 31 December 2016, deferred tax amounted to SEK 14,362 million (11,356) and pertained primarily to investment properties. The main reason for the increase was the higher market value of the properties.

Liabilities, and cash and cash equivalents

Interest-bearing liabilities, net of cash and cash equivalents, increased to SEK 53,093 million (48,449), primarily due to dividends distributed during the year. The average loan-to-maturity increased to 3.4 years (3.3). The proportion of loans

maturing within the next 12 months decreased to 29% (31), due to decreased commercial paper borrowing. The proportion of commercial paper fell to 17% (21) of the total loan portfolio. At the end of the year, the share of capital market financing was 72% (71) and the share of bank financing was 28% (29).

Total green bonds outstanding increased during the period to SEK 5.2 billion (4.7). The green bonds offer the capital market the opportunity to invest in projects that lead to lower energy consumption and lower climate impact. Investments that qualified for green bond financing under Vasakronan's green framework amounted at year end to around SEK 6 billion.

During the year, Vasakronan issued bonds for SEK 8.0 billion (8.1) in the Swedish capital market, and for NOK 2.9 billion (1.0) in the Norwegian capital market. An unsecured loan of SEK 0.4 billion (0) was taken up with the Nordic Investment Bank (NIB) as the counterparty. Secured bank loans for SEK 4.6 billion (4.5) were obtained and at the end of the period, bank loans outstanding secured against mortgage deeds amounted to 14% (14) of the Group's total assets. The financial policy states that collateralised loans must not exceed 20% of total assets.

The subscription commitment from the First, Second, Third and Fourth Swedish National Pension Funds, whereby, at Vasakronan's request, there is an undertaking to purchase commercial paper, amounts to SEK 18 billion, with a notice period of two years. Cash and cash equivalents of SEK 2,147 million (2,301) and the unutilised subscription commitment together corresponded to 127% (129) of loans maturing over the next 12 months.

The average fixed-interest tenor was unchanged at 4.3 years (4.3) and the loan-to-maturity increased to 3.4 years (3.3).

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0–1 year	24,719	45	15,906 ¹⁾	29
1–2 years	–35	0	12,862	23
2–3 years	1,729	3	8,121	15
3–4 years	2,009	4	3,801	7
4–5 years	3,468	6	5,640	10
5 years or more	23,350	42	8,910	16
Total	55,240	100	55,240	100

1) The subscription commitment from the owners of SEK 18,000 million and cash and cash equivalents of SEK 2,147 million corresponded to a total of 127% of loans maturing in the next 12 months. The interest exposure for years 1–2 is negative. This is attributable to contracted swaps exceeding loans with corresponding fixed-interest tenors.

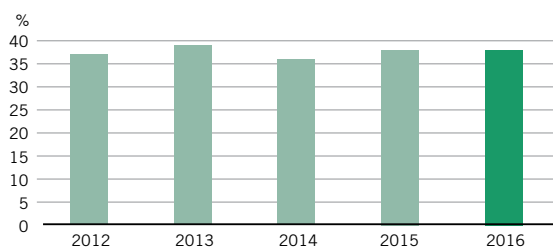
Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other contributed capital	Hedging reserve	Retained earnings	Total equity
Equity, opening balance at 1 Jan 2015	4,000	4,227	-17	26,884	35,094
Cash-flow hedges, after tax	-	-	4	-	4
Pensions, including tax	-	-	-	27	27
Profit for the year	-	-	-	10,944	10,944
<i>Total comprehensive income</i>	-	-	4	10,971	10,975
Dividends	-	-	-	-4,000	-4,000
Group contribution paid	-	-	-	-824	-824
Equity, closing balance at 31 Dec 2015	4,000	4,227	-13	33,031	41,245
Equity, opening balance at 1 Jan 2016	4,000	4,227	-13	33,031	41,245
Cash-flow hedges, after tax	-	-	13	-	13
Pensions, including tax	-	-	-	-57	-57
Profit for the year	-	-	-	11,472	11,472
<i>Total comprehensive income</i>	-	-	13	11,415	11,428
Dividends	-	-	-	-4,500	-4,500
Group contribution paid	-	-	-	-2,058	-2,058
Tax effect of Group contribution paid	-	-	-	2	2
Equity, closing balance at 31 Dec 2016	4,000	4,227	-	37,890	46,117

Equity

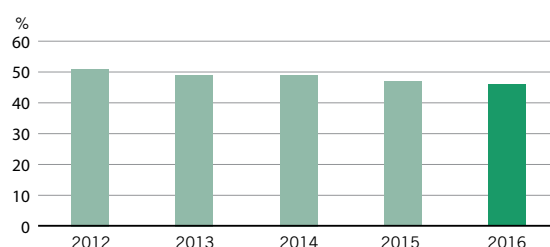
Equity increased during the period to SEK 46,117 million (41,245) due to positive comprehensive income of SEK 11,428 million (10,975). The equity/assets ratio was 38% (38) and the loan-to-value ratio was 46% (47).

Equity/assets ratio



At 31 December

Loan-to-value (LTV) ratio



At 31 December

Consolidated cash-flow statement

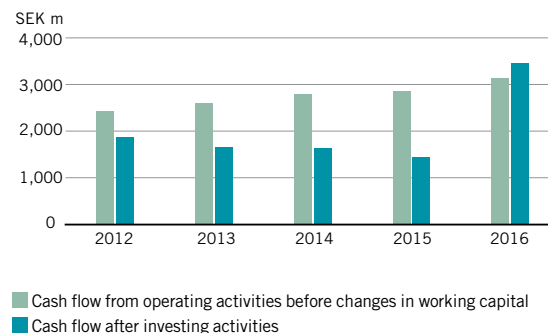
Amounts in SEK million	2016	2015	Note
Operating activities			
Profit before value changes and tax	3,217	3,064	
Adjustment for non-cash items	7	8	33
Add back of net interest	1,152	1,121	
Interest paid	-1,201	-1,326	
Interest received	10	3	
Taxes paid	-48	-15	
Cash flow before changes in working capital	3,137	2,855	
Increase (-)/decrease (+) in operating receivables	9	-121	
Increase (+)/decrease (-) in operating liabilities	293	476	
Cash flow from operating activities	3,439	3,210	
Investing activities			
Investments in existing property	-2,035	-2,224	19
Property acquisitions	-58	-916	19
Property divestments	2,121	1,387	
Other PPE, net	-11	-22	
Other financial assets, net	6	-	
Cash flow from investing activities	23	-1,775	
Cash flow after investing activities	3,462	1,435	
Financing activities			
Dividends and Group contributions	-7,382	-4,924	35
Raised debt: interest-bearing liabilities	16,993	16,381	
Repayment of debt: interest-bearing liabilities	-12,708	-12,348	
Redemption of financial instruments	-519	-	
Cash flow from financing activities	-3,616	-891	
Cash flow for the period	-154	544	
Opening balance, cash and cash equivalents	2,301	1,757	
Cash flow for the period	-154	544	
Closing balance, cash and cash equivalents	2,147	2,301	26

Comments to the consolidated cash-flow statement

Cash flow after investing activities increased to SEK 3,462 million (1,435) during the year. Cash flow from operating activities before changes in working capital improved SEK 282 million to SEK 3,137 million (2,855). The improvement was primarily attributable to higher net operating income. During the period, cash flow from investments in existing properties was a negative SEK 2,035 million (negative: 2,224) and the net of completed acquisitions and divestments of properties positively impacted cash flow with SEK 2,063 million (471).

In total, net borrowing for the year amounted to SEK 4,285 million (4,033). Cash flow from financing activities was negatively impacted in an amount of SEK 7,382 million (negative: 4,924) after the distribution of a dividend and Group contributions to the owner. Following early settlement of interest rate swaps at a cost of SEK 519 million (-), cash flow from financing activities amounted to negative SEK 3,616 million (negative: 891). In total, cash and cash equivalents declined SEK 154 million (increase: 544) over the year.

Stable cash flow from operating activities



January–December

Property divestments

Property	City	Buyer	Purchase price, SEK m	Transfer date
Sandryggen 1	Lund	Norama Real Estate	105	16 Feb 2016
Part of Kvarngärdet 1:19	Uppsala	JM	60	10 Mar 2016
Neapel 3	Stockholm	Niam	925	20 Apr 2016
Sandbacken Mindre 39	Stockholm	Slussgården	234	1 Jun 2016
Part of Telefonfabriken 1	Stockholm	HSB Bostad	689	30 Jun 2016
Älta 37:19	Stockholm	Bonava	67	4 Oct 2016
Skytten 2	Stockholm	Sigillet	111	15 Dec 2016
Total property value			2,191	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-70	
Total purchase price			2,121	

Property acquisitions

Property	City	Seller	Purchase price, SEK m	Occupancy
Regndroppen 1 (Hyllie)	Malmö	City of Malmö	50	15 Jan 2016
Kungsängen 14:1	Uppsala	JM	6	10 Mar 2016
Total property value			56	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			2	
Total purchase price			58	

Parent Company financial statements

INCOME STATEMENT

Amounts in SEK million	2016	2015	Note
Net sales	423	423	
Operating expenses	-525	-526	7-10
Capital gain on sales	1	0	13
EBIT	-101	-103	
Financial items			
Profit from participations in subsidiaries	10 796	1,623	14
Result from participations in joint ventures	0	0	
Interest income	70	72	11
Interest expense	-1,189	-1,173	12
Profit before value changes and tax	9,576	419	
Change in value of financial instruments	-764	598	15
Appropriations	-	-44	16
Profit before tax	8,812	973	
Tax	74	-218	17
Profit for the year	8,886	755	

STATEMENT OF COMPREHENSIVE INCOME

Items that may be reclassified

Cash-flow hedges	17	5	
Income tax on cash-flow hedges	-4	-1	
Other comprehensive income for the year, net of tax	13	4	
Total comprehensive income for the year	8,899	759	

BALANCE SHEET

Amounts in SEK million	2016	2015	Note
ASSETS			
Non-current assets			
Equipment	25	32	20
Shares and participations in subsidiaries	30,759	30,758	21
Receivables from subsidiaries	9,771	6,267	
Shares and participations in joint ventures	1	0	22
Deferred tax assets	478	407	17
Derivatives	423	-	32
Other non-current receivables	54	164	23
Total non-current assets	41,511	37,628	
Current assets			
Accounts receivable	0	0	24
Receivables from subsidiaries	28,326	27,692	
Receivables from joint ventures	110	105	
Current tax assets	15	-	
Derivatives	35	15	32
Other current receivables, prepaid expenses and accrued income	298	244	25
Cash and cash equivalents	2,146	2,300	26
Total current assets	30,930	30,356	
TOTAL ASSETS	72,441	67,984	

CHANGE IN EQUITY

Amounts in SEK million	Share capital ¹⁾	Retained earnings	Total equity
Equity, opening balance at 1 Jan 2015	4,000	9,078	13,078
Cash-flow hedges, after tax	-	4	4
Profit for the year	-	755	755
<i>Total comprehensive income</i>	-	759	759
Dividends	-	-4,000	-4,000
Group contribution paid	-	-824	-824
Tax on reversal of Group contributions from previous years	-	-417	-417
Equity, closing balance at 31 Dec 2015	4,000	4,596	8,596
Equity, opening balance at 1 Jan 2016	4,000	4,596	8,596
Cash-flow hedges, after tax	-	13	13
Profit for the year	-	8,886	8,886
<i>Total comprehensive income</i>	-	8,899	8,899
Dividends	-	-4,500	-4,500
Group contribution paid	-	-2,058	-2,058
Tax effect of Group contribution paid	-	2	2
Equity, closing balance at 31 Dec 2016	4,000	6,939	10,939

1) 40,000,000 shares with a quotient value of SEK 100 per share.

BALANCE SHEET

Amounts in SEK million	2016	2015	Note
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	4,000	4,000	
	4,000	4,000	
<i>Unrestricted equity</i>			
Retained earnings	-1,947	3,841	
Profit for the year	8,886	755	
	6,939	4,596	
Total equity	10,939	8,596	
Untaxed reserves	44	44	16
Non-current liabilities			
Non-current interest-bearing liabilities	39,334	34,984	27
Liabilities to subsidiaries	100	100	
Derivatives	3,383	2,894	32
Other non-current liabilities	158	55	28
Provision for pensions	4	3	
Total non-current liabilities	42,979	38,036	
Current liabilities			
Current interest-bearing liabilities	15,906	15,766	27
Accounts payable	6	4	
Current tax liabilities	-	17	
Liabilities to Parent Company	-	825	
Liabilities to subsidiaries	2,041	4,215	
Derivatives	-	24	32
Other current liabilities, accrued expenses and deferred income	526	457	30
Total current liabilities	18,479	21,308	
TOTAL EQUITY AND LIABILITIES	72,441	67,984	

Parent Company

The operations of the Parent Company, Vasakronan AB (publ), consist of Group-wide functions and providing an organisation for the management of properties owned by subsidiaries. The Parent Company does not directly own any properties.

The Parent Company's revenue for the period was SEK 423 million (423), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered. The value change in financial instruments was negative SEK 764 million (positive: 598), which was due to lower long-term interest rates during the year, refer to page 7. Profit before tax was SEK 8,812 million (973). Closing cash and cash equivalents amounted to SEK 2,146 million (2,300).

CASH-FLOW STATEMENT

Amounts in SEK million	2016	2015	Note
Operating activities			
Profit before value changes and tax	9,576	419	
Add back of financial income and expenses, net	-9,677	-522	
Adjustment for non-cash items	9	25	33
Interest paid	-1,187	-1,375	
Interest received	70	72	
Taxes paid	-47	-15	
Cash flow before changes in working capital	-1,256	-1,396	
Increase (-)/decrease (+) in operating receivables	4,394	2,461	
Increase (+)/decrease (-) in operating liabilities	-1,822	387	
Cash flow from operating activities	1,316	1,452	
Investing activities			
Acquisitions of equipment	-6	-18	
Divestments of equipment	3	2	
Acquisition of shares in subsidiaries	0	0	
Divestment of shares in subsidiaries	1	-	
Cash flow from investing activities	-2	-16	
Cash flow after investing activities	1,314	1,436	
Financing activities			
Dividends and Group contributions to Parent Company	-7,382	-4,924	35
Dividends received from subsidiaries	2,148	-	
Raised debt: interest-bearing liabilities	16,993	16,381	
Repayment of debt: interest-bearing liabilities	-12,708	-12,348	
Redemption of financial instruments	-519	-	
Cash flow from financing activities	-1,468	-891	
Cash flow for the period	-154	545	
Opening balance, cash and cash equivalents	2,300	1,755	
Cash flow for the period	-154	545	
Closing balance, cash and cash equivalents	2,146	2,300	26

Notes

NOTE 1 General information

Vasakronan AB (publ), corporate registration number 556061-4603, is the Parent Company of the Vasakronan Group and is domiciled in Stockholm. The address of its registered office is Mäster Samuelsgatan 56, Box 30074, 104 25 Stockholm, Sweden. Vasakronan AB is owned by Vasakronan Holding AB, corporate registration number 556650-4196, which is owned in turn in equal shares by the First, Second, Third and Fourth Swedish National Pension Funds.

The Group's operations comprise the ownership, management and development of properties with the aim of providing owners with a high and stable, long-term return. The Parent Company Vasakronan AB has personnel employed to manage and administer the Group's properties. The Parent Company's assets mainly comprise shares and participations in the companies that own the properties.

The annual accounts and consolidated accounts were approved by the Board for publication on 22 March 2017 and will be submitted to the Annual General Meeting for adoption on 3 May 2017.

NOTE 2 Summary of important accounting and valuation policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU together with the interpretations issued by the IFRS Interpretations Committee (IFRIC) as determined on 31 December 2016. Moreover, the consolidated financial statements have been prepared pursuant to the Swedish Annual Accounts Act through application of Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Corporate Groups. The Parent Company applies the same accounting policies as the Group with the exceptions and supplements stipulated in the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. This means that the IFRS are applied together with the deviations presented below in the Parent Company's accounting policies section.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies were consistently applied for all years presented, unless otherwise stated.

None of the IFRS changes that entered force in 2016 have had any material impact on the Group's financial statements.

2.1 Basis of preparation of the consolidated and Parent Company financial statements

The Parent Company's functional currency is Swedish krona (SEK). SEK is also the presentation currency for the Parent Company and the Group. All amounts are stated in SEK million, unless otherwise stated. Amounts pertain to the 1 January to 31 December period for income-statement items and 31 December for balance-sheet items.

The consolidated financial statements have been prepared applying a historical cost convention, except for the measurement of investment properties, and certain financial assets and liabilities, which were measured at fair value.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in more detail in Note 3.

2.2 Classification

Non-current assets and non-current liabilities comprise amounts that are expected to be recovered or paid more than 12 months after the balance-sheet date. Current assets and current liabilities comprise amounts that are expected to be recovered or paid within 12 months after the balance-sheet date.

2.3 Consolidated accounts

2.3.1 Group and subsidiaries

Group companies are all entities over which Vasakronan exercises a controlling influence. Subsidiaries are companies owned directly by Vasakronan AB (publ). A "controlling influence" entails that the Parent

Company is exposed to, or is entitled to, variable returns from its investment, and can also affect the returns from the subsidiary by means of its influence.

Initial recognition of Group companies in the consolidated financial statements follows the acquisition method. Any surplus comprising the difference between compensation paid and the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill.

Group companies are fully consolidated from the date on which control is transferred to the Group, and they are deconsolidated from the date that control ceases. Intra-Group transactions, balances, and any unrealised gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

When the acquisition of a Group company does not pertain to a business combination, but instead pertains to an asset acquisition in the form of investment properties, the cost is allocated across the net acquired assets in the acquisition analysis. Note 3.2 includes a description of Vasakronan's criteria for business combinations and asset acquisitions.

2.3.2 Joint ventures

Through partnership agreements with one or more parties, Vasakronan shares controlling influence over other companies, which are known as joint arrangements. All joint arrangements are classified as joint ventures since the agreement terms or the entities' legal forms entitle the participants to the net assets of the related arrangement.

Holdings in joint ventures are recognised using the equity method, which means that the consolidated carrying amount of the holding is adjusted with Vasakronan's share of profit for the year and any dividends received. Accordingly, the Group's share of joint ventures' annual earnings is included in the consolidated income statement.

When losses in a joint venture exceed the Group's share, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the joint venture.

Intra-Group gains and losses as a result of transactions with these companies are eliminated in relationship to the Group's holding. Where the accounting policies of joint ventures do not agree with those of the Group, adjustments have been made so that joint ventures' accounting policies correspond with the consolidated accounting policies.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group management and the chief operating decision-maker. The above are responsible for allocating resources and assessing the performance of the operating segments. Vasakronan has determined that the chief operating decision-maker (CODM) is the CEO of the Parent Company and the Group's management collectively as the Management Group.

Business activities have been organised according to the geographic regions of Stockholm, Gothenburg, Uppsala and Öresund. These regions thus represent the four operating segments used for reporting purposes.

2.5 Revenue, income and expenses

2.5.1 Rental revenue

Lease agreements are classified as operating leases in accordance with Note 2.6 below. The Group's revenue primarily consists of rental revenue and additional rental charges. Rental revenue including additional charges are invoiced in advance and allocated over a straight line so that only the portion of the rents that fall due during the period are recognised as revenue. When applicable, recognised revenue is reduced by the cost of incentives. For lease agreements with reduced rent over a specified period, rent reductions are allocated in a straight line over the term of the agreement.

Surrender premia paid by tenants in conjunction with vacating leases prior to lease expiry are recognised as revenue in conjunction with the termination of the agreement with the tenant and when no commitments remain from Vasakronan, which generally arises on vacation of the premises. Rental revenue includes amounts invoiced to tenants for utility expenses, property tax and other expenses, when Vasakronan has not acted as the tenant's representative.

2.5.2 Administration costs

The Group's administration costs are divided into property administra-

tion and central administration. Property administration is included in the Group's net operating income. Central administration comprises costs at the Group level that are not directly related to property management, such as the costs associated with the Group management, Group-wide support functions, financing and central marketing.

2.5.3 Income from property sales

Property sales are recognised on the date of transfer, unless the risks and benefits associated with the property were transferred to the buyer at an earlier date. An assessment of whether or not risks and benefits have been transferred is conducted for each divestment.

2.5.4 Financial income and expenses

Financial income and expenses are recognised in the period in which they arise. Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. The effective interest rate is the rate that exactly discounts future cash payments or receipts throughout the fixed-interest tenor to the carrying amount of the financial asset or financial liability.

2.6 Leases

Leases in which all significant risks and benefits of ownership are retained by the lessor are classified as operating leases. Under this basis, all of the Group's lease agreements are classified as operating leases. Properties leased out under operating leases are included in investment properties. See Note 2.5.1 for the accounting policy relating to rental revenue.

Payments made under operating leases, where Vasakronan is the lessee, are charged to profit or loss on a straight-line basis over the period of the lease.

2.7 Intangible assets

2.7.1 Goodwill

Intangible assets primarily consist of goodwill. Goodwill comprises the difference between any consideration paid and the fair value of the net assets acquired. In the Group, this mainly pertains to the difference between nominal tax and the calculated tax applied for the acquisition, when the acquisition comprises a business combination.

Goodwill has been allocated to the respective properties acquired. Impairment testing is conducted annually to ensure the carrying amount allocated across the acquired properties does not exceed the recoverable amount.

When a property is sold, or alternatively if a need for impairment arises, goodwill attributable to the property is eliminated and recognised as "Divested/impaired goodwill," refer to Note 18 for more information.

2.7.2 Other intangible assets

In addition to goodwill, the Group's intangible assets include brands acquired through business combinations, which were valued at fair value at the acquisition date. The value of the brand is tested annually, or on the indication of a decline in value, to identify any need for impairment and is recognised at cost less any accumulated impairments.

2.8 Investment properties

Investment properties are properties held to generate rental revenue and capital appreciation. On initial recognition, investment property is recognised at cost, including directly attributable transaction costs.

Thereafter, the properties are recognised at fair value on each reporting date.

Fair value is primarily based on prices in an active market and comprises the amount at which an asset could be transferred between knowledgeable, independent and willing parties. To establish the properties' fair value at each reporting date, market valuations are conducted for all properties. Changes in the fair value of investment properties are recognised as value changes in profit or loss.

The term investment properties includes land and buildings, land improvements, building and land installations, and ongoing works.

Further information regarding the fair values of investment properties is disclosed in Note 13.

Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the expenditure will flow to the

Group, that is, when the expenditure adds value. Other repairs and maintenance costs are expensed when incurred.

In the case of new construction, extensions or redevelopments, interest expense during the production period is capitalised in accordance with IAS 23 Borrowing Costs, see Note 12.

2.9 Equipment

Equipment mainly comprises office equipment and vehicles, which are recognised at cost less accumulated depreciation and any impairment losses. Equipment is depreciated using the straight-line method over a five-year period. Residual values are assumed to be negligible and are therefore not taken into consideration. Depreciation is calculated from the time the asset is taken into use.

2.10 Impairment

By definition, goodwill has an indefinite useful life and the Group's brand has also been assessed as having an indefinite useful life. Such assets are not subject to amortisation. Instead, their values are tested annually or on the indication of a decline in value for impairment. Goodwill arising on acquisitions that are not considered as asset acquisitions (see Note 3.2) is tested for each property or balance-sheet item for which goodwill was allocated at the acquisition date, which is the lowest level monitored by the management.

Assets that are subject to amortisation are reviewed for impairment whenever an indication arises that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Investment properties are measured continuously at fair value through profit or loss, and are therefore not encompassed by the above policy.

A need for impairment can arise for the Parent Company's shares in subsidiaries if the carrying amount is higher than the respective subsidiary's consolidated value, see 2.16.1 for more information.

2.11 Financial instruments

Financial instruments reported in the balance sheet include the following assets: cash and cash equivalents, accounts receivable, receivables from joint ventures and derivatives; as well as the following liabilities: accounts payable, borrowings and derivatives. With the exception of the categories of financial instruments and liabilities that are recognised at fair value in profit or loss, financial instruments are initially recognised at fair value with an addition for transaction costs. Thereafter, recognition differs depending on how the financial instruments are classified below.

2.11.1 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Cash and cash equivalents are recognised at nominal amounts.

2.11.2 Accounts receivable

Accounts receivable are initially recognised at fair value and thereafter at amortised cost less any provision for impairment. Accounts receivable are impaired when there is evidence that the Group will not receive payment. The size of the provision is dictated by the difference between the asset's carrying amount and the present value of estimated future cash flows. Any impairment is recognised as an expense in profit or loss.

2.11.3 Liabilities

Borrowings are recognised at amortised cost, net of transaction costs. Any difference between the amount received and the redemption value, for example in the form of premiums or discounts, is recognised in the profit or loss allocated over the tenor of the loan. Borrowings are classified as current liabilities if the Group has an unconditional right to defer payment of the obligation for up to 12 months after the balance-sheet date. Accounts payable have short expected due dates and are measured at nominal amounts.

2.11.4 Derivatives

Vasakronan uses derivatives to achieve the desired fixed-interest tenors and to limit the company's interest risk, currency risk and price risk for electricity. Derivatives may only be used for risk management within the framework of the financial policy and the electricity trading policy. Derivative contracts entered into currently comprise interest rate swaps, currency swaps, swaptions and electricity forwards.

Derivatives are recognised in the balance sheet at the contract date and are measured on an ongoing basis at fair value. Changes in fair value of all derivatives are recognised in profit or loss as a change in value.

2.11.5 Fair value measurement

The fair value of financial instruments traded on an active market is based on market valuations obtained from current market data. The bid price is used for financial assets and the put price for financial liabilities. The fair value of derivatives is calculated as the present value of estimated future cash flows. The fair value of financial liabilities is calculated by discounting future contracted cash flows at the current market interest rate.

The nominal values of accounts receivable and accounts payable, in other words, less any estimated credits, are assumed to correspond to their fair values.

Disclosures pertaining to the fair value of financial assets and liabilities are available in Note 32.

2.12 Employee compensation

Remuneration of employees is in the form of salaries, paid holiday, paid sick leave, etc., and other benefits as well as pensions.

2.12.1 Post-employment benefits

The Group operates both defined-benefit and defined-contribution pension plans. A defined-contribution plan is a pension plan under which Vasakronan pays fixed contributions into a separate legal entity, thereby discharging its obligation to the employee. Defined-contribution plans are recognised as costs in the period to which the premiums paid pertain.

Defined-benefit pension plans guarantee the amount the employee will receive in post-employment benefits on retirement. The commitment recognised for the defined-benefit obligation is calculated by independent actuaries at the present value of future disbursements by using the interest rate on high-quality mortgage bonds with corresponding maturities to the term of the actual pension obligation. The calculation of the obligation is also based on a number of other factors such as age, salary and period of service.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise.

2.13 Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case, the tax is also recognised in other comprehensive income or equity.

2.13.1 Current tax

The current income tax charge is calculated on the taxable income for the period. Taxable income differs from profit, in that it has been adjusted for non-taxable income and non-deductible items. Current tax is tax that is to be paid or received in the current year adjusted with any current tax attributable to previous periods.

2.13.2 Deferred tax

Deferred tax is recognised according to the balance sheet method, which means that deferred tax liabilities and tax assets are recognised in the balance sheet for all temporary differences that arise between the carrying amount and the tax base of an asset or liability. However, deferred tax is not recognised if the temporary difference arises from the initial recognition of assets or liabilities in an asset acquisition. Deferred income tax assets pertaining to deductible temporary differences and tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the amounts can be utilised.

Deferred income tax is calculated based on tax rates and tax laws that have been enacted or substantively enacted by the balance-sheet date and, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

2.14 Provisions

A provision is reported in the balance sheet when the Group has a present legal or constructive obligation as a result of past events and it is likely that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are classified as current liabilities if the Group is entitled to defer payment of the obligation for up to 12 months after the balance-sheet date, otherwise provisions are classified as non-current liabilities.

2.15 Forthcoming standards

New standards and interpretations that enter force for financial years beginning after 1 January 2016 have not been applied in preparing this report. The new standards and interpretations are expected to have the following impact on the consolidated financial statements:

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities, and entails new hedge accounting rules to be applied from 1 January 2018. The method applied by the Group for the recognition of derivatives is deemed to not differ materially from IFRS 9. Evaluation of the standard's other effects has not started, but is expected not to have an immaterial impact on accounting except with regard to additional disclosures.

IFRS 15 Revenue from Contracts with Customers is the new standard for revenue recognition. The standard is to be applied for financial years starting from 1 January 2018. IFRS 15 is based on the principle that revenue is recognised when a customer gains control over the sold item or service, which differs from the current principle whereby revenue is recognised when the risks and benefits have passed to the buyer. The Group's revenue is essentially rental revenue, which is not encompassed by this standard. The impact will mainly arise from the additional disclosures.

IFRS 16 Leases was published in January 2016, but has yet to be adopted by the EU. The standard is to be applied for financial years starting from 1 January 2019. Lessor accounting remains essentially unchanged. Vasakronan's rental agreements are classified as leases under IFRS 16. For lessees (tenants), the standard will entail recognition of the majority of leases (rental agreements) in the balance sheet, since no differentiation is made between operating and finance leases. For Vasakronan, the standard will mainly impact the recognition of ground rent agreements, which will be recognised in the balance sheet thereby increasing total assets. Moreover, ground rents will be recognised as depreciation of usufructs and as an interest expense, and accordingly will no longer be included in net operating income. For further information about the Group's obligations pertaining to ground rent agreements, refer to Note 6.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.16 Parent Company accounting policies

The Parent Company has prepared its annual accounts in conformity with the Annual Accounts Act and the Recommendations of the Swedish Financial Reporting Board in RFR 2 *Accounting for Legal Entities*.

The Parent Company applies the same policies as the Group with the exceptions and additions set out below. The Parent Company has applied the same policies as last year.

2.16.1 Subsidiaries

Shares in subsidiaries are recognised in the Parent Company using the cost method. Carrying amounts are tested each quarter against the subsidiaries' equity. Where the carrying amount exceeds the consolidated fair value of the subsidiaries, impairment is charged to profit or loss. Investment properties are measured at fair value when calculating the consolidated value, refer to Note 2.8. Where an earlier impairment is no longer justified, it is reversed.

2.16.2 Revenue

Dividends are recognised when the entitlement to receive payment is considered certain. Income from the sale of subsidiaries is recognised when the risks and benefits of the holding in the subsidiary have transferred to the buyer.

2.16.3 Group contributions

Vasakronan equates Group contributions paid to the owner Vasakronan Holding AB with dividends and recognises these in equity. Group contributions received and paid from and to subsidiaries are recognised as profit from participations in subsidiaries in profit or loss.

NOTE 3 Critical judgements in applying the Group's accounting policies

The preparation of financial statements in accordance with generally accepted accounting principles requires that the management and Board make judgements and assumptions that affect the amounts recognised for assets, liabilities, income and expenses, as well as other information disclosed. These judgements are based on experience and the various assumptions that are considered reasonable by the management and the Board in view of the prevailing circumstances. The actual results may deviate from these estimates and assessments should the circumstances and conditions change. The following assessments are those deemed most significant in preparing the company's financial reports.

3.1 Fair value of investment properties

Investment properties are recognised at fair value, which is determined by the management based on the properties' market values. Accordingly, significant assessments have been made with regard to the cost of capital and yield requirements. These assessments are based on the valuers' experience-based assessments of market return requirements for comparable properties. Cash flow projections for operating, maintenance and administration costs are based on actual costs but also on experience from comparable properties. Future investments have been assessed based on actual requirements. The market valuation section on page 87 contains more detailed information on assessments and assumptions.

Yield requirements on valuation at 31 Dec 2016, %

	Lowest–Highest	Average
Central Stockholm	3.65–5.85	4.24
Stockholm's inner suburbs	4.55–7.50	5.34
Gothenburg	3.95–5.25	4.63
Malmö	4.15–5.50	5.03
Lund	4.20–6.25	5.57
Uppsala	4.90–6.25	5.41

Sensitivity analysis – market values

Factors impacting value		Value impact, %	Value impact, SEK m
Yield requirement and cost of capital	+1 percentage point	-17.2	-19,942
Yield requirement and cost of capital	-1 percentage point	26.7	30,923
Market rents	+/- SEK 50 sq. m.	+/-2.0	+/-2,376
Operating and maintenance costs	+/- SEK 25 sq. m.	-/+1.0	-/+1,188
Long-term vacancy rate	+1/- percentage point	-/+1.1	-/+1,314

The above sensitivity analysis only shows the effects of changing one isolated factor. Many of the factors are affected by the same underlying changes and could impact each other.

3.2 Criteria for business combinations and asset acquisitions

When a company is acquired, the acquisition meets the criteria for either a business combination or an asset acquisition. A transaction qualifies as an asset acquisition if it pertains to properties, with or without leases, but excluding an organisation and the administrative processes required for property management. Other acquisitions are business combinations. The management determines for each acquisition which criteria have been met. The assessment is that all acquisitions in 2016 and 2015 were asset acquisitions.

3.3 Recoverable amount for goodwill

The value of goodwill is tested each year to ensure the carrying amount allocated across the acquired properties does not exceed the recoverable amount. The recoverable amount for goodwill is impacted by assessments made by the management, where assessments of the market value of deferred tax have the greatest impact. These assessments are primarily made by taking into account observable market data for completed transactions. When establishing the fair value for goodwill at the end of 2016, the assessment was that when marked-to-market deferred tax averaged 5.5% (5.5).

Valuation assumptions at 31 Dec 2016, weighted average

Inflation assumption	2.0%
Cost of capital – cash flow	6.34%
Cost of capital – residual value	6.58%
Yield – residual value	4.63%
Long-term vacancy rate	4.92%
Operating and maintenance costs, year 1	SEK 411 sq. m.
Investments, year 1	SEK 880 sq. m.
Market rent (at zero vacancies)	SEK 2,851 sq. m.

NOTE 4 Segment reporting – Group

Vasakronan's segment allocation comprises the following geographies: Stockholm, Gothenburg, Öresund and Uppsala. This allocation corresponds with the internal reporting structure.

The allocation of results by segment down to net operating income level, which is the primary earnings metric used in the internal follow-up. No further breakdown is conducted, since the majority of these revenues and expenses are Group-wide.

The balance-sheet items, investment properties and goodwill, are broken down to their respective segments. Other assets, and equity and liabilities are assessed as largely Group-wide and, accordingly, are not allocated.

Income statement	Stockholm		Gothenburg		Öresund		Uppsala		Group-wide		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Rental revenue	3,840	3,681	1,205	1,144	756	747	450	437	-	-	6,251	6,009
Operating expenses	-399	-413	-102	-102	-119	-115	-61	-63	-	-	-681	-693
Repairs and maintenance	-64	-64	-15	-15	-15	-15	-11	-12	-	-	-105	-106
Property administration	-151	-156	-60	-57	-52	-54	-37	-38	-	-	-300	-305
Property tax	-357	-306	-98	-86	-62	-57	-27	-25	-	-	-544	-474
Ground rents	-153	-149	-2	-2	-7	-6	0	0	-	-	-162	-157
Property expenses	-1,124	-1,088	-277	-262	-255	-247	-136	-138	-	-	-1,792	-1,735
Net operating income	2,716	2,593	928	882	501	500	314	299	-	-	4,459	4,274

Balance sheet	Stockholm		Gothenburg		Öresund		Uppsala		Group-wide		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Investment properties	74,299	66,617	22,147	19,618	12,605	11,574	6,871	6,085	-	-	115,922	103,894
of which, investments during the year	1,169	1,569	423	342	158	217	285	96	-	-	2,035	2,224
of which, acquisitions/sales during the year	-1,960	-892	0	772	-50	-142	-53	-169	-	-	-2,063	-431
Goodwill	1,083	1,096	461	464	441	442	86	86	-	-	2,071	2,088
Other assets	-	-	-	-	-	-	-	-	4,063	3,804	4,063	3,804
Total assets	75,382	67,713	22,608	20,882	13,046	12,016	6,957	6,171	4,063	3,804	122,056	109,786

With the exception of development properties, no properties were entirely vacant in 2016 and 2015. Rental revenue also includes rental revenue from sold properties.

NOTE 5 Rental revenue

Change in the Group's rental revenue between 2015 and 2016

Rental revenue as per income statement, 2015	6,009
Change in comparable property holdings	128
Plus development properties	133
Plus acquired properties	46
Less sold properties	-65
Rental revenue as per income statement, 2016	6,251

Total rental revenue was SEK 6,251 million, of which SEK 36 million (24) comprised turnover rent.

Lease portfolio expiry structure

	No. of contracts	Annual rent, SEK m
Expires within 1 year ¹⁾	2,504	1,392
2018	941	1,037
2019	839	1,082
2020	444	742
2021	174	529
More than 5 years	471	1,699
Total	5,373	6,481

1) Of which, 1,161 residential leases with annual rents amounting to SEK 97 million.

At year end, the average remaining term to maturity for the lease portfolio was 4.3 years (4.6). Of contracted rents, 95% (95) pertained to commercial leases and 5% (5) to leases for residential and parking facilities. There are some 4,200 commercial leases (4,200) allocated across tenants in a number of different industries, of which public sector tenants account for 24% (25) of contracted rents. No single tenant accounts for more than 3% of rental revenue. For the purpose of reducing credit loss exposure, the credit ratings of tenants are checked in the case of new lettings and on an ongoing basis over lease periods, and in some cases, collateral is required.

All leases are classified as operating leases.

NOTE 6 Expenses allocated by category

	Group	
	2016	2015
Repairs and maintenance	-105	-106
Property tax	-544	-474
Ground rents	-162	-157
Other direct property expenses	-677	-688
Personnel costs	-350	-358
Depreciation	-16	-15
Other external expenses	-25	-25
Total	-1,879	-1,823

Recognised in profit or loss:

Property expenses	-1,792	-1,735
Central administration	-87	-88
Total	-1,879	-1,823

	Group	
	2016	2015
Ground rent agreements		
Expires <1 year	11	5
>1 year but <5 years	44	98
More than 5 years	774	888
Total	829	991

Ground rent agreements in subsidiaries are the Group's only operating leases where Vasakronan is the lessee.

NOTE 7 Administration

	Group	
	2016	2015
Personnel costs	-257	-261
Procured services	-41	-40
IT	-41	-39
Marketing	-15	-17
Depreciation, equipment	-11	-11
Other	-22	-25
Total	-387	-393

Recognised in profit or loss:

Property administration	-300	-305
Central administration	-87	-88
Total	-387	-393

The operations of the Parent Company, consist of Group-wide functions and providing an organisation for the management of properties owned by other Group companies. The property management costs are invoiced to the property owning companies as property administration. Other Parent Company costs pertain to central administration that is not directly related to property management, such as the costs associated with the Group management, property investments, financing and central marketing.

Auditors' fees

	Group/ Parent Company	
	2016	2015
<i>PwC</i>		
Audit engagement	1.4	0.0
Audit activities other than the audit engagement	0.1	0.0
Tax advice	0.2	0.0
Other services	0.4	0.0
<i>Ernst & Young</i>		
Audit engagement	0.0	1.6
Audit activities other than the audit engagement	0.1	0.3
Tax advice	0.0	0.0
Other services	0.0	0.0
Total	2.2	1.9

The cost for the audit of Vasakronan Holding AB and other Group companies is defrayed by Vasakronan AB and, accordingly, the Parent Company's audit costs are the same as those for the Group.

NOTE 8 Average number of employees

	2016		2015	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	338	39%	348	38%
Group	338		348	

All of the group's staff are employed by the Parent Company, Vasakronan AB.

NOTE 9 Salaries, other benefits and social security costs

	Group		Parent Company	
	2016	2015	2016	2015
Senior executives ¹⁾	28	26	28	26
Other employees	183	181	183	181
Total salaries and benefits	211	207	211	207
Pension costs	55	63	55	63
Social security costs	84	82	84	82
Total	350	352	350	352

2016 Senior executives, SEK 000	Basic salary/Board and committee fees ¹⁾	Other benefits ²⁾	Pension costs	Total
Chairman of the Board: Mats Wäppling	680	–	–	680
Board Member; Jan-Olof Backman	250	–	–	250
Board Member: Christel Kinning	250	–	–	250
Board Member: Rolf Lydahl	310	–	–	310
Board Member: Per Uhlén	250	–	–	250
Chief Executive Officer: Fredrik Wirdenius	5,836	51	1,684	7,571
Other senior executives (12)	20,810	411	9,015	30,236
Total	28,386	462	10,699	39,547

2015 Senior executives, SEK 000	Basic salary/Board and committee fees ¹⁾	Other benefits ²⁾	Pension costs	Total
Chairman of the Board: Mats Wäppling	622	–	–	622
Board Member; Jan-Olof Backman	230	–	–	230
Board Member: Christel Kinning	230	–	–	230
Board Member: Rolf Lydahl	283	–	–	283
Board Member: Per Uhlén	230	–	–	230
Chief Executive Officer: Fredrik Wirdenius	5,542	46	1,647	7,235
Other senior executives (12)	19,034	402	7,467	26,898
Total	26,171	448	9,114	35,728

1) Remuneration to employees pertains to remuneration paid in 2016, while remuneration to the Board pertains to Board fees as adopted by the AGM.

2) Other benefits pertain primarily to costs for group health insurance and group life insurance.

Salaries and other benefits

Salaries and other benefits for the CEO and other senior executives consist only of fixed salaries. Other senior executives refers to the 12 individuals who, together with the CEO, comprise the Management Group, refer to page 65.

Fees to the Chairman and Board Members are payable as per the resolution of the AGM, which means, inter alia, that Board Members employed by the Swedish national pension funds or Vasakronan do not receive any fees. No Board Members received any fees other than Board and committee fees. Board Members have the right to invoice their fees through a company with an additional amount corresponding to the social security expenses and VAT with the proviso that fiscal conditions allow and that the result is cost-neutral for Vasakronan.

Variable compensation

Variable compensation is payable to all employees except the CEO and other senior executives. For 2016, variable compensation was based on targets for earnings, customer satisfaction and occupancy rate, and could result in a maximum outcome of two months' salary. A provision has been made in the annual accounts for an estimated outcome corresponding to one month's salary and was established on an individual basis in Q1 2017. Variable compensation for the 2015 financial year was distributed during the year and was also capped at two months' salary. The average outcome corresponded to 1.0 months' salary.

Pensions

The pension rights of salaried employees are covered pursuant to the BTP pension plan (the occupational pension plan for Swedish bank employees). The pension plan is financed through payments to SPP. According to a statement from the Swedish Financial Reporting Board UFR 10, this comprises a multi-employer defined-benefit plan. Vasakronan applies IAS 19 Employee Benefits for reporting these defined-benefit pensions, refer to the accounting policies on page 82. Other employees are covered by defined-contribution pension solutions with AMF.

The CEO's employment contract extends until he reaches the age of 62. The pension terms and conditions are defined-benefit and adhere to the terms and conditions of the BTP plan, and calculated based on a pension age of 65. Moreover, during the contracted employment period,

a supplementary and defined-contribution pension provision is made. Should the provision amount to less than 30% of pensionable monthly salary, a supplementary payment is made up to 30%. Settlement should be carried out by the end of February, the year after the settlement year.

Other senior executives have a pension solution in the form of the BTP plan, and what is known as the "10-pointer solution" for individuals with an annual income in excess of ten income base amounts. The retirement age is 65 for other senior executives.

Notice period and severance pay

The CEO must give notice of six months, unless notice is served by the company, in which case the notice period is 12 months. In the event that notice is given by the company, the CEO will receive severance pay corresponding to 12 months' salary. If the CEO receives remuneration from other employment, the severance pay is reduced by a corresponding amount. If the employment is terminated by the CEO, no severance pay is due.

In the case of other senior executives, employment is subject to a mutual notice period of six months. If employment is terminated by the company, the senior executive is entitled to severance pay of 12 months' salary, unless the executive is more than 50 at the time, in which case severance pay will amount to 18 months' salary. If the executive receives remuneration from other employment, the severance pay is reduced by a corresponding amount. If the employment is terminated by the senior executive, no severance pay is due.

Gender breakdown of Board Members and senior executives

	2016		2015	
	No. on balance- sheet date	Of whom, women	No. on balance- sheet date	Of whom, women
Board Members	9	3	9	3
Senior executives	13	6	13	5

Senior executives refers to the CEO and the 12 (12) individuals who, together with the CEO, comprise the company's Management Group.

NOTE 10 Intra-Group transactions

Of the Parent Company's purchases during the financial year, 17% (15) pertained to purchases from Group companies. Intra-Group costs mainly comprised rent.

Of the Parent Company's sales during the financial year, 96% (97) pertained to sales to Group companies. Intra-Group revenue comprises the property management costs invoiced on by the Parent Company to the property-owning Group companies.

NOTE 11 Interest income

	Group		Parent Company	
	2016	2015	2016	2015
Interest income	3	2	2	2
Other financial income	0	1	0	1
Interest income from Parent Company	7	-	7	-
Interest income from subsidiaries	-	-	61	69
Total	10	3	70	72

NOTE 12 Interest expense

	Group		Parent Company	
	2016	2015	2016	2015
Interest expense	-1,135	-1,124	-1,134	-1,124
Other financial expenses	-84	-72	-55	-49
Capitalised interest	57	72	-	-
Total	-1,162	-1,124	-1,189	-1,173

In the case of new construction, extensions or redevelopments, the interest expense during the production period is capitalised. The average interest rate for the loan portfolio over the period is used for capitalising interest expense. In 2016, the average interest rate was 2.0%.

Other financial expenses mainly comprised costs pertaining to the subscription commitment and stamp duty on mortgage deeds.

NOTE 13 Change in value of investment properties

	Group	
	2016	2015
Development properties	1,399	1,235
Transactions	461	449
Investment properties:		
Changed yield requirement	5,554	7,206
Change in market rents	6,714	3,300
Changed assumptions pertaining to investments and other value-impacting factors	-2,072	-1,978
Change in value of investment properties	12,056	10,212

The properties sold in 2016 are detailed on page 77. The total rental value for properties sold in 2016 was SEK 116 million. During the year, the Parent Company conducted property sales in corporate wrappers for a total of SEK 1 million (0).

For more information, please refer to the sensitivity analysis on page 57.

Valuation methods

Vasakronan recognises its properties at fair value in the balance sheet. These fair values correspond to the properties' market values, refer to Note 19. Each quarter, Vasakronan therefore measures property values with the aim of identifying the assessed market value. Changes in market values are recognised as value changes in profit or loss.

Vasakronan applies IFRS 13 Fair Value Measurement for investment properties, which entails using a three-level hierarchy. Level 1 – Means that there are quoted prices on active markets for identical assets or liabilities, and which were available to the company at the time of valuation. Level 2 – Inputs other than level 1 that are directly or indirectly observable for the asset or liability. Level 3 – Unobservable inputs for the asset or liability. At Vasakronan, investment properties are recognised at fair value in accordance with level 3 above.

The properties have been measured using the same valuation principles since 1997. The valuation process is governed by a valuation policy under which all properties are valued by external parties at year end and mid year, and valued internally at the end of the first and third quarters. External valuations are conducted pursuant to the RICS Red Book. In parallel with the external valuations, an internal control of the reasonableness of these valuations is carried out. In 2016, the external valuations were conducted by Cushman & Wakefield or Forum Fastighets-ekonomi.

The market values are assessed using a yield-based valuation method that utilises cash-flow statements with a horizon of at least ten years. Rental inflows are calculated based on existing property leases until the

end of the contract. Property leases with rents payable assessed as being at market rates have been assumed to be extended under unchanged terms after the end of the current contract period, while other rents for premises have been adjusted to assessed market rent levels. For residential properties, rent trends over the calculation horizon have been assumed to rise in pace with assumed inflation rates.

Projections for operating, maintenance and administration costs are based on actual costs as well as on experience from comparable properties, and have been prepared with consideration for the use, age and the maintenance status of the object. Investments have been assessed based on actual requirements. The external valuers inspect each property every three years.

The cost of capital and requirements for yields are based on the valuers' experience-based assessments of market return requirements for comparable properties, see Note 3. As decision data, the valuation companies have been able to use all applicable property leases, information about vacant premises, actual operating and maintenance costs, and planned investments. Historic outcomes and forecasts for 2017 were also used.

If an agreement has been signed regarding the sale of a property, the agreed property value is used as the market value in the next quarterly accounts.

NOTE 14 Profit from participations in subsidiaries

	Parent Company	
	2016	2015
Group contributions received and paid	917	1,042
Dividends from participations in subsidiaries	9,148	–
Profit from participations in subsidiaries	730	596
Impairment and reversal of impairment in participations in subsidiaries	1	–15
Total	10,796	1,623

Dividends from participations in subsidiaries included an anticipated dividend from Civitas Holding AB, corporate registration number 556459-9164, of SEK 7,000 million.

Profit from participations in subsidiaries pertains to earnings generated by general and limited partnerships owned by Vasakronan AB.

NOTE 15 Change in value of financial instruments

	Group		Parent Company	
	2016	2015	2016	2015
Interest-rate derivatives, not hedge accounted	–262	612	–262	612
Settlement of hedged borrowings	–1	2	–1	2
Dissolution of hedging reserve	–9	–6	–9	–6
Early settlement of derivatives	–519	–	–519	–
Valuation allowances for foreign currency loans	80	122	80	122
Valuation allowances for currency derivatives	–80	–122	–80	–122
Electricity derivatives	27	–10	27	–10
Total	–764	598	–764	598

Hedge accounting for derivatives is no longer applied from 2011. The remaining hedging reserve in equity of SEK 9 million was dissolved in 2016.

NOTE 16 Appropriations and untaxed reserves

	Parent Company	
	2016	2015
Appropriations		
Provision to tax allocation reserve	–	–44
Total	–	–44
Untaxed reserves		
Tax allocation reserve, 2015 fiscal year	44	44
Total	44	44

NOTE 17 Tax

	Group		Parent Company	
	2016	2015	2016	2015
Recognised profit before tax	14,491	13,803	8,812	973
Tax on profit according to current tax rate, 22.0%	-3,188	-3,037	-1,939	-214
Tax attributable to previous fiscal years	1	-12	0	-
Tax effect of:				
Non-taxable sale of subsidiaries	175	213	0	0
Divested goodwill	-4	-16	-	-
Non-taxable dividend	-	-	2,013	-
Impairment of participations	-	-	0	-3
Other non-taxable income/non-deductible costs	-2	-1	0	-1
Other adjustments	-1	-6	0	-
Tax expense recognised	-3,019	-2,859	74	-218
Effective tax rate, Group, %	20.8	20.7		

	Group		Parent Company	
	2016	2015	2016	2015
Tax on profit for the year				
Current tax	0	-45	-1	389
Deferred tax	-3,019	-2,814	75	-607
Total tax on profit for the year	-3,019	-2,859	74	-218

Deferred tax recognised in profit or loss

	Group		Parent Company	
	2016	2015	2016	2015
Derivatives	54	-132	54	-132
Investment properties	-3,093	-2,640	-11	-30
Untaxed reserves	-4	-20	-	-
Tax losses	26	-21	32	-445
Other temporary differences	-2	-1	-	-
Total deferred tax recognised in profit or loss	-3,019	-2,814	75	-607

Deferred tax recognised in the balance sheet

	Group		Parent Company	
	2016	2015	2016	2015
Derivatives	-662	-612	-662	-612
Investment properties	15,024	11,931	216	205
Untaxed reserves	31	27	-	-
Tax losses	-37	-10	-32	-
Other temporary differences	6	20	-	-
Total deferred tax	14,362	11,356	-478	-407

The deferred tax liability on derivatives, properties and other items pertains to the difference between fiscal and recognised residual values. Deferred tax assets are recognised for fiscal deficits, which amounted to SEK 167 million (47) at year end. All tax liabilities are expected to fall due after 12 months.

Current and deferred tax for 2016 has been calculated based on a nominal tax rate of 22%.

Under the applicable regulations, deferred tax is to be taken into consideration for temporary differences pertaining to all assets and liabilities on the balance sheet, with the exception of temporary differences on properties included in asset acquisitions. In this case, differences at the acquisition date should not be taken into consideration when calculating deferred tax. At 31 December 2016, temporary differences on properties from asset acquisitions amounted to negative SEK 2,285 million (negative: 2,285), which resulted in total deferred tax of 21%.

The deferred tax liability in the balance sheet is calculated based on the nominal tax rate. A market valuation of the deferred tax liability would probably result in a lower value than the carrying amount in the balance sheet. When calculating the EPRA triple net asset value (NNNAV), the fair value is calculated at 25% of the nominal tax rate of 22%, which results in deferred tax of SEK 3,219 million. For more guidance, refer to the key metrics on page 107 and the definition for NNNAV on page 111.

Gross change in deferred tax

	Group		Parent Company	
	2016	2015	2016	2015
Opening balance	11,356	8,532	-407	-1,015
Deferred tax recognised in profit or loss	3,019	2,814	-75	607
Deferred tax recognised in equity	-12	9	4	1
Deferred tax, other	-1	1	-	-
Closing balance	14,362	11,356	-478	-407

NOTE 18 Intangible assets

	Group	
	2016	2015
Goodwill		
Opening balance	2,088	2,159
Divested/impaired goodwill	-18	-71
Closing balance	2,071	2,088
Other intangible assets		
Opening balance	100	100
Closing balance	100	100
Closing balance intangible assets	2,171	2,188

The Group's goodwill has arisen from business acquisitions recognised in accordance with IFRS 3 Business Combinations. Goodwill decreased SEK 15 million (71) in conjunction with the sale of properties and companies in 2016. The remaining SEK 3 million (0) pertained to the impairment of goodwill down to fair value, refer to Note 3.3.

The Group's other intangible assets comprise the brands acquired by Vasakronan through business combinations, and were valued at fair value at the acquisition date.

NOTE 19 Investment properties

	Group	
	2016	2015
Fair value		
Opening balance	103,894	91,889
Investments	2,035	2,224
Acquisitions, consideration	58	956
Sales, consideration	-2,121	-1,387
Change in value	12,056	10,212
Closing balance	115,922	103,894
Fiscal values	45,347	47,378

Fair values correspond to the properties' market values. The external valuations conducted as of 31 December 2016 encompassed all of the properties. Page 87 includes a more detailed description of the valuation approach, and page 83 describes the valuation assumptions.

The Group has contractual undertakings that in each instance exceed SEK 75 million and which have not been recognised in the balance sheet. These undertakings pertain partly to investments in property projects regarding the construction of new buildings or extensive redevelopment of existing buildings, and partly to agreed property acquisitions.

	Group	
	2016	2015
Undertakings		
Capital expenditure investment properties	1,178	1,047
Acquisitions	78	-

NOTE 20 Equipment

	Group		Parent Company	
	2016	2015	2016	2015
<i>Cost</i>				
Opening balance	116	102	70	62
Acquisitions	14	24	6	18
Sales and disposals	-8	-10	-6	-10
Closing balance	122	116	70	70
<i>Depreciation</i>				
Opening depreciation	-58	-51	-38	-35
Depreciation for the year	-16	-15	-11	-11
Sales and disposals	6	8	4	8
Closing balance	-68	-58	-45	-38
Closing balance, equipment	54	58	25	32

Equipment comprises mainly vehicles and office equipment.

NOTE 21 Shares and participations in subsidiaries

	Parent Company	
	2016	2015
Opening balance	30,758	30,742
Acquisitions	–	0
Shareholders' contributions	55	–
Settlement of earnings shares	134	31
Sales	–250	0
Impairment	–	–21
Reversed impairment	1	6
Closing balance	30,698	30,758
Of which, assets	30,759	30,761
Of which, liabilities	–61	–3

Companies in the Vasakronan AB Group	Corp. Reg. No.	Reg. office	Share of equity, % ¹⁾	Shares/participations ²⁾	Carrying amount in Parent Company
Civitas Holding AB	556459-9164	Stockholm	100	2,750,000	24,685
Vasakronan Fastigheter AB	556474-0123	Stockholm	100	4,000,000	–
Vasakronan Holdingfastigheter AB	556611-6850	Stockholm	100	1,000	–
Vasakronan Inom Vallgraven 22:3 AB	556879-7012	Gothenburg	100	500	–
Vasakronan Malmöfastigheter AB	556376-7267	Stockholm	100	3,601,125	–
Handelsbolaget Gotic	969622-2844	Trelleborg	100	100	–
Fastighets AB Luxor	556059-7139	Stockholm	100	2,000	–
Vasakronan IC AB	556497-7279	Stockholm	100	100,050	–
Vasakronan Vattenled AB	556577-9088	Malmö	100	1,000	–
Vasakronan Lundafastigheter AB	556137-8562	Stockholm	100	1,000	–
Ankarspik 111 AB	559073-2151	Stockholm	100	500	–
Mabrabo AB	556339-0227	Stockholm	100	10,000	–
Vasakronan Kista Science Tower AB	556649-8043	Stockholm	100	1,000	–
Vasakronan Kista Science Tower Komplementär AB	556647-7583	Stockholm	100	1,000	–
Vasakronan Kista Science Tower KB	969660-7820	Stockholm	100	100	–
Vasakronan Uppsalafastigheter AB	556651-1092	Stockholm	100	1,000	–
Kungspinnen I AB	556701-4278	Stockholm	100	1,000	–
Frösunda Hus I AB	556704-9183	Stockholm	100	1,000	–
Frösunda Hus II AB	556704-9175	Stockholm	100	1,000	–
Frösunda Hus III AB	556704-6213	Stockholm	100	1,000	–
Vasakronan Priorinnan AB	556675-2423	Stockholm	100	1,000	–
Vasakronan Ängen AB	556637-3550	Stockholm	100	1,000	–
Vasakronan Hakberget AB	556745-5695	Stockholm	100	1,000	–
Vasakronan Trähus AB	556715-4850	Stockholm	100	1,000	–
Vasakronan Regndroppen 1 AB	559010-6000	Stockholm	100	500	–
Vasakronan Fastighetsutveckling AB	556532-9108	Stockholm	100	1,000	–
Järvatorget AB	556548-5546	Stockholm	100	1,000	–
Kymlinge Utvecklings AB	556611-6900	Stockholm	100	1,000	–
Vasakronan Ullevifastigheter Holding AB	556718-7884	Stockholm	100	1,000	–
Vasakronan Ullevifastigheter AB	556718-6704	Stockholm	100	1,000	–
Ullevi Park Holding 1 i Göteborg AB	556718-6688	Stockholm	100	1,000	–
Ullevi Park 1 i Göteborg AB	556718-6621	Stockholm	100	1,000	–
Vasakronan Skånegatan AB	556870-5791	Stockholm	100	500	–
Vasakronan Hekla AB	559088-2196	Stockholm	100	500	–
Vasakronan Markholding AB	556675-1771	Stockholm	100	1,000	–
Ankarspik 79 AB	556943-7584	Stockholm	100	500	–
Ankarspik 91 AB	556991-2420	Stockholm	100	500	–
Fastighets AB Gesimsen Grön	556011-7698	Stockholm	100	23,526,807	1,778
Fastighets AB Svava	556268-6658	Uppsala	100	500,000	–
Vasakronan Uppsala City AB	556057-0896	Uppsala	100	75,000	–
Aktiebolaget Nepos	556238-9105	Stockholm	100	10,000	–
Uppsala Science City AB	556250-5346	Uppsala	100	300,000	–
Uppsala Science Park KB	916512-8126	Uppsala	100	200	–

1) Pertains to the Group's total share of equity.

2) Pertains to the Group's total number of shares and participations.

Companies in the Vasakronan AB Group	Corp. Reg. No.	Reg. office	Share of equity, % ¹⁾	Shares/ participations ²⁾	Carrying amount in Parent Company
AP Fastigheter AB	556417-5858	Stockholm	100	100,000	593
Vasakronan Ankarspik 47 AB	556772-0676	Stockholm	100	1,000	–
Ankarspik 94 AB	559016-1245	Stockholm	100	500	–
Ankarspik 95 AB	559016-1120	Stockholm	100	500	–
Ankarspik 96 AB	559016-1476	Stockholm	100	500	–
Ankarspik 97 AB	559016-1351	Stockholm	100	500	–
Ankarspik 98 AB	559016-1559	Stockholm	100	500	–
Ankarspik 99 AB	559016-1450	Stockholm	100	500	–
Ankarspik 100 AB	559016-1427	Stockholm	100	500	–
Fastighets AB Skjutsossen nr 8 & Co KB	916502-7971	Stockholm	100	105	557
Nisseshus Nr 1 HB	916587-3424	Stockholm	100	100	388
Fastighets Aktiebolaget Telefonfabriken	556577-4535	Stockholm	100	1,000	322
Ankarspik 109 AB	559049-7524	Stockholm	100	500	–
KB Positionen 2	969666-7485	Stockholm	100	1,000	278
RTB Reval KB	969635-4886	Stockholm	100	200	–
Vasakronan Bassängkajen AB	556696-1362	Stockholm	100	1,000	214
Fastighets Aktiebolaget Bodega	556031-4246	Stockholm	100	3,000	213
Fastighets AB Gesimsen	556482-7318	Stockholm	100	1,000	–
KB Radio Östra	916625-7007	Stockholm	100	1,000	–
Vasakronan Inom Vallgraven 22:16 AB	556865-4163	Stockholm	100	500	180
Allmänna Pensionsfondens Fastighets nr 63 KB	969646-7522	Stockholm	100	200	173
Förvaltningsbolaget Alvikshus HB	916501-8004	Stockholm	100	–	165
Vasakronan Magasinet 1 AB	556692-9146	Stockholm	100	1,000	151
Position Stockholm AB	556577-3818	Stockholm	100	1,000	120
Vasakronan Heden 22:19 AB	556859-5291	Stockholm	100	500	113
Vasakronan Nordstaden 10:20 AB	556865-4205	Stockholm	100	500	99
Ankarskriv 1 AB	556339-0839	Stockholm	100	1,000	98
KB Inom Vallgraven 22:15 Göteborg	916445-7039	Stockholm	100	200	–
Agilia Förvaltnings AB	556651-1852	Stockholm	100	1,000	–
Arkaden Göteborg KB	969646-3448	Stockholm	100	200	–
Allmänna Pensionsfondens Fastighets nr 53 KB	969646-3836	Stockholm	100	200	–
Vasakronan Kaninen 32 AB	556740-3612	Stockholm	100	1,000	97
AB Studentskrapan	556611-6868	Stockholm	100	1,000	95
Vasakronan Stapelbädden 3 AB	556740-2614	Stockholm	100	500	75
Vasakronan Värtan Exploatering AB	556984-3963	Stockholm	100	500	–
Ankarspik 81 AB	556967-6108	Stockholm	100	500	–
Allmänna Pensionsfondens Fastighets AB	556355-6835	Stockholm	100	501,000	60
Vasakronan Inom Vallgraven 20:14 AB	556865-4361	Stockholm	100	500	59
Allmänna Pensionsfondens Fastighets nr 12 KB	969646-4016	Stockholm	100	200	53
Vasakronan Nordstaden 21:1 AB	556875-2918	Stockholm	100	500	52
Vasakronan Jungmannen 1 AB	556646-7089	Stockholm	100	1,000	50
Fastighetsbolaget Brödtorget & Co KB	989200-4418	Stockholm	100	100	50
Vasakronan Kaninen 30 AB	556740-3604	Stockholm	100	1,000	15
Gotic AB	556708-2101	Stockholm	100	100,000	13
Vasakronan Nedo AB	556772-2805	Stockholm	100	1,000	7
Vasakronan Blåmannen AB	556825-9302	Stockholm	100	500	3
Nacka Strand Förvaltnings Aktiebolag	556034-9150	Stockholm	100	20,000	2
Vasakronan Starkströmmarna AB	556771-7920	Stockholm	100	1,000	1
Allmänna Pensionsfondens Fastighets nr 59 KB	969646-4032	Stockholm	100	200	–
Ankarspik 17 AB	556761-8961	Stockholm	100	1,000	0
Ankarspik 41 AB	556761-8763	Stockholm	100	1,000	0
Fastighets AB Ponnyn 2	556870-5783	Stockholm	100	500	0
Vasakronan Stockholmsstuten AB	556820-7798	Stockholm	100	500	0
Ankarspik 77 AB	556856-8165	Stockholm	100	500	0
Vasakronan Gårda 18:23 Kommanditbolag	916635-8946	Stockholm	100	1,000	-61
TOTAL					30,698

1) Pertains to the Group's total share of equity.

2) Pertains to the Group's total number of shares and participations.

NOTE 22 Shares and participations in joint ventures

	Group		Parent Company	
	2016	2015	2016	2015
Opening balance	381	382	0	0
Settlement of earnings shares	-9	-1	1	0
Contributed capital	0	-	0	-
Closing balance	372	381	1	0

Joint ventures	Corp. Reg. No.	Reg. office	Share of equity, %	Shares/ participations	Carrying amount
Järvastaden AB	556611-6884	Solna	50	500	289
Ursvik Exploaterings AB	556611-6892	Stockholm	50	5,000	82
Stora Ursvik KB	969679-3182	Stockholm	50	50	0
Värtan Fastigheter AB	556678-0267	Stockholm	50	1,000	0
Värtan Fastigheter KB	969601-0793	Stockholm	50	1	1
MVBW i Lund AB	559033-2598	Lund	25	125	0
Total					372

Järvastaden AB is jointly owned with Skanska, and Ursvik Exploaterings AB/Stora Ursvik KB are jointly owned with Bonava. These companies pursue the long-term development of development rights located at Järvafältet. Värtan Fastigheter AB/Värtan Fastigheter KB are joint property development ventures in Värtahamnen and are owned together with Fabege. MVBW i Lund AB is jointly owned together with Fastighets AB Briggen and Wihlborgs Fastigheter AB for marketing and collaboration between the parties regarding the Ideon Science Park in Lund.

NOTE 23 Non-current receivables

	Group		Parent Company	
	2016	2015	2016	2015
Deposits, CSAs	-	110	-	110
Other non-current receivables	58	59	54	54
Total	58	169	54	164

To manage its exposure to counterparty risk, the Group has entered into credit support annexes (CSAs) to International Swaps and Derivatives Association (ISDA) agreements. These annexes are mutual and entail both parties undertaking to post cash collateral for deficit values in derivative contracts outstanding. As of 31 December 2016, the Group has not posted any such deposits as no such deficit values exist. Deposits for surplus values are detailed in Note 28.

NOTE 24 Accounts receivable

	Group		Parent Company	
	2016	2015	2016	2015
Tenant receivables	71	90	0	0
Provision for doubtful receivables	-40	-52	0	0
Total	31	38	0	0

The carrying amount of accounts receivable corresponds with the fair value. Since the payment period for accounts receivable is short, the fair value is the same as amortised cost.

The Group reported losses of SEK 8 million (26) for the impairment of tenant receivables.

NOTE 25 Other current receivables, prepaid expenses and accrued income

	Group		Parent Company	
	2016	2015	2016	2015
Accrued interest income	73	68	73	68
Accrued rent discounts	118	99	-	-
Deposit account	193	147	193	147
Prepaid financing costs	111	92	-	-
VAT adjustment	26	33	-	-
Prepaid operating expenses	34	28	-	0
Other items	162	166	32	29
Total	717	633	298	244

Carrying amounts correspond with fair values since the payment periods are short.

NOTE 26 Cash and cash equivalents

Cash and cash equivalents amounted to SEK 2,147 million (2,301) and comprised cash bank balances. Short-term investments of cash and cash equivalents were made with counterparties with high credit ratings and, therefore, low risk.

The Parent Company's cash and cash equivalents totalled SEK 2,146 million (2,300).

NOTE 27 Interest-bearing liabilities

Goals for financial operations

Owning and developing properties is a capital-intensive business. Vasakronan's capital is provided through a balanced mix of loans and equity, with an LTV of 46% at year end and an equity/assets ratio of 38%. Interest expense is Vasakronan's largest expense item and it is strategically important for the company, irrespective of market conditions, to always be able to access cost-effective financing. The goal of our treasury activities is to secure our financing needs at the lowest possible cost within the frameworks and restrictions set by the financial policy.

Financial policy

Vasakronan's financial policy sets goals and governing principles, and allocates responsibilities across treasury operations. The financial policy regulates the risk mandate and the principles for calculating, reporting, following up and controlling financial risks. The financial policy is evaluated on an ongoing basis and adopted each year by the Board.

To ensure the efficient management and control of the company's financial risks and to be able to utilise economies of scale, all financial operations are conducted by a central finance function. The policy governing authorisations means that a transaction may not be conducted and registered by the same person as the one who checks and settles payment for the transaction. Authority to conclude business transactions is regulated through powers of attorney with the respective counterparty.

Financial risks and reporting

Through its financial operations, the company is exposed to financing risk, interest-rate risk, credit risk and currency risk. These risks are defined in the financial policy and the effects are limited though restrictions set for the respective risk exposures. Compliance is ensured through quarterly reporting to the Board.

Financing risk

The risk of increased costs for refinancing or new borrowing is considerably limited through diversified financing sources, with specific conditions that can be utilised in different market conditions. Financing risk is also limited since the average remaining tenors for interest-bearing liabilities may not be less than two years. Vasakronan has always had good access to the capital market and banking market irrespective of market conditions.

Interest-rate risk

Changes in market interest rates and credit margins can influence borrowing expenses. The fixed-interest structure must be chosen to limit the effects of changes market conditions and the average fixed-interest tenor may not be less than one year or exceed six years. One method of measuring interest-rate risk is through the interest coverage ratio which, pursuant to the financial policy, should always exceed a multiple of 1.9.

Refer to the sensitivity analysis on page 57 for more information about interest-rate risk.

Credit risk

Liquidity management and using financial derivatives entail a risk of the counterparty not meeting its obligations. One way to limit credit risk is spread the risk across multiple counterparties. To further reduce risk, the financial policy stipulates that derivative contracts may only be entered into with counterparties that have a lowest credit rating of A– on Standard & Poor's scale. Moreover, ISDA agreements are required that allow offsetting of payables and receivables from the same counterparty to thereby reduce the risk even further. Cash and cash equivalents may only be placed with counterparties that have a credit rating of at least A– on Standard & Poor's rating scale or with companies that are state or municipality owned. Moreover, investments of cash and cash equivalents must not have tenors in excess of six months.

Currency risk

All currency risk must be eliminated for foreign currency borrowings. To eliminate currency risk, Vasakronan uses currency swaps that secure the exchange rate for interest payments and loan repayments of foreign currency loans.

Terms and conditions

Vasakronan's agreements for commercial paper, bonds and bank loans contain a change of control covenant that allows lenders to terminate the loan for repayment unless the First, Second, Third and Fourth Swedish National Pension Funds collectively or separately own at least 51% of Vasakronan. Moreover, the bank loan agreements also contain a covenant specifying that the interest coverage ratio may not fall below a multiple of 1.5.

Refer also to the financing section on page 28.

MATURITY STRUCTURE

Year of maturity	Group				Parent Company			
	Loan-to-maturity structure		Fixed-interest maturity structure		Loan-to-maturity structure		Fixed-interest maturity structure	
	2016	2015	2016	2015	2016	2015	2016	2015
1	15,906	15,766	24,719	20,908	15,906	15,766	24,719	20,908
2	12,862	10,446	-35	1,925	12,862	10,446	-35	1,925
3	8,121	9,585	1,729	4	8,121	9,585	1,729	4
4	3,801	6,202	2,009	805	3,801	6,202	2,009	805
5	5,640	3,350	3,468	2,009	5,640	3,350	3,468	2,009
6	900	200	3,100	4,200	900	200	3,100	4,200
7	1,721	100	4,300	3,300	1,721	100	4,300	3,300
8	-	-	3,800	7,000	-	-	3,800	7,000
9	-	-	4,700	3,800	-	-	4,700	3,800
>9 years	6,289	5,101	7,450	6,799	6,289	5,101	7,450	6,799
Total	55,240	50,750	55,240	50,750	55,240	50,750	55,240	50,750
	2016	2015			2016	2015		
Interest-bearing liabilities with floating interest ¹⁾	20,123	18,402			20,123	18,402		
Interest-bearing liabilities with fixed-interest ¹⁾	35,117	32,348			35,117	32,348		
Total	55,240	50,750			55,240	50,750		

1) Including derivatives.

Floating interest pertains to fixed-interest tenors of not more than three months.

Information about utilised loan limits, fixed-interest terms and credit commitments is available in the comments to the balance sheet on page 74.

FINANCIAL RISKS

Financing risk	Policy	Outcome, 31 Dec 2016
Loan-to-maturity	min. 2 years	3.4 years
Loans maturing, 12 months	max. 40%	29%
Credit commitments and cash/loans maturing 12 months	min. 100%	127%
Interest-rate risk		
Interest coverage ratio	at least 1.9x	3.8x
Fixed-interest period	1–6 years	4.3 years
Fixed-interest maturity within 12 months	max. 70%	45%
Credit risk		
Counterpart's rating	at least A–	met
Currency risk		
Currency exposure	not permitted	met

The outcomes at 31 December 2016 and 2015 were within the restrictions set by the financial policy.

NOTE 28 Other non-current liabilities

	Group 2016	2015	Parent Company 2016	2015
Deposits, CSAs	44	–	44	–
Other non-current liabilities	154	156	114	55
Total	198	156	158	55

To manage its exposure to counterparty risk, the Group has entered into credit support annexes (CSAs) to International Swaps and Derivatives Association (ISDA) agreements. These annexes are mutual and entail both parties undertaking to post cash collateral for surplus values in derivative contracts outstanding. As of 31 December 2016, the Group has received SEK 44 million (–) as such collateral. Corresponding collateral provided is detailed in Note 23.

NOTE 29 Provision for pensions

The Group has both defined-contribution and defined-benefit pension plans. The defined-contribution plans comprise the BTPK and ITPK occupational pension plans and primarily relate to retirement, disability and survivors' pensions.

The defined-benefit pension plans consist of BTP, which is secured through insurance with SPP, as well as a number of retirement and survivors' obligations secured with Skandia. The defined-benefit pension plans also include mainly retirement, disability and survivors' pensions. In addition to these defined-benefit pension plans, defined-benefit pension obligations include those taken over from Byggnadsstyrelsen when Vasakronan was founded in 1993. These obligations are administered by the National Government Employee Pensions Board (SPV) and have mainly been secured with KPA. Vasakronan has a defined-benefit occu-

pational pension plan (ITP) which is secured through insurance with Alecta. This is recognised, however, in accordance with the Swedish Financial Reporting Board's statement UFR10, as a defined-contribution pension. At the end of the financial year, Alecta had a consolidation ratio of 149 (153).

Under IAS 19, all defined-benefit pension rights are vested on a straight-line basis over the period of employment. This means that the pension costs in the consolidated income statement consist of an estimated value which could differ from the actual paid-up pension premiums recognised in the Parent Company. The present value of pension obligations and the fair value of plan assets are recognised net in the consolidated balance sheet.

	Group		Parent Company	
	2016	2015	2016	2015
Pension costs in the income statement				
Pension costs, defined-contribution	39	49	18	29
Pension costs, defined-benefit	7	8	37	35
Separate payroll tax on pension costs	13	14	15	15
Total pension costs in the income statement	59	71	70	79
<i>Of which recognised as property administration</i>	<i>48</i>	<i>57</i>		
<i>Of which recognised as central administration</i>	<i>11</i>	<i>14</i>		
Pension costs in other comprehensive income, excl. tax				
Actuarial gains(–)/losses(+), incl. payroll tax	89	–61		
Restriction for surplus in pension plan with asset cap, incl. payroll tax	–16	26		
Total pension costs in other comprehensive income, excl. tax	73	–35		

Net debt defined-benefit pensions, Group	Group			
	2016	2015	2016	2015
Change in the defined-benefit obligation				
Present value of the pension obligation, opening balance	333	393		
Pension rights vested through service ¹⁾	7	8		
Interest on pension obligation ¹⁾	11	10		
Pension disbursements	-20	-22		
Actuarial gains(-)/losses(+) on pension obligations ²⁾	70	-56		
Present value of the obligation, closing balance³⁾	401	333	401	333
Change in plan assets				
Fair value of plan assets, opening balance	-353	-356		
Interest income ¹⁾	-12	-10		
Paid-in premiums	-16	-15		
Pension disbursements	20	21		
Return on plan assets excluding interest income ²⁾	2	7		
Fair value of plan assets, closing balance	-359	-353	-359	-353
Restriction for surplus in pension plan with asset cap		19		31
Other pension obligations		3		3
Separate payroll tax on net pension debt		16		3
Net debt, defined-benefit pensions		80		17

1) Recognised in profit or loss.

2) Recognised in other comprehensive income.

3) Expected weighted-average duration for the obligation's present value at 31 December 2016 is 16.50 years (10.57).

The plan assets mainly comprise shares, interest-bearing securities and participations in funds.

The difference between the actual and the expected return amounted to SEK 2 million (7) and was recognised as the return on plan assets excluding interest income.

Net actuarial gains and losses after tax amounted to SEK 57 million (-27) and were recognised in other comprehensive income under the alternative rule in IAS 19.

The Group's payments to defined-benefit plans are expected to amount to SEK 17 million in 2017.

Actuarial and financial assumptions (%):

	Group	
	2016	2015
Discount rate (mortgage bonds)	2.4	3.5
Inflation	2.0	2.0
Expected annual wage growth	3.5	3.5
Expected annual increase in pension disbursements	2.0	2.0
Expected annual increase in income base amount	3.0	3.0

The discount rate assumption has the largest impact on the size of the pension obligation. A 1 percentage point change in the discount rate

would, for example, result in a SEK 59 million change in the present value of the pension obligation.

NOTE 30 Other current liabilities, accrued expenses and deferred income

	Group		Parent Company	
	2016	2015	2016	2015
Prepaid rental revenue	1,204	1,101	-	-
Accrued interest expense	318	311	318	311
Accrued expenses for ongoing projects	194	185	-	-
VAT	220	195	8	9
Deposits	193	152	-	-
Accrued operating expenses	44	45	-	-
Property tax	57	54	-	-
Vacation pay, social security expenses and employee withholding taxes	42	43	42	43
Other items	272	236	158	94
Total	2,544	2,322	526	457

NOTE 31 Pledged assets and contingent liabilities

	Group		Parent Company	
	2016	2015	2016	2015
Property deeds	16,830	15,038	None	None
Contingent liabilities	100	4	504	504

Property deeds are pledged as collateral for the Group's interest-bearing liabilities.

Vasakronan bears joint and several liability for the debts of Stora Ursvik KB, which entailed a contingent liability of SEK 100 million (4) at year end. The Parent Company's contingent liabilities of SEK 504 million (504) pertain to liabilities at the Group's general and limited partnerships in which the parent company is a partner.

For the Järvastaden AB joint venture, Vasakronan has issued surety of SEK 241 million (241) for the performance of the implementation agreement with Svenska Kraftnät.

NOTE 32 Supplementary disclosures for financial assets and liabilities**Derivatives**

Derivatives are used primarily to adjust the fixed-interest structure in the loan portfolio. Moreover, currency derivatives are used to eliminate all currency exposure on loans in foreign currencies, but also to eliminate the risk of inflation when borrowing through inflation-linked bonds. Derivatives are also used to secure forward prices for future electricity consumption.

All derivatives are recognised at fair value in the balance sheet. When the derivative value can be derived from quoted prices from counterparties, the derivative belongs to level 2 of the fair value hierarchy under IFRS 13. Fair value is based on discounting future cash flows for each maturity at market interest rates.

All derivatives are subject to ISDA agreements. Derivatives under CSAs totalled SEK 30 million (negative: 117) at the end of 2016.

Derivatives in the consolidated and Parent Company balance sheets

Recognised as financial assets	2016	2015
Interest-rate swaps	338	15
Currency swaps	117	0
Electricity derivatives	3	–
Total	458	15
Recognised as financial liabilities	2016	2015
Interest-rate swaps	–3,305	–2,700
Currency swaps	–56	–117
Swaptions	–22	–77
Electricity derivatives	–	–24
Total	–3,383	–2,918
<i>Net Derivatives</i>	<i>–2,925</i>	<i>–2,903</i>

Classification of financial instruments, Group

	Derivatives, no hedge accounting		Items subject to fair value hedging		Loans and accounts receivable		Total carrying amount		Fair value	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial assets										
Cash and cash equivalents	–	–	–	–	2,147	2,301	2,147	2,301	2,147	2,301
Loans hedged at fair value	–	–	–	0	–	–	–	0	–	0
Derivatives	458	15	–	–	–	–	458	15	458	15
Deposits, CSAs	–	–	–	–	–	110	–	110	–	110
Accounts receivable	–	–	–	–	31	38	31	38	31	38
Total	458	15	–	0	2,178	2,449	2,636	2,464	2,636	2,464

	Derivatives, no hedge accounting		Items subject to fair value hedging		Financial liabilities		Total carrying amount		Fair value	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial liabilities										
Bonds	–	–	–	–	30,117	25,408	30,117	25,408	30,155	25,451
Bank loans	–	–	–	–	15,917	14,478	15,917	14,478	16,014	14,503
Commercial paper	–	–	–	–	9,206	10,864	9,206	10,864	9,207	10,864
Derivatives	3,383	2,918	–	–	–	–	3,383	2,918	3,383	2,918
Deposits, CSAs	–	–	–	–	44	–	44	–	44	–
Accounts payable	–	–	–	–	132	177	132	177	132	177
Total	3,383	2,918	–	–	55,416	50,927	58,799	53,845	58,935	53,913

Derivatives are valued at fair value in the balance sheet and other financial instruments at amortised cost. For interest-bearing liabilities, which consist of bonds, bank loans and commercial paper, fair values differ from the recognised amortised cost. Fair value is established using the current yield curve along with a borrowing margin, which results in a

lower interest rate than that contracted for the loan. Recognition at fair value would therefore increase the Group's interest-bearing liabilities by SEK 136 million and reduce equity by SEK 106 million. Surplus/deficit values for foreign currency loans are recognised against surplus/deficit values for derivatives.

Liquidity risk – maturity analysis

Group	2016				2015			
	0–1 year	1–2 years	2–5 years	>5 years	0–1 year	1–2 years	2–5 years	>5 years
Bonds	–7,095	–9,232	–13,609	–1,412	–5,196	–8,505	–12,204	–325
Bank loans	–84	–3,980	–4,513	–7,533	–143	–2,420	–7,339	–5,769
Commercial paper	–9,205	–	–	–	–10,865	–	–	–
Interest-rate derivatives	–637	–658	–2,025	–1,732	–754	–751	–2,344	–2,139
Currency derivatives – inflows	56	56	140	114	18	18	42	–
Currency derivatives – outflows	–11	–11	–34	–30	–2	–2	–5	–
Electricity derivatives	3	–	–	–	–24	–	–	–
Accounts payable	–132	–	–	–	–177	–	–	–
Total	–17,105	–13,825	–20,041	–10,593	–17,143	–11,660	–21,850	–8,233

The figures pertain to future undiscounted cash flows for financial liabilities, including interest, allocated over the time remaining until the contractual maturity date. The closing interest rates for the respective loans and derivatives have been used to estimate future cash flows for all liabilities. The closing exchange rate has been used for currency derivatives.

NOTE 33 Adjustment for non-cash items

	Group		Parent Company	
	2016	2015	2016	2015
Depreciation, amortisation and impairment	16	15	10	26
Estimated defined-benefit pension costs	-11	-8	1	-1
Sales/discontinuation of Group companies	-	-	-1	-
Equipment sales	-1	0	-1	0
Result from participations in joint ventures	3	1	-	0
Total	7	8	9	25

NOTE 34 Related parties

Related parties	Transactions
Parent Company	A dividend of SEK 7,382 million was distributed through the settlement of Group contributions recognised and an ordinary dividend to the Parent Company.
Parent Company shareholders	The First, Third and Fourth Swedish National Pension Funds lease commercial premises under market terms and conditions. Vasakronan has a subscription commitment from the First, Second, Third and Fourth Swedish National Pension Funds for its commercial paper, refer to page 29. At the end of 2016, the Third Swedish National Pension Fund had bond holdings with Vasakronan of SEK 105 million.
Board of Directors	Refer to Note 9 for details of remuneration. No Board member has participated directly or indirectly in any business transaction with Vasakronan. The Board is presented on page 64.
Management Group	Refer to Note 9 for details of remuneration. No senior executive has participated directly or indirectly in any business transaction with Vasakronan. The management is presented on page 65.
Subsidiaries	Specified in Note 21.
Group companies	Specified in notes 10 and 21.
Joint ventures	Specified in Note 22.

NOTE 35 Dividend per share

The dividend distributed in 2016 comprised Group contributions recognised of SEK 2,882 million (SEK 72.05 per share), of which SEK 824 million pertained to 2015 and SEK 2,058 million to 2016, as well as an ordinary dividend of SEK 4,500 million (SEK 112.50 per share).

At the AGM on 3 May 2017, the Board will propose a dividend of SEK 4,000 million (4,500), corresponding to SEK 100.00 (112.50) per share.

NOTE 36 Events after the balance-sheet date

In addition to the proposed dividend pursuant to Note 35, no significant events occurred after the balance-sheet date that impact the assessment of Vasakronan's financial position.

Proposed appropriation of profits

The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject to adoption by the AGM on 3 May 2017.

The following profit is at the disposal of the AGM:		The Board proposes that the earnings be appropriated as follows:	
Retained earnings	SEK -1,947,050,342	Dividend to shareholders, SEK 100 per share	SEK 4,000,000,000
Profit for the year	SEK 8,886,241,873	To be carried forward	SEK 2,939,191,531
Total	SEK 6,939,191,531	Total	SEK 6,939,191,531

A dividend of SEK 4,000,000,000 has been proposed to the General Meeting. In addition to the proposed dividend above, Group contributions of SEK 2,058,166,007 were paid. The Board finds that the proposed dividend is justifiable in terms of the assessment criteria stipulated in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act regarding operations, scope and risks as well as consolidation requirements, liquidity and general position.

The Board and CEO affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting standards (IFRS) as adopted by the EU and provide a fair and accurate overview of the Group's financial position and results. The annual accounts have been prepared in accordance with generally accepted accounting principles and provide a fair and accurate overview of the Parent Company's financial position and results. The Administration Report for the Group and Parent Company provides a fair and accurate overview of the Group and Parent Company's operations, position and results, and describes material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, 22 March 2017

Mats Wäppling
Chairman of the Board

Jan-Olof Backman
Board Member

Niklas Ekvall
Board Member

Eva Halvarsson
Board Member

Kerstin Hessius
Board Member

Christel Kinning
Board Member

Rolf Lydahl
Board Member

Johan Magnusson
Board Member

Per Uhlén
Board Member

Fredrik Wirdenius
Chief Executive Officer

Our Auditors' Report was submitted on 22 March 2017
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant
Lead partner

Daniel Algotsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Vasakronan AB (publ), corporate identity number 556061-4603

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Vasakronan AB (publ) for the year 2016 except for the corporate governance statement on pages 58–63. The annual accounts and consolidated accounts of the company are included on pages 56–99 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 58–63. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Audit scope

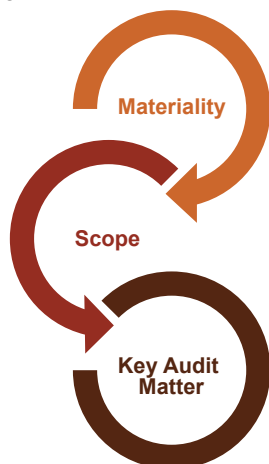
Vasakronan is the leading property company in Sweden with investment properties valued at SEK 115.9 billion. The company's strategy is to manage and develop commercial investment properties in Stockholm, Gothenburg, Malmö and Lund.

Our audit has a group approach which includes audits of all the significant investment properties within the group. This group approach means that the significant business processes for the financial reporting in the group such as rental income, purchasing, payroll and valuation process is audited centrally from a group perspective even though the investment properties legally is in several legal entities. Since 95% of the group assets consist of investment properties that are valued to fair value is the audit's main focus to evaluate if the Annual report reflects the investment properties' book value according to the company's valuation principles and that these principles are according to IFRS.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of fair value of investment properties that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of Vasakronan, the accounting processes and controls, and the industry in which the group operates

Our audit approach



Materiality

Overall group materiality: SEK 610 million, which represents 0,5% of the group's total assets

Scope

Our audit has a group approach. In this approach we focus on central business processes and audit of valuation of investment properties from a group perspective. The overall purpose of the audit is to evaluate that Vasakronan's Annual report has been prepared and presented according to IFRS.

Key Audit Matter

Valuation of investment properties

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matter

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of 2016. These matters were addressed in the

Overall group materiality

SEK 610 million

How we determined it A threshold which represents 0,5% of the group's total assets.

Rational for the materiality benchmark applied

We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of the Group over time is most commonly measured. We have chose 0,5% of total assets and it is a generally accepted benchmark and it is in our view an acceptable overall materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 50 MSEK as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons..

context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Valuation of investment properties

We refer to the Administration Report and the description of the Vasakronan group's summary of important accounting and valuation principles in Note 2, Important assessment of the Group's accounting principles Note 3 as well as referring to Note 13, Changes in the values of investment properties.

As at 31 December 2016, The value of the investment properties totaled SEK 115.9 billion. Investment properties comprise a significant portion of the balance sheet and the valuation of these properties is inherently subjective and is the object of company management's judgements as regards, for example, the location of the specific property, its condition and future rental income.

The valuation of all of the investment properties is executed at the end of each year and every six months by external valuers, Cushman & Wakefield and Forum Fastighetsekonomi. At the end of the other quarters, the properties are valued internally. The valuations are executed on the basis of The Royal Institute of Chartered Surveyors' ("RICS' ") valuation standards and processes which are based on an adopted, established valuation policy. In addition, Vasakronan has an internal process for the quality assurance of the external valuations as at year-end and after the first six months of the financial year. These internal quality assurance processes include an analysis and control of the data taken from the company's systems and registered in the valuation models as regards, for example, rental levels, surface area, vacancy levels and also includes an overall analysis of the value development of each property. These valuations are assessed both centrally and in consultation with the respective property managers.

In determining the fair value of the properties, the valuers consider current information regarding the specific property, such as the rental agreements in place, rental income and operating costs. In order to achieve a final valuation, the valuers apply assumptions and undertake judgements on future yields, net operating expenses and estimated market rents, and these assumptions and judgments are impacted by the direct yield requirements in place and by comparable market transactions.

The significance of the estimations and judgments applied in establishing the fair value of the investment properties, together with the fact that the amounts are significant, implies that the valuation of the investment properties comprises a Key Audit Matter in the audit.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Amongst other things, our audit has focused on the company's internal control and quality assurance as regards the externally executed valuations as at 31 December 2016. The audit team, including our valuation specialists, have obtained copies of and examined a selection of the valuation reports and have ensured that the valuations comply with Vasakronan's guidelines for valuations and with the correct valuation methods.

The external valuers' work are based on the same calculation model as applied by Vasakronan, which implies that the company's quality assurance of the external valuations is facilitated. We have assessed the external valuers' competence and experience and have also studied the groups' valuation agreements with the external valuers to determine if there are any circumstances in the agreements which could impact the valuers' objectivity or if there are any limitations to their work.

In addition, we have tested, on a sample basis, company management's input data registered in the valuation models and taken from the company's systems. This was done to ensure that the information for the investment property valuations applied in the external valuations is correct and fair.

We have had meetings with the individuals responsible for the valuations in which important assumptions and judgments have been discussed. Our work has focused on the largest investment properties in the portfolio, development project properties and on the properties incurring the largest variations in value compared with previous quarters. We have assessed the applied yield requirements used by the external valuers by comparing the estimated intervals of the expected yield requirements and thresholds with the available market data for the current markets. We have also assessed the reasonableness of other assumptions which are not directly comparable based on available public data. In the case the assumptions and parameters have been outside our initial expectation, these deviations have been discussed with representatives of the company and additional audit evidence has been obtained as support for the applied assumptions.

The valuations are based on assessments and incur, inherently, a degree of uncertainty. Based on our audit, it is our assessment that the assumptions applied by Vasakronan are within a reasonable interval. Based on our audit, we have not identified any significant observations to report to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–53. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in

Sweden will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website <https://www.revisorsinspektionen.se/en/English>. This description is part of the auditor's report.

Other Information

The company's annual report for the fiscal year that ended on 31 December 2015 was audited by another auditor which in the auditor's report Report dated March 31, 2016 left an unmodified statement in report on the annual report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Vasakronan AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is desig-

ned so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: <https://www.revisorsinspektionen.se/en/English>. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 58–63 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 22 March 2017

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg

Authorized Public Accountant
Lead Partner

Daniel Algotsson

Authorized Public Accountant