

2017

Annual Report



VASAKRONAN

Contents

OVERVIEW

Statement by the CEO	4
Goals and strategies	8
Market overview	14
<i>Dynamic city environment</i>	15
Property management	18
<i>Smart energy</i>	19
<i>Schneider Electric</i>	21
New Segelhuset	24
Property development	26
<i>Uppsala Science Park</i>	29
Transaction activities	30
<i>Sthlm Seaside</i>	31
Financing	32
<i>Green financing</i>	35
Property holdings	36
<i>Office solutions</i>	37
<i>Retail</i>	39

REGIONS

Our regions	42
Region Stockholm	44
Region Gothenburg	50
Region Öresund	54
Region Uppsala	58

ADMINISTRATION REPORT AND FINANCIAL STATEMENTS

Contents financial statements and notes	62
Administration Report	63
Risks and risk management	64
Corporate Governance Report	68
<i>The Board of Directors and Auditors</i>	74
<i>Senior executives</i>	75
Other information	76
Comments to the financial statements	78
Notes	90
Proposed appropriation of profits	109
Auditors' report	110

GRI AND OTHER INFORMATION

Sustainability reporting with GRI Index	114
Auditor's statement on the sustainability report	126
Impact Report, Green Bonds	127
Auditor's statement Impact Report	130
Quarterly and five-year overview	131
Definitions	134
Addresses, website, calendar and production	136

This Annual Report is a translation of the Swedish original.

Vasakronan in

VASAKRONAN'S ASSIGNMENT

is to generate a high, risk-weighted return for our owners the First, Second, Third and Fourth Swedish National Pension Funds, though never at the expense of the environment and people. A return that will benefit Sweden's current and future pensioners.

WE TAKE RESPONSIBILITY

for the people who are affected by our business. We do so by applying fair work conditions and creating good work and urban environments. It goes without saying that we also say no to any form of discrimination.

HOW WE CREATE VALUE

To accomplish our assignment, we must create value in the business. This is achieved through good property management and development, and supplemented by active transactions. Our strategy builds on our having attractive properties, being a good landlord and having dedicated employees.





OUR AMBITION IS TO BE SWEDEN'S LEADING PROPERTY COMPANY

Vasakronan is Sweden's largest property company with a portfolio comprising 179 properties with total area of 2.4 million sq. m.

We own, manage and develop centrally located office and retail properties in Stockholm, Gothenburg, Malmö, Lund and Uppsala. The majority of the portfolio is located in Stockholm.

The market value of our property portfolio amounts to approximately SEK 127 billion.

The number of employees is approximately 350.

WE WILL ACHIEVE THIS BY:

- **Generating a high total yield** that should also exceed that of the industry in general.
- **Being the preferred choice** for tenants looking for office or retail premises.
- **Being perceived as** the most attractive employer in the industry.
- **Assuming social responsibility** and striving for long-term sustainable development.

OUR VISION
is to create future-proof cities for everyone, where people and companies thrive.



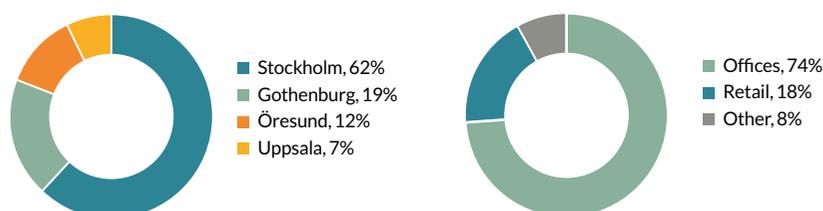
Property values increase due to rising market rents

SEK **127** BILLION SEK **4.7** BILLION

The value of the property portfolio increased 6.9% and nudged SEK 127 billion.

Net operating income increased to SEK 4,678 million (4,459), up 6% against comparable property holdings.

Contracted rent by geographic market



Vasakronan in brief

SEK m	2017	2016
Rental revenue	6,490	6,251
Net operating income	4,678	4,459
Profit before value changes and tax	3,413	3,217
Net interest	-1,165	-1,152
Change in property values	7,973	12,056
Change in value of financial instruments	468	-764
Net profit for the year	9,269	11,472
Market value of property, SEK bn	127	116
Contracted rent, SEK m	6,638	6,481
Occupancy rate, %	93.1	94.2
Interest coverage ratio, multiple	3.9	3.8
Loan-to-value ratio, %	45	46
Number of properties	177	179
Area, thousand sq. m.	2,430	2,426
Environmental certification, %	84	77
Energy performance, kWh/sq. m.	100	110
Number of employees	349	339

Vasakronan's ambition is to run its entire business in a sustainable manner. Consequently, reporting of our sustainability agenda has been integrated into the company's annual report. A summary of how we control, set targets and follow up our significant sustainability topics is on pages 114–125.



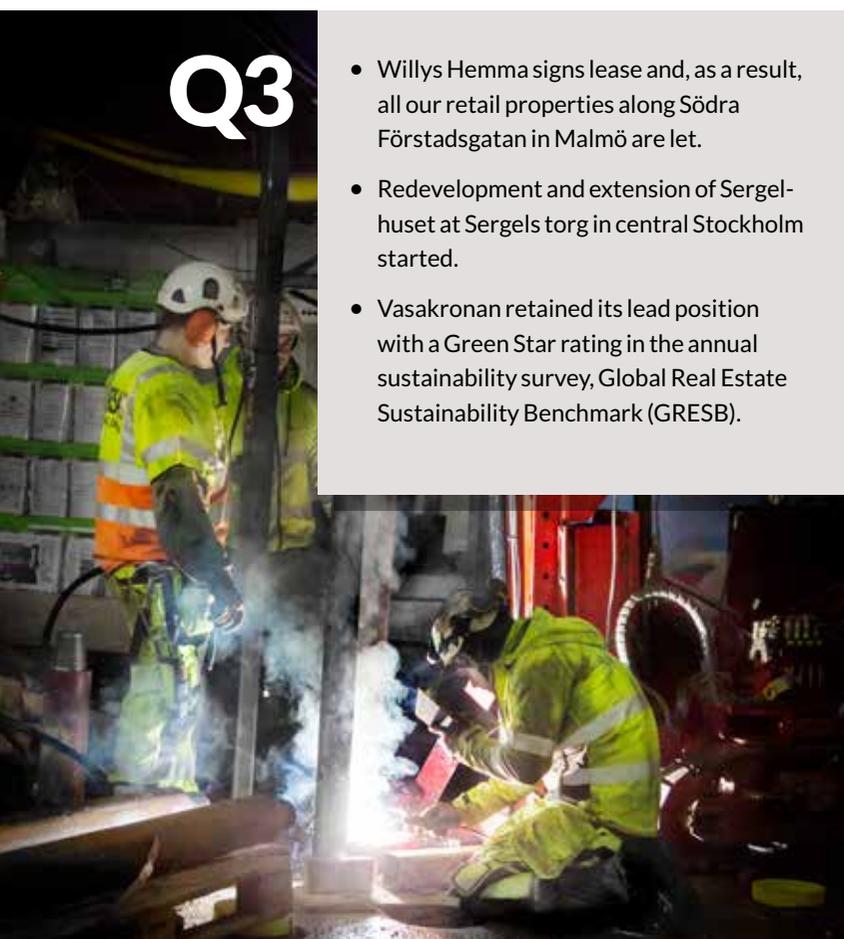
Q1

- A 20-year lease was signed with Scandic Hotels for 20,000 sq. m. at Platinan in central Gothenburg.
- The reconstruction of Klara C, opposite Stockholm's Central Station, comprising a total of 34,000 sq. m. of office and retail space was completed.
- A new green bonds framework was launched and was awarded the highest second opinion, Dark Green, by the Center for International Climate Research, CICERO.



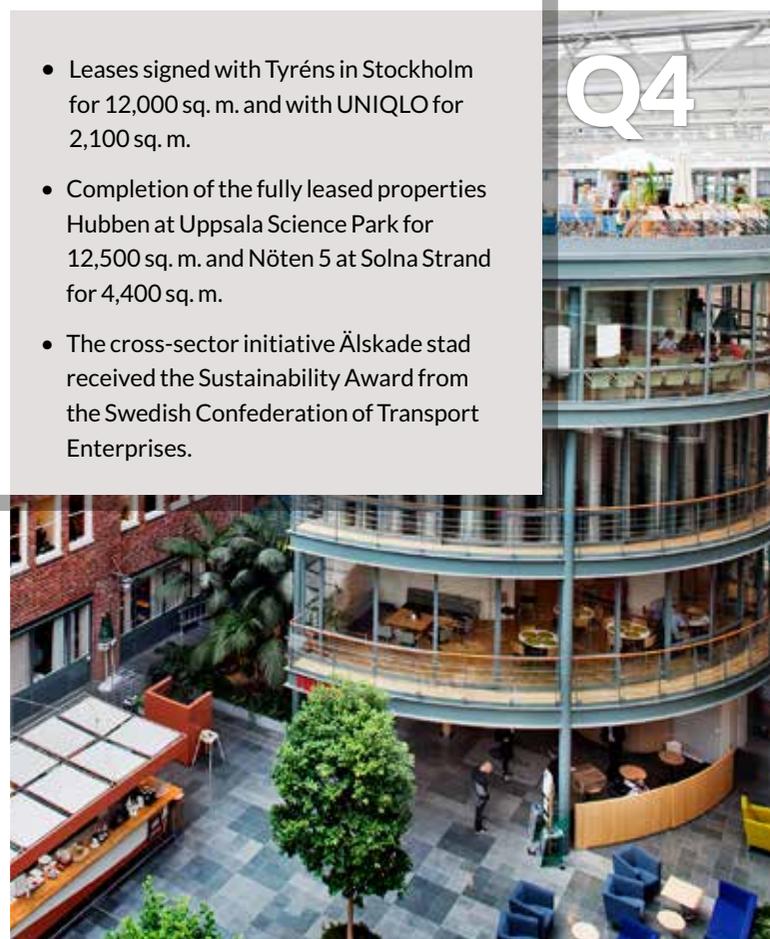
Q2

- An agreement was signed to acquire the newly developed Sthlm Seaside property at Hammarby Sjöstad for SEK 900 million. The total area is 12,500 sq. m. of office space.
- A 15-year lease was signed with the National Food Agency, Sweden for 8,300 sq. m. of space at Celsius in Uppsala.
- A lease was signed with the Swedish Transport Agency for 3,500 sq. m. at Kista Entré just outside Stockholm.



Q3

- Willys Hemma signs lease and, as a result, all our retail properties along Södra Förstadsgatan in Malmö are let.
- Redevelopment and extension of Sergelhuset at Sergels torg in central Stockholm started.
- Vasakronan retained its lead position with a Green Star rating in the annual sustainability survey, Global Real Estate Sustainability Benchmark (GRESB).



Q4

- Leases signed with Tyréns in Stockholm for 12,000 sq. m. and with UNIQLO for 2,100 sq. m.
- Completion of the fully leased properties Hubben at Uppsala Science Park for 12,500 sq. m. and Nöten 5 at Solna Strand for 4,400 sq. m.
- The cross-sector initiative Älskade stad received the Sustainability Award from the Swedish Confederation of Transport Enterprises.

Record net operating income

Rising rental revenue, low vacancies and technology-driven cost savings mean that we achieved a record net operating income in 2017. Now we are focusing on a new organisation to enable full utilisation of the potential that modern technology offers in our properties.

At SEK 9,269 million after tax (11,472), we once again posted a healthy net profit for the year. Particularly gratifying was the robust improvement in net operating income, which rose a full 6% to SEK 4,678 million (4,459). Already at the start of the year, we identified potential for a stronger net operating income, but could not dream of such a significant increase. Healthy earnings from operating activities will be even more important when the property market levels off and profits are no longer driven by value increases.

Throughout 2017, market rents continued to climb in all of Vasakronan's markets. On average, the year's renegotiations have resulted in rent increases of just over 10%. Stockholm noted the highest increase in rent levels stimulated by continuous growth in office employment, low vacancies and continued low increases in office space.

Positive rent trend

The trend toward more efficient office space utilisation and less square metres per employee is still going strong. Recent years' positive rent trend has meant that Stockholm now has the third highest office space rents in Europe — only London and Paris have higher square metre rents. Also Gothenburg, Malmö and Uppsala report healthy demand for premises. But while new construction is expected to remain low in Stockholm, Gothenburg and Uppsala, the selection of new office space is greater in Malmö. This explains the weaker trend in both rent levels and property values in the Öresund region. Therefore, despite healthy underlying demand, we only build new in

Malmö in the most central locations or when we already have contracts with tenants. In the attractive location next to Triangeln, a completely new office building is being developed in the Priorn property and half of the office space is already leased.

Higher project volumes

The need for new, modern and space-efficient offices means that Vasakronan continues to invest in new construction and renovation of existing properties. Over the next few years, we expect to increase investments from SEK 2.5 billion to SEK 3 billion annually. All project development entails some risk. Consequently, our project developments are always in prime locations and we always aim for long-term ownership. As market leader, we also have many tenants who have changing needs and require new premises, which also lowers risks in our project ventures. Nonetheless, because we are probably at the peak of the economic boom, we are cautious and conscious of all market changes.

Successful projects

The recently completed construction of Hubben in Uppsala is a good example of successful project development. Hubben is the central location and knowledge hub at the Uppsala Science Park research and innovation centre. Uppsala is a market characterised by stability and strong confidence in the future. A 20-year lease was signed with Region Uppsala even before the start of construction. Moreover, we are now constructing a new



“The overall assessment is that city retail has good potential to manage the paradigm shift that retail is now undergoing.”

FREDRIK WIRDENIUS, CEO VASAKRONAN

building on behalf of the National Food Agency at Science Park. Another example of the long-term nature that distinguishes our project activities is the lease that Vasakronan signed with the consulting firm Tyréns for 12,000 sq. m. of office space at the Nattugglan property on Södermalm in Stockholm – a building on which construction has not yet begun and which will be ready for occupation in 2021 at the earliest.

Sustainability in everything we do

For many years, Vasakronan has been the property industry leader in terms of sustainability and, at the turn of the year, 84% of our buildings were environmentally certified. Sustainability topics are integrated in all aspects of our work – from green leases and green office services to energy efficiency measures and green bond financing. The energy savings are substantial and have had a favourable impact on financial performance. In less than ten years, we have lowered our energy consumption by 120 kWh per sq. m., resulting in a SEK 200 million improvement in our net operating income, which in turn increased property value by around SEK 4 billion.

New technology creates new opportunities

Rapid technological advances create completely new opportunities for us as property owners, not only in terms of energy efficiency. Smart control systems and sensors mean that we can proactively discover irregularities – such as ventilation that is not functioning optimally – and take action long before they become a problem for our tenants. A requisite to fully utilise the advances offered by technology in our modern properties, we must have employees and an organisation that can capitalise on and manage the new opportunities. Therefore, as of February 2018, we will implement a new organisation to better uti-

lise the opportunities that new technology offers and further enhance our customer offering. It is also important that we can thus become an even more attractive employer to attract the talent that we must have to manage increasingly complex technical environments.

Continued development of city retail

During the past year, e-commerce has continued to capture market shares from physical stores. As the largest city retail player in our four markets, we obviously monitor the trend closely and have noted that retailers' margins are declining while e-commerce is benefiting from increased consumer spending. Clothes stores are hardest hit, particularly multi-brand stores, while those with a strong proprietary label can better resist the downturn.

The overall assessment is that city retail has good potential to manage the paradigm shift that retail is now undergoing. We see a clear trend toward small shops where the shops are also used to reinforce the proprietary label and drive e-commerce. From a practical perspective, this means a transition with a greater mix among different types of offers. Prime retail locations are being retained, while the slightly less attractive locations are converted to other businesses, such as restaurants, coffee shops, gyms or co-working sites. We also work actively, together with other property owners, to develop and make retail districts more attractive. A successful example of such a partnership is Södra Förstadsgatan in Malmö, where now all retail assets in our portfolio are fully leased.

Central Stockholm is hardly showing visitors her best side given the string of transformation projects in progress – not least Vasakronan's extensive renovation of Sergelstan. But it is my conviction that when the large-scale development projects are completed, Stockholm will be

immensely attractive and attract both Stockholmers as well as tourists and other visitors. A contributor to this will be the Japanese casualwear chain UNIQLO, which signed a lease with Vasakronan and will open its first shop in the Nordic countries in the autumn of 2018 in Sverigehuset next to Kungsträdgården.

Strategic acquisition in Stockholm

In July 2017, we acquired the newly built office building Sthlm Seaside at Hammarby Sjöstad — a strategic acquisition in a growing area that will soon be considered part of the inner city. Public transport is already good but, in a few years, a new underground station will be built directly adjacent to the property. Seaside was Vasakronan's only major acquisition in 2017, a year with continued healthy activity in the Swedish transaction market. While the level was lower than the peak year of 2016, property transactions for a total of SEK 157 billion were completed with Swedish buyers dominating the market as they have in previous years. Institutional investors stand out as the newest players in the property market and I believe that this trend will continue for some time. In the current market conditions, Vasakronan will most likely not be a net buyer, but will prioritise investments in its own projects.

Despite a healthy period of rising rent levels, Vasakronan will continue to implement the necessary reforms to ensure we are well prepared the day the economic boom stalls. As in previous years, we have steadily extended the terms for our financing and we now have an average tenor of 3.8 years (3.4). The difference between borrowing on long or short tenors was relatively low in 2017. Therefore, we have positioned ourselves so that almost 40% of our loans now have a longer tenor than seven years. We have also continued to increase the percentage of green financing, which now accounts for 20%

of our loans. Our leading position in terms of sustainability and our high percentage of environmentally-certified properties makes it possible to double this. Evidence of our strong position is that both the Nordic Investment Bank (NIB) and the European Investment Bank (EIB), both of which have extremely stringent sustainability and certification requirements, have issued green loans to Vasakronan at very favourable terms.

Well-prepared Vasakronan

I feel that Vasakronan is well prepared for a downturn and we are ever vigilant in terms of all the changes in our world. That said, at this time we see no storm clouds looming on the horizon. Instead, all systems indicate that the Swedish economy will remain strong and demand for office premises will remain healthy. The average rent that our tenants pay today is lower than the market rents in all four Vasakronan markets, which means that there is potential for continued rising rental revenue. The fact that the addition of new office facilities will be very small in both Stockholm and Gothenburg points in the same direction. In total, this means there is every likelihood that net operating income and cash flow will be robust also in 2018. This provides us with sturdy shock absorbers in the event of a market cooldown — whenever it arrives.

Stockholm, February 2018

Fredrik Wirdenius
CEO

Create sustainable values

Vasakronan's mission is to deliver a long-term and stable return to its owners. Though never at the expense of the environment and people who live and work in and around our properties. We reach our ambition via attractive properties, by being a good landlord and through dedicated employees.

Ownership of Vasakronan is equally shared by the First, Second, Third and Fourth Swedish National Pension Funds. The owners are to ensure long-term financing of the pension system and invest their capital in various types of assets. Property investments are made through Vasakronan, among others. The mandate from the owners is to generate a long-term high and stable return, with sustainability as an integrated part of the business.

Vasakronan's ambition is to be Sweden's leading property company. That is achieved by:

- Generating a high total yield, which also will exceed that of the industry in general.
- Being the preferred choice for tenants looking for office or retail premises.
- Being perceived as the most attractive employer in the industry.
- Assuming social responsibility and striving for long-term sustainable development.

Our strategies

Attractive properties

Vasakronan's portfolio should consist of properties that have premises that are, over time, attractive in the rental market. Consequently, the portfolio is concentrated to Stockholm, Gothenburg, Malmö, Lund and Uppsala, all of which are strong economic growth markets. Vasakronan's properties are located in attractive office and retail locations that have good public transport connections, and offer efficient, modern premises. Retail properties are concentrated to city retail. The portfolio properties are managed in a sustainable manner so as to have a low environmental impact and to embrace societal responsibility.

The current property portfolio is continuously expanded to match tenant and market demand, and new buildings are constructed in locations with strong demand. Property development is supplemented by transaction activities that enhance Vasakronan's prop-

erty portfolio based on current market conditions.

Good landlord

Vasakronan should be the preferred choice when looking for premises in the selected markets. The offering therefore includes a broad range of attractive premises coupled with a high degree of service. Our broad range increases possibilities for tenants to locate new premises when their needs change without having to change landlord.

A close, open dialogue with the tenants is a prerequisite for long, healthy relationships. Our properties are managed by personnel who have extensive knowledge of the properties and the tenants' local needs. For tenants who want a more convenient solution, we offer our Smart & Klart office concept to cover all their needs on-site, or premises in properties that have an extended range of services. Moreover, our active sustainability agenda enables Vasakronan to help the tenants achieve their own sustainability goals.

It is becoming more common to view the premises as a tool for change and development of a business. Vasakronan can advise when potential or existing tenants are deciding on layout and modifications. Correctly designed, premises can enhance productivity, creativity and workplace satisfaction.

Dedicated employees

Cultivating dedication and motivation among employees the key to a successful property business. Vasakronan's corporate culture is marked by professionalism, flexibility and innovation. Employees are encouraged to be innovative and to test new, unproven alternatives. Our employees are satisfaction-driven, and get things done in a decent and trustworthy manner. The decision-making paths are short and we work transparently with an all-inclusive perspective that includes our stakeholders, our properties and the city.

Dialogue and observation

Mapping and analysing our stakeholders' expectations in terms of Vasakronan's activities are prerequisites for achieving our goals and generating sustainable values. Therefore, we maintain a steady dialogue with our stakeholders. The dialogue formats with our various stakeholders are presented in more detail in the table on page 9. As a complement, we also monitor general sustainability trends, as well as other property companies and other industries. We do so in order to identify possible issues that may prove to be material to our ability to conduct business in a sustainable manner. Our main stakeholders are our tenants, suppliers, lenders, employees, communities and owners.

In addition to our ongoing dialogues, we arranged a workshop in 2017 that was attended by some 30 representatives from the various stakeholder groups. The aim was to discuss which sustainability topics they expect Vasakronan to focus on in its operations and reporting. It also presented an opportunity to receive feedback in terms of our current efforts. The results showed that stakeholders mainly expect Vasakronan to report long-term financial results, the use of materials in project development, property energy consumption, customer satisfaction and work conditions at the suppliers.

Our owners, employees and investors give top priority to long-term financial results. Our tenants prioritise energy consumption, proximity to public transport and local services. Our suppliers and other societal actors feel that the use of materials in project development are important. They also expect Vasakronan to focus on work conditions. For more information about Vasakronan's stakeholder dialogues, go to pages 9 and 11.

Prioritised areas

Based on the mapping of stakeholders' expectations, an internal prioritisation of which sustainability topics were considered material

was arranged during the year. When setting priorities, Vasakronan took into account the actual impact on people, the environment, economy and society, and consideration was also given to Vasakronan's vision and business strategy. Prioritised sustainability topics were then validated by Vasakronan's management. A total of 12 sustainability topics were deemed material, nine of which are the same as last year and three are new. The new topics are "Employee health and safety", "Public transport and local service" and "Security and safety". For more information about which sustainability topics were identified as material, read Vasakronan's GRI Index on page 115.

In addition to material sustainability topics, Vasakronan applies a structured, long-term approach to a number of other sustainability topics. A global key area is water consumption which, while not deemed material in the materiality analysis, is part of the information submitted in the impact report to our green bond issuers. Other issues that the stakeholders have requested information about are measures that are taken in the properties due to climate changes and eco-system services. A project has therefore been initiated to create action plans and a division of responsibilities concerning these issues.

Business plans rule

Planning, control and follow-up of the operations are in line with the organisational structure, with a clear delegation of responsibilities and authorities. Business planning is done every year with a focus on areas that could be developed or improved. Business plans are prepared for both the company as a whole and for the units that answer to the CEO. Based on the business plans, a budget is set for the coming year, as are goals within the financial, environmental and societal areas. The goals' focus may vary over time and monitoring continues throughout the year.

Goals and challenges

The overall financial return goal is to achieve a total yield over a rolling ten-year period that will average above 6.5% annually. The total yield should also be at least 0.5 percentage points higher than the industry average in accordance with the IPD Sweden Annual Property Index (not including Vasakronan). The annual outcome is monitored and analysed.

Long-term profitability in a property company presumes positive growth in net operat-

In the business planning ahead of 2018, these specific challenges were identified that the company faces and that the organisation is expected to devote particular focus to during the coming year:

Dynamic city environment

To enhance the attractiveness in and around our properties, each individual building will contribute to the block, neighbourhood, district or city as a whole. Together with other property owners and the city, we pursue the task of developing the block for tomorrow's retail needs and to create secure and safe environments.

Best property developer

Although the portfolio is under continuous development, there is vast potential to generate further value through an innovative and structured agenda. This is realised by creating a long-term development plan for each property.

Smart solutions for customers

We see a clear trend that indicates that customers want more streamlined solutions. Consequently, the range in the Smart & Klart concept will expand

and more early leasehold improvements will be carried out. More focus will also be given to offering the tenants more digital solutions in the buildings.

New technological solutions

To stay one step ahead and be a successful property company, we need to utilise new technological solutions. We've done so for many years to improve our energy performance. These efforts continue now and focus on, inter alia, evaluating the choice of materials in our new development and reconstruction projects.

Continuous advances

Rapid advances are being made in many areas and, as a company, we must be equipped for these changes. This means that we will continue to reinforce the digital knowhow in all parts of our business as well as increasing diversity in our organisation.

ing income, and the greatest short-term affect is achieved through raising the occupancy rate and reducing vacancies. Therefore, financial goals are formulated to grow net operating income in comparable property holdings and levels for occupancy rate and average vacancy periods.

Within the environmental area, Vasakronan has long been an industry leader through, inter alia, continuous improvement of the property portfolio's energy performance and through a growing proportion of environmentally-certified buildings. Project development uses large quantities of material that impact the environment when produced and also generates large quantities of waste. Goals are therefore set that aim to increase the share of recycled material and to reduce the amount of waste.

Sustainable value generation also requires focus on societal issues. Ahead of 2017, our ambition was to increasingly reflect the communities in which we operate by increasing diversity within the organisation, and targets were set that aim to increase the proportion of employees who have foreign backgrounds. Moreover, goals were defined that address health and security for our employees and for those who work in our properties.

Ahead of 2018, we foresee a continued strong rental market. This offers excellent potential to improve net operating income in comparable property holdings and to reduce vacancy periods. Moreover, our focus is still to lower costs for leasehold improvements, to reduce waste and to increase material recycling in project development activi-

Stakeholder dialogues

Occasions for dialogue

Tenants

- Customer meetings
- Customer satisfaction survey
- Customer service and ongoing dialogues regarding management
- Theme lectures

Suppliers

- During procurement processes for framework agreements, when placing orders and in meetings with suppliers
- Regular reviews/audits

Lenders

- Individual meetings with banks and the capital market
- Financial statements
- Capital market presentations

Employees

- Performance appraisals
- Employee survey
- Workshops
- Business planning

Community

- Attending and participating in meetings with stakeholders and industry organisations as well as other forums
- Network meetings

Owners

- Board meetings, one of which each year is a strategy meeting
- Meeting with owner representatives for specific discussions on corporate governance

ties. Within the societal area, we are pursuing our agenda to create a good work environment for our employees and others who are in and around our properties. Read more about goals on pages 12–13.

STRATEGIES

Read more on page 8

Attractive properties • Good landlord • Dedicated employees

OPERATING ENVIRONMENT FACTORS

Business climate
Demand
Interest rates
Competition

Read more on page 14

STAKEHOLDERS

Tenants
Suppliers
Lenders
Employees
Communities
Owners

Read more on pages 9 and 11

OPENING VALUES

Capital goods (properties)
Financial capital
Expertise
Energy and other natural resources
Trust and relationships

Read more on pages 8, 18 and 32

BUSINESS MODEL

PROPERTY MANAGEMENT

We manage our properties from a long-term perspective with employees who are the best at what they do. We have a broad range of office and retail premises in prime locations.



PROPERTY DEVELOPMENT

When we develop a property, we do so in our role as a developer for long-term ownership and we take an all-inclusive perspective. Each individual property will contribute to the block, neighbourhood, district or city as a whole.

TRANSACTIONS

We have an explicit, measured strategy for investments/transactions and we have an action plan for each individual property.

AN OPEN AND INNOVATIVE CORPORATE CULTURE

Vasakronan's corporate culture is distinguished by professionalism, flexibility and innovative thinking. Employees are encouraged to be innovative and to test new, unproven alternatives. We are satisfaction-driven, and get things done in a decent and trustworthy manner.

The decision-making paths are short and we work transparently with an all-inclusive perspective that includes our stakeholders, our properties and the city.

Our employees can handle cutting-edge technologies, recommend smart solutions for a digitised way of working and know what the customers require.

Sustainability permeates our entire business and we do our utmost to practise what we preach, for example when we design office environments, properties, blocks or entire neighbourhoods.

Our dedication to what we do is vast and our ambition is high. That is why we are happy to involve other parties in our efforts. Our vision is to create future-proof cities for everyone, where people and companies thrive.

STAKEHOLDER EXPECTATIONS VALUE ADDED

Tenants		
<ul style="list-style-type: none"> • Long-term property management that offers premises that provide good service and a good work environment. • Collaboration aimed at minimising negative environmental impact. • Energy consumption in property management and within project development. • Access to public transport and local service. 	<ul style="list-style-type: none"> • Leasehold improvements that are adapted to the customer's business. • Large selection of premises in attractive locations that provide tenants with potential for growth in pace with changes in their own business. • Attractive neighbourhoods in the form of, for example, a wide range of service offerings. 	<ul style="list-style-type: none"> • Environmentally-certified buildings that help customers reduce their environmental impact. • An opportunity to actively work together with Vasakronan in making environment-appropriate decisions in their own business. • Safe and healthy environments accessible to all.
Suppliers		
<ul style="list-style-type: none"> • Use of materials. • Customer in terms of specifications concerning the supplier's work conditions. • Collaboration for greater sustainability. 	<ul style="list-style-type: none"> • A distinctly formulated code of conduct for suppliers defines Vasakronan's specifications. It helps the suppliers to raise the quality of their own deliveries and promotes general improvements. 	<ul style="list-style-type: none"> • Transparency, the exchange of knowledge and trust afford suppliers the opportunity to create new customer offerings, services and concepts. • Collaboration with one of the most prominent players in the industry which enhances the suppliers' brand.
Lenders		
<ul style="list-style-type: none"> • Long-term and stable financial management. • Customer satisfaction. • Measures to modify the premises due to climate changes. • Energy consumption in property management and within project development. 	<ul style="list-style-type: none"> • High, reliable and long-term stable yields. • An investment that is reliable in the long term even from a societal and environmental perspective. 	<ul style="list-style-type: none"> • Lending to Vasakronan enhances the lenders' brand.
Employees		
<ul style="list-style-type: none"> • Responsible and ethical business practices. • Stable, long-term employer that offers good employment terms. • Good work environment. • Involvement in local communities. 	<ul style="list-style-type: none"> • Opportunities to work with the best properties, in the best locations, with the most attractive customers and in the most challenging projects. • A value- and purpose-driven corporate culture with short decision-making paths. 	<ul style="list-style-type: none"> • An approach distinguished by innovation, the opportunity to influence and the freedom to try new ideas. • Equal treatment. • A long-term, responsible employer with financial muscle.
Communities		
<ul style="list-style-type: none"> • Advocate more eco-system service in the planning phase and in the operations. • Use of materials. • Transportation and emissions. 	<ul style="list-style-type: none"> • A long-term reliable and stable return that will benefit Sweden's current and future pensioners. • A property owner that gets involved in and is an active member of community-improving networks with targets including, lowering the climate impact. 	<ul style="list-style-type: none"> • Safe and attractive urban environments that provide variety and experiences. • A progressive, inquisitive and innovate approach makes us the industry leader. This drives progress in the entire property industry.
Owners		
<ul style="list-style-type: none"> • A long-term stable yield where consideration is given to people, ethics and the environment. • Transparent reporting. • Customer satisfaction. 	<ul style="list-style-type: none"> • A long-term reliable and stable yield. • An investment in the property industry's strongest brand. • Investing in Vasakronan enhances the owners' brands. 	<ul style="list-style-type: none"> • A strong, structured and thorough sustainability agenda generates value and minimises the risk for our owners.

Financial targets 2017**Target fulfilment 2017**

A total yield of at least 6.5% per year and on average over a rolling ten-year period.	The total yield was 11.0% for 2017, and 8.6% on average over the latest ten-year period. <i>Read more on page 36.</i>
A total yield of at least 0.5 percentage points higher than the industry per year and on average over a rolling ten-year period.	The total yield was 11.1% for 2017, and 7.6% on average over the latest ten-year period. <i>Read more on pages 36–40.</i>
An increase in net operating income for comparable property holdings of 5% compared with 2016.	Net operating income for comparable property holdings was 6%. <i>Read more on page 80.</i>
An occupancy rate of at least 92% at the end of 2017.	The occupancy rate was 93.1% at the end of the year. <i>Read more on page 40.</i>
A 15% decrease in the percentage of premises with long-term vacancies.	The percentage of premises with long-term vacancies was on par with last year.
The cost of leasehold improvements in conjunction with new leases should, on average, be below the amount of annual rent.	In Region Gothenburg, the cost of leasehold improvements in conjunction with new leases was less than the annual rent. In other sub-markets, the cost was higher than the annual rent.
Price changes in conjunction with renegotiations should exceed the results for 2016.	Price changes in conjunction with renegotiations totalled 10.2% (10.6)

Environmental targets 2017**Target fulfilment 2017**

Energy performance to be improved 3% compared with 2016.	Energy performance improved 9%. <i>Read more on pages 18 and 118.</i>
Increase the percentage of buildings with environmental certification.	The share of environmentally certified buildings increased to 84% (77). <i>Read more on pages 18 and 122.</i>
50% of the buildings should have an energy consumption of less than 100 kWh/sq. m. and year.	At the end of the year 56% of the buildings had an energy consumption below 100 kWh/sq. m.
At the end of the year, 50 solar photovoltaic systems will be operating.	At the end of the year, 49 solar photovoltaic systems were operating.
Increase reuse of materials in project development activities.	In 2017, the amount of reused materials was 116 tons (19). The outcome from last year includes only part of the year since follow-up of reused material started in 2016.
Decrease the amount of waste generated from project development activities by 5%.	Waste from reconstruction projects amounted to an average of 43 kg/sq. m. (121) and to 38 kg/sq. m. (-) for new construction projects. The outcome refers to the Board-approved projects that were completed during the current year. <i>Read more on pages 26 and 121.</i>
Food waste will be sorted in all the buildings.	At the end of the year, food waste was sorted at 76% of the buildings.
100% renewable fuel will be used for transportation in all development projects.	During the year, work commenced to introduce the requirement for renewable fuel for transportation in major projects. The requirement will be part of Vasakronan's environment plan for major projects.
10% lower emissions from commuting and business trips.	Emissions from commuting and business trips was 298 tons (288).
New build and redevelopment projects that started in 2017 will report their use of material.	All new build and redevelopment projects that started in 2017 have begun to report on their use of materials in the project.
Higher GRESB ranking.	Vasakronan defended its Green Star ranking and earned more points, but did not improve its ranking.

Societal targets 2017**Target fulfilment 2017**

All employees act in accordance with our values and comply with our internal Code of Conduct.	The annual survey of employees' awareness of our internal policies showed that 98% are aware of our internal Code of Conduct. During the year, a values workshop was arranged within the company.
All suppliers have accepted our Code of Conduct.	Vasakronan's Code of Conduct for Suppliers is applied in conjunction with all new supplier agreements and is now included in 100% of the supplier agreements signed by the Purchasing Department.
All employees know how to prevent discrimination and harassment.	The annual survey of employees' awareness of our internal policies revealed that 99% are aware of our equal treatment policy. During the year, all employees have received information on the changes in the Discrimination Act, and our approach and policy for discrimination or impediments to equal treatment have been amended.
All employees know how to prevent stress and contribute to a good work environment.	Health and well-being were two areas included in the year's values workshop. During the year, the Management Group received training in early signals of ill health and in the prevention of stress and exhaustion.
Contribute to the successful launch of the Safe Construction Council (Håll nollan).	During the year Vasakronan contributed to the launch of Håll nollan, an organisation that collaborates with the goal of zero accidents in the construction industry. <i>Read more on page 27.</i>
We have carried out at least one WELL-certified ¹⁾ project per region.	In 2017, the task of WELL certifying a property in Uppsala began.
Increase the percentage of women and the percentage of employees with foreign backgrounds.	The percentage of employees with a foreign background was 14% (13) and the percentage of women was 42% (40) at the end of the year. <i>Read more on page 123.</i>

1) WELL is a certification that assesses the impact of a building and its indoor environment on human health, well-being and productivity. The certification is issued by the International Well Building Institute.

Targets 2018

- A total yield of at least 6.5% per year and on average over a rolling ten-year period.
- A total yield of at least 0.5 percentage points higher than the industry per year and on average over a rolling ten-year period.
- An increase in net operating income for comparable property holdings of 6% compared with 2017.
- An occupancy rate of at least 93.5% at the end of 2018.
- A decrease in the percentage of premises with long-term vacancies by 10%.
- The cost of leasehold improvements in conjunction with new leases should average less than SEK 3,000 per square metre.
- Price changes in conjunction with renegotiations should exceed the results for 2017.



Targets 2018

- Energy performance to be improved 3% compared with the results for 2017.
- Increase the percentage of buildings with environmental certification.
- 60% of the buildings should have an energy consumption of less than 100 kWh/sq. m. and year.
- At the end of the year, 65 solar photovoltaic systems will be operating.
- Introduce new solutions to cut power peaks.
- Increase reuse of materials in project development activities.
- Decrease the amount of waste generated from project development activities.
- We have specified the use of renewable fuel for the transport of materials and waste in all new Board-approved projects.
- All Board-approved new build and redevelopment projects will report their use of materials.
- Increase the percentage of green financing.
- Better ranking in the global sustainability survey, GRESB.



Targets 2018

- All employees act in accordance with our values and comply with our internal Code of Conduct.
- All employees know how to prevent stress and contribute to a good work environment.
- All employees know how to prevent discrimination and harassment.
- We have carried out at least 50 security measures in our properties and projects.
- All suppliers accept our Code of Conduct and we have completed several supplier audits.
- Our projects will issue correct and uniform accident reporting.
- Increase the percentage of women and the percentage of employees with a foreign background.



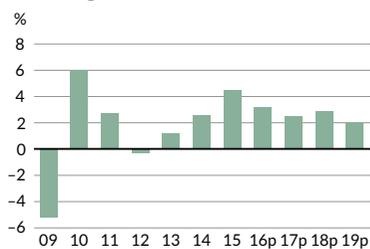
Strong rental market

The economic upturn and the low new construction level of office premises resulted in strong demand and high rent levels. Stockholm in particular had the strongest growth with rents rising by about 10%. This is one of the highest rent increases in Europe.

Strong growth in our operating environment

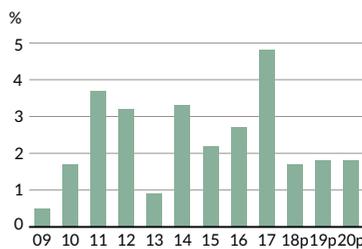
In 2017, most parts of the world saw economic growth take off. In the USA, both the economy and the labour market are marked by strong optimism. The Federal Reserve raised its key interest rate on three occasions during the year and more raises are to be expected going forward. The tax package that the Trump administration recently pushed through has also bolstered the growth prospects for the US. In the euro area, the upswing is wide and is mainly driven by rising employment, increased investments and growing exports. Despite uncertainty regarding future collaboration within the EU, the outlook is good for the next few years with continued positive GNP growth of 2.3% in 2018 and 2.1% in 2019.

Stable growth



GDP growth in Sweden, fixed prices
Source: National Institute of Economic Research

Upward office employment



Office employment, change in metropolitan regions
Source: Statistics Sweden and Evidens

Robust Swedish economy

In Sweden, the economic trend continued to trend positively. Rising employment rates, residential investments and increased exports are the main contributors to the robust economic situation. According to the latest forecast from the National Institute of Economic Research (NIER), GNP increased by approximately 2.5% in 2017. The prediction is that GNP growth will increase slightly in 2018 and reach almost 3%. However, the autumn's downturn in housing prices is a major cause for uncertainty. Should the downturn persist and be extended, it would have negative consequences on consumption and investments, and therefore on the entire economy.

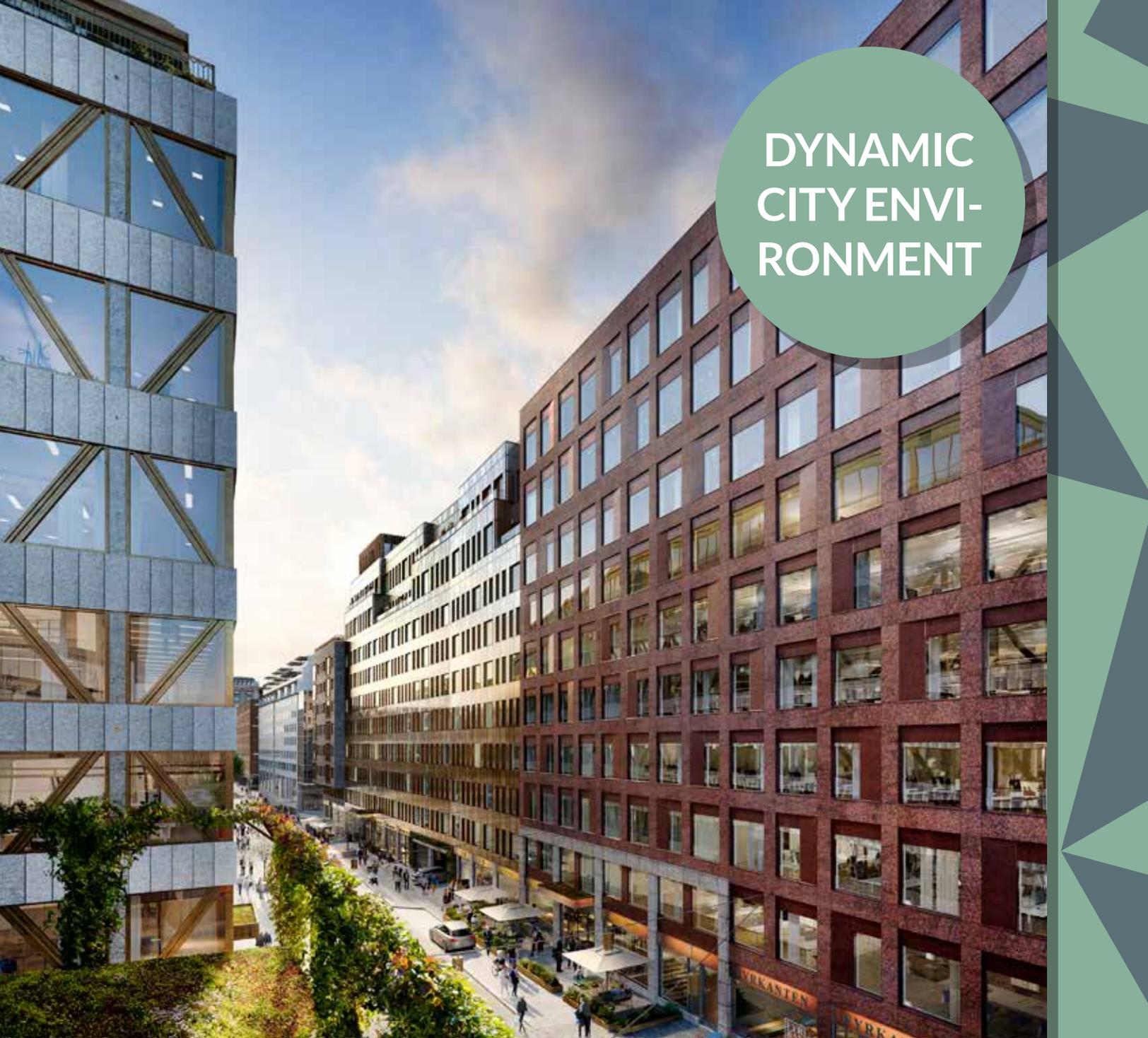
According to HUI Research, retail sales in Sweden are strong, and growth for the whole

year was 2.4%. The basis for consumption looks bright for 2018, with an increase in child benefits and tax reductions for pensioners having positive impacts. HUI's forecast for 2018 indicates growth of 2.5%. The challenge for retail is not in macro prospects but in the paradigm shift that the industry is currently undergoing due to the steadily growing e-commerce sector. The fact that e-commerce accounted for practically all retail sales growth in 2017 is clear evidence of this.

The labour market in Sweden is currently strong. In 2017, employment rates rose 2.3% and employment is expected to climb a further 1.4% in 2018. According to forecasts by SCB and Evidens, office employment in metropolitan areas will increase almost 2% in 2017 and 2018. In December, the Riksbank (Sweden's central bank) decided to keep the repo rate unchanged at -0.50%. Their assessment is that an increase in the repo rate will occur during the second half of 2018.

Strong rental market

The office rental market in all cities and sub-areas where Vasakronan is active has strengthened during the year. Stockholm's CBD and central Stockholm, where rents rose about 10% in 2017, saw the strongest growth. This is one of the highest rent increases in Europe. For modern objects in



DYNAMIC CITY ENVIRONMENT

THE NEW MALMSKILLNADSGATAN is taking shape. Ground was broken in summer 2017. 10,000 sq. m. to be torn down and 24,000 sq. m. of new space to be created. The project, part of the transformation of Sergelstan in Stockholm City, is expected to be completed in 2020. A street that has been felt both unwelcoming and unsafe will have been transformed into a place where people like to be and want to be — around the clock.

Restaurants and coffee shops interspersed with workplaces and flats built on the north side of the block. A restaurant with a rooftop bar, probably Stockholm's largest, will be built on the corner. New offices, exquisitely renovated or completely new, will be right off of Malmskillnadsgatan. Some will have entrances from Malmskillnadsgatan, others via Hamngatan or Sveavägen. Several offices have terraces, and all will have access to a common rooftop patio that offers a fantastic view of the city.

A hub in the new Sergelstan is Soltrappan, which links Malmskillnadsgatan and Sergels torg together. The stairway will be a natural venue where people can sit, enjoy a cup of coffee, have lunch or just take it easy and relax a while. At the top of Malmskillnadsgatan, Soltrappan morphs into a terrace that becomes an attractive place to be. By reducing the width of the street, more room is created for walking.

Next to Soltrappan, on the corner of Sveavägen and Hamngatan, a pavilion is being built. It will be accessible and open, and enhance the role that Sergels torg has historically had as an active and flexible place where people meet and gather. The pavilion can be used for art installations and lectures, for example, or as a restaurant. ●



Britt Lindqvist
Head of Business Development

What will the office of tomorrow look like?

“We have identified three elements – a need for flexibility, insight into what an office means for the corporate culture and awareness of how important the environment is for the health of the employees. It is difficult for companies to predict their needs and long contracts are unattractive. At the same time, many have started to realise that an office is much more than a number of square metres at a good location. It can be a way to cultivate a corporate culture, contribute to a better business transaction and we know that satisfied employees perform better.”

How does that affect Vasakronan’s offering?

“We can take a broader approach and we have created several different concepts to make it easier for the customers. Our experts can handle square metres, recommend smart solutions for a digitised way of working and know what is required in leadership matters. Customers have different needs and we can offer support where needed.”

What are the challenges?

“It is important that our potential customers can experience all the opportunities and possibilities that the right office can offer. We are moving away from square metre pricing and approaching being able to charge for the experience – it is an important journey for us and ultimately for the customer.”

What is our vision?

“Technology is advancing even more, but it does not exist for its own sake but because it benefits the employees and business. The office should be a place where people are comfortable and feel good. We are all different and our perception of what is a good noise level, lighting and temperature varies. I believe that we will dig deeper into what drives us. What is more, humans have a need to be surprised. That is why even an office needs to evolve.”

prime central Stockholm locations, leases for office rents are being signed at levels above SEK 8,000 per sq. m. Of all of Europe’s major cities, rents were higher in only London and Paris at the close of 2017. Rent levels have risen steeply in Gothenburg also, and increased by about 5%. The current economic upswing prompting strong demand for modern, effective office space in central areas combined with low new construction of premises over a prolonged period are the main reasons for the strong rent trend. For central locations in Vasakronan’s markets, office vacancies have remained relatively still at low levels during the year, rising from 3.5% to not quite 5%. Malmö is the exception where office vacancies were approximately 9% in 2017.

It is evident that the tenants are changing their requirements in terms of solutions for the premises needs. More emphasis is put on space-efficiency and it is increasingly common that tenants opt for office solutions that offer fewer square metres per workplace. At the same time, office premises must be flexible so that they can be modified to suit the tenant’s preferred workplace solution. Yet another trend is the growing demand for office solutions ready for quick occupation. A company’s need for offices can change quickly and for some tenants, it can be difficult to plan far in advance. In such instances, fully fitted and equipped offices that have a more flexible notice period are in demand. Vasakronan meets this need with its Smart & Klart concept, which is currently offered in several locations in each region.

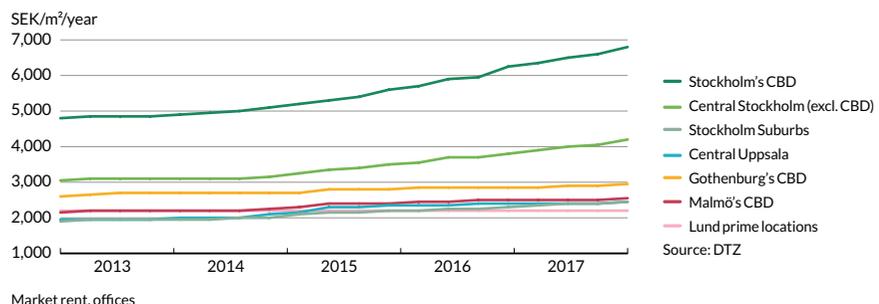
Greater challenges for shops

The trend in retail sales is the factor that affects the retail premises market the most. Over the past ten years, e-commerce has



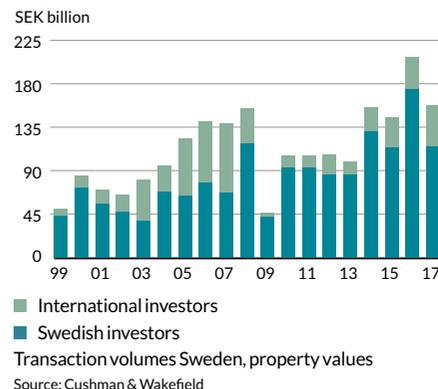
grown by almost 20% each year. The Swedish Trade Federation estimates that e-commerce will account for as much as 30% of retail sales in 2025. Of the 2.4% increase in retail sales in 2017, e-commerce accounted for over 80% according to Postnord. This shift is apparent also among Vasakronan’s tenants. Sales for clothes and shoe stores in Vasakronan’s portfolio fell by 4% and 2.5% respectively in 2017, which is slightly more than the retail sales index (RSI) for comparable sectors. On the other hand, sales for consumer electronics stores in the portfolio rose by 2.1%

Rising market rents, primarily in central Stockholm





High transaction volumes



as compared with RSI where the sector's sales dropped by 1.7%.

That the retail rental market is affected by changing consumer patterns is increasingly evident. New buying patterns place new demands on premises in terms of size and layout, and is also apparent in the growing demand for pop-up shops or showrooms. Another common trend is e-tail in which e-commerce businesses complement their online commerce with a physical store that provides service.

During the year, the trend in the retail

rental market has remained stable and rent levels have been unchanged in Vasakronan's markets. The vacancy level for the retail market is still low at approximately 2–3%. Malmö CBD is the exception with vacancy levels for retail premises at approximately 4% at the end of the year.

Stabilising yield requirement

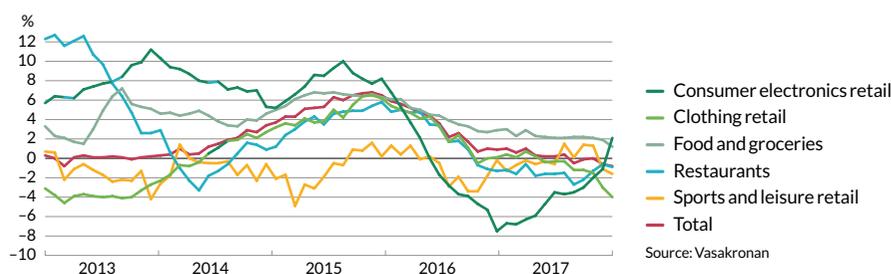
Activity in the Swedish properties market was slightly lower in 2017 compared with 2016, which can be considered a record year, but was on par with 2014 and 2015. The market

is characterised by continued good access to capital and very low interest rates.

In total, transactions were concluded for a value of SEK 157 billion. This can be compared with SEK 208 billion in 2016 where the comparison figure was affected by a single major transaction, namely Castellum's acquisition of Norrporten for SEK 22 billion. Of the total transaction volume, the single largest segment was residential property, corresponding to over 30%. The percentage of office properties sold was slightly higher compared with last year and corresponded to approximately 20%. Most of the transaction volume was attributable to sales in Stockholm. Swedish investors still account for 73% of all acquisitions made during the year. Nonetheless, Swedish players were net sellers during the year, while foreign players were net buyers. Norwegian investors in particular made net purchases during the year, followed by German and UK investors.

Over several years the market's yield requirement fell in all of Vasakronan's sub-markets. 2017 saw requirements stabilise, albeit at low levels. In Stockholm's and Gothenburg's CBD, the yield requirement was 3.5 and 3.9% respectively, and in Stockholm's inner suburbs, Öresund and Uppsala, between 4.2 and 5.0%.

Declining sales for retail stores in Vasakronan's portfolio



We help customers achieve success

Correctly designed premises, flexible solutions, daily service and care for the environment. Through effective management, continuous follow up and dedicated employees, Vasakronan optimises conditions for its tenants.

Vasakronan offers a broad selection of attractive premises in prime locations for offices and retail, which gives us excellent opportunities to meet the needs of both potential and existing tenants. Vasakronan also provides strategic and competent workplace strategy consultancy services. This means that we can make recommendations when it comes to selecting and designing premises so that they support and develop the company in the best possible way. We know that one solution does not fit all. Consequently, Vasakronan has devised a method for mapping, identifying and fulfilling our customers' various needs.

Companies and businesses today change rapidly and the need to move to new premises can arise suddenly. Our Smart & Klart office concept makes it easy for tenants to find a convenient solution. Smart & Klart means that tenants do not have to deal with all the practical issues such as IT, workplaces, fittings and kitchens. In principle, the tenant can move in the day after the agreement is signed.

For retail tenants, Vasakronan offers pop-up shops that include everything needed in the form of fittings, check-outs, payment solutions and even store staff.

A good landlord for everyday needs

When a tenant has chosen premises and

decided on the layout, Vasakronan aims to be a better landlord even for everyday matters. By working with selected partners, Vasakronan can offer assistance with everything, from moving to various services during the lease.

Particularly good local service is provided in premises where Vasakronan owns all or most of the area around the property and can therefore design all-inclusive solutions that suit its tenants. These properties offer service in the form of reception, restaurants, conference facilities and gyms. Tenants have high-quality office solutions, and the option to utilise the various resources with others.

Minimal impact on the environment

Environmental certification of existing and new-build properties is essential from several perspectives. For example, it is third-party evidence of our properties' low environmental impact. It also means that we can fulfil our tenants' growing environmental specifications. That our buildings are environmentally certified is also paramount for our green bond funding. Vasakronan has set high environmental certification goals and our aim is to certify our entire property portfolio.

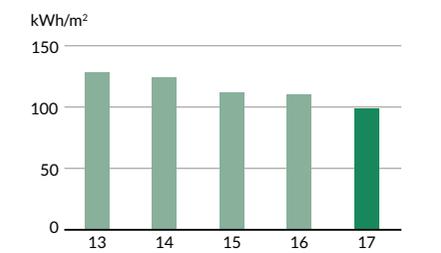
Environmental certification requirements are set from the start for all new construction and acquisitions. However, to meet all of our

tenants' demands for environmentally certified premises, even our existing properties must be certified. Achieving this requires a structured property management approach and clear procedures for our environmental agenda. Vasakronan's approach has created the opportunity to certify a large number of properties concurrently within the framework of the LEED Volume Programme. During the year, a total of 14 properties were certified and, at year end, 84% (77) of the portfolio was environmentally certified.

Effective energy use

The property sector accounts for almost 40% of society's energy consumption. Therefore, reducing our energy consumption and using renewable energy is an important issue. Low energy consumption is also a prerequisite for being able to assign buildings

Improved energy performance





SMART ENERGY

ON THE SURFACE the four solar photovoltaic systems at Uppsala Science Park look like traditional systems. But the solar panels are connected to a new direct current grid. Consequently, electricity is used more efficiently in all connected properties and power peaks are cut. Eventually, the idea is to connect DC electricity directly to charging stations for electric vehicles, office equipment and ventilation systems, thereby reducing the energy loss of converting electricity to alternating current.

The Science Park facility is one example of how Vasakronan continuously tests new solutions in the area of energy. Since 2008, energy consumption has fallen by 50% per square metre and carbon emissions have, in principle, been reduced to zero. At the same time, our own energy production has increased in pace with falling prices for solar photovoltaic systems. In 2017, a further 12 systems were installed. In total, Vasakronan has 49 systems generating approximately 3,660 kW. These accounted for almost 3.5% of the total property electricity during the year. Other solar

photovoltaic technologies will soon be rolled out, such as rooftop panels that have integrated solar cells and thin film on glass.

Vasakronan has also tested battery energy storage to store the surplus from solar cell production. The technology is still expensive but is expected to become a competitive alternative within a couple of years. Geothermal energy solutions are yet another energy production alternative. The properties Hästskon in Stockholm and Triangeln in Malmö use aquifers, which is an underground reservoir of water, to heat and cool the properties. In the summer, water is extracted to cool the properties and the warmed water is then pumped back into the ground to be used as a heat source in the winter.

Additional IT investments were made during the year to optimise heating, cooling and ventilation. A new platform of IoT solutions is being built that will enable the use of sensors to control the indoor climate according to the needs. The long-term goal is to halve energy consumption to 50 kWh/sq. m. and year. ●

environmental certification with high ratings and a requisite for issuing green bonds on our properties.

With the help of technological solutions and an effective, knowledgeable organisation, Vasakronan conducts continuous improvements aimed at using energy as efficiently as possible. There is also close collaboration with tenants, particularly via the leases, to identify more ways to reduce energy use.

During the year, efforts to reduce energy consumption continued and, by year end, energy performance averaged 100 kWh/sq. m. (110). This is a 9% reduction over the year. At year end, 56% of the buildings had an energy performance below 100 kWh/sq. m. At the same time, we increased our own energy production, primarily through solar photovoltaic cells. A total of 49 solar photovoltaic systems (37) were in operation at year end and these are estimated to generate a total of 3,200 MWh each year.

Emissions must decrease

Properties have a major climate impact, from project planning, construction and management to renovation and demolition. For this reason, Vasakronan takes a goal-oriented

approach to lowering its emissions, and since 2006, direct emissions have declined by around 97%. Vasakronan engages in climate compensation for the remaining direct emissions and certain indirect emissions, by purchasing shares in compensation projects. Compensation is conducted annually, in arrears. For a summary of Vasakronan's total greenhouse gas emissions, see page 120.

Part of the task of further reducing emissions is creating a more efficient energy consumption combined with purchasing of renewable energy. Another part is creating the conditions for sustainable transportation to and from our properties. Among other options, Vasakronan provides electric vehicle charging stations and car pools so that tenants can travel sustainably to and from work. Another example is our Cykel & Service concept that makes it easier for tenants to ride their bikes to work. Parking spaces in garages and basements are converted into bicycle parking that offer safe bicycle storage and the possibility to have it serviced during work hours.

Under Vasakronan's Älskade stad initiative, Vasakronan collaborates with Ragn-Sells, Bring and Stockholm City to set up urban consolidation centres in the heart of the city.

In this way, distribution of goods to stores can be coordinated using electric vehicles, thereby reducing the strain on the environment and streets. This cross-sectoral initiative received attention in 2017 when it was awarded the Swedish Confederation of Transport Enterprises' Sustainability Award.

Another way to minimise emissions is to ensure that the properties we own are in prime locations with good access to public transport or where plans are underway to expand public transport. Vasakronan actively tries to improve the potential for public transport in terms of, frequency of services and the location of public transport stops.

Extensive property management expertise

The management organisation is decentralised into four regions and a separate, centrally coordinated Technical Operations & Development Unit that is staffed in each city in order to create close relationships with our tenants. The rest of the operations is organised into specialist units. This enables each part of the organisation to become the best in their fields and support management. The properties are managed with our own staff in all business-critical areas and with continuity in staffing. This facilitates the long-term work



Nicklas Walldan Senior Vice President Technical Operations & Development

In 2016, you predicted a major breakthrough for digitisation in 2017. Did it come true?

"Yes. New examples of the benefits of digitisation in property-related contexts are constantly emerging. Not least of which is the large-scale change we are making in our technology organisation where our employees can devote themselves to technology issues full time.

"We are streamlining and fine-tuning the roles in the new organisation. Time-consuming tasks, such as managing complaints and key badges are being outsourced so that we can focus on the more complex challenges. Such as developing and testing new technology, helping our customers with indoor climate issues and becoming really good at embedding new technology in the buildings so that they develop over time."

Wouldn't it be easier and cheaper to let others do the testing?

"We want to be on the vanguard and challenge ourselves. Doing so makes us an attractive landlord. But it is also a question of being an attractive employer. We have to offer opportunities that allow our employees to try new

alternatives and to grow. I believe that our ventures will pay off soon."

What are the greatest challenges right now?

"The new organisation will take effect as of 2 February 2018. Although we are well prepared, it is essential that we hit the ground running in our new roles and cultivate a good collaboration with Coor. We are convinced that this will be an excellent solution.

"We have already halved our energy consumption in the properties. Our next challenge is to halve it again. Digitisation provides us with opportunities that we haven't had before. New technology will help us to reduce unnecessary energy use when the systems themselves perform the analyses we do manually today."

Can this also generate customer benefits?

"Definitely. Indoor climate is an area that our customers are very engaged in. When people feel that they know a little more about their indoor climate, they also tend to be more satisfied overall. This is why it is important for us to get involved and to invest in knowledge and skills development in issues concerning energy and indoor climate."



SCHNEIDER ELECTRIC

AFTER LOOKING FOR OFFICES FOR 1.5 YEARS

Schneider Electric left its office in Malmö and moved with some 240 employees to Mobile Heights Center, MHC, in Lund. In April, the global energy conglomerate — with 145,000 employees in over one hundred countries — opened its doors to its new innovation centre. It is here that new smart solutions for steering, control and surveillance of energy flows in properties are developed.

The offices are on four stories and cover a total of 5,300 sq. m. As opposed to the old offices where the workspaces were fixed, most employees now have fluid workspaces. An activity-based office, it is divided into different zones for different types of processes, such as creative and innovative zones.

A showroom is being created on the bottom floor where customers — such as major construction and property companies — will be able to see the latest innovations. Schneider Electric installed, together

with Vasakronan, its latest technology for building automation systems and energy-effective buildings in conjunction with the move. This way, the office also doubles as a test environment for the company's own solutions.

MHC covers a total of more than 20,000 sq. m. and is a cluster for innovative companies that develop the latest in mobile technology and IoT. A few of the companies are the test lab Tech Mahindra, computer consultant Sigma Connectivity, the cloud research institute Mapci, Anoto, Precise Biometrics, Ericsson and Sony.

Rapid digitisation makes it more important than ever to tie the collaborations together and make use of all the open research data that exists. For Schneider Electric, the move has meant more exchange internally, greater flexibility and more exchange of knowledge with partners, Lund University and other innovative companies in the region. ●

PROPERTY MANAGEMENT

of maintenance, investments and active supervision of the properties to discover and rectify any irregularities in time.

Personal contact makes a difference for tenants and cultivates long-term relationships. The tenants interact with personnel with extensive knowledge about the premises and the tenants' needs. They can also contact a central customer service desk for fast feedback when filing a complaint.

Customers have a voice

To accomplish our mandate to generate high, long-term returns, excellent customer satisfaction is a must. Customer satisfaction surveys are carried out regularly to monitor how satisfied our tenants are and to identify areas for improvement. Vasakronan conducts a customer satisfaction survey, Tyck om Vasakronan, at the beginning of every year. The latest survey was performed at the start of 2018, and the score was 76 (77) for office and 75 (75) for retail. The survey has a 1 to 100 scale, where a score of at least 80 corresponds to a grade of Very good.

A safe city for all

It is important for everyone to feel safe and secure in their local surroundings. As employers, our tenants want to ensure that their employees have a safe workplace and a safe journey to and from work. Vasakronan regularly implements measures aimed at creating a safe and secure environment in and around our properties. An important part of this work is to create a mix of offices, retail and entertainment – and thereby to cultivate a more dynamic environment even after business hours. Within facilities management, measures are also carried out to improve lighting in dark areas such as parking lots or areas around our development properties. Other measures include trimming trees and bushes to improve visibility, oversee alarms and install entrance systems.

In 2017, Vasakronan joined forces with the Swedish Property Federation to initiate certification of three areas in Gothenburg in accordance with the Purple Flag standard. Purple Flag is an accreditation process that identifies places that have successfully worked to improve safety and access, and that offer a diverse selection also at night. The areas chosen for certification are Fredstan, Nordstan and Lilla Bommen.



Stringent requirements for suppliers

To successfully conduct our business, we need to work with various suppliers. Each purchase must be conducted with professional correctness, objectivity and honesty while observing good business practice. Purchasing is also based on competitive tendering. Quotes are evaluated and prioritised on the basis of how they fulfil the specified requirements in terms of expertise, sustainability and work environment agenda, function, execution, design and price. We want people who work on behalf of Vasakronan, regardless of which company they work for, to have acceptable work conditions and to be treated with respect and consideration for the health and safety of the individual.

Vasakronan's size means there is every potential to achieve economies of scale in our procurement process. The work is led by a central procurement department that ensures that purchases meet high quality and sustainability requirements at the lowest possible cost. A systematic procurement process also affords the possibility of placing demands on suppliers and contractors to, inter alia, minimise the risk of corruption and human rights violations, and even to reduce their environmental impact. To support this process, Vasakronan's Code of Conduct for Suppliers is applied to all new supplier agreements. In 2017, the Vasakronan's Code of Conduct for Suppliers was signed in all new agreements entered into via the procurement department.

Audits are carried out regularly to ensure that the suppliers live up to their obligations. In 2017, a total of three (ten) major supplier audits were carried out. In addition, nine (seven) small-scale supplier audits were carried out in conjunction with contract meetings and employee controls of suppliers. These audits show that our suppliers fulfil our work environment and human rights requirements in a satisfactory manner. The business goal for 2018 includes increasing the number of completed supplier audits. For more information, see pages 13 and 122–124.

Code of Conduct sets the rules

Vasakronan's corporate culture is distinguished by professionalism, flexibility and innovative thinking. Employees are encouraged to be innovative and to test new, unproven alternatives. Our work is satisfaction-driven, and things are done in a fair and trustworthy manner. Day-to-day work is defined by short decision-making paths, transparency and an all-inclusive perspective that encompasses our stakeholders, our properties and the city. We strive to conduct our business in a sustainable manner and we do our utmost to practise what we preach, for example when we design office environments, properties, blocks or entire neighbourhoods.

All employees and job applicants must be treated equally and given equal opportunities for growth, development and promotion



as well as equal pay for equal work. This approach, combined with the UN's Global Compact principles, is summarised in Vasakronan's Code of Conduct, to which all employees have access. Our employees' awareness of the Code of Conduct is followed up in conjunction with the annual survey concerning company policies.

To ensure proper conduct within the company, Vasakronan has a Compliance Officer and the role is held by Vasakronan's General Counsel. Employees and others can anonymously report any suspected incidents of lack of compliance with laws, rules or policies to her. There is also an external whistleblower function that both employees and external players can contact.

Good work environment

Cultivating employee participation, dedication and satisfaction is not only the key to a successful business but also Vasakronan's responsibility as employer. To retain skilled employees and attract new talents, Vasakronan offers far-reaching opportunities for development and a good work environment. The employees have the opportunity to attend both external and internal courses that are customised to the needs of each employee. Individual performance reviews and regular employee surveys are also part of employee and manager development. The health of our employees is also regularly monitored, and much effort is devoted to wellness activities, and to preventing work

injuries and rehabilitating employees on long-term sick leave. One of Vasakronan's long-term goals is to create a good work environment free from negative stress. During the year, a workshop was arranged where areas such as work environment and stress were discussed in the organisation.

Salary surveys are performed regularly to ensure that there are no unmotivated salary discrepancies. The survey is performed by a third party to ensure the highest possible level of objectivity. The most recent salary survey revealed an unmotivated salary discrepancy and that men's salaries are 2% (0.6) higher. This will be monitored and adjusted as part of the 2018 salary review.

Societal responsibility

Vasakronan's vision is to "create future-proof cities for everyone, where people and companies thrive." Therefore, we have a clear ambition to get involved in important societal matters, even if they are not directly associated with Vasakronan's business. A prerequisite for Vasakronan's involvement is that we can make a difference and that our employees perceive it as relevant. Löparakademien, a non-profit organisation that supports young people in socially disadvantaged areas, is one example of our involvement. Vasakronan contributes its expertise and resources in various areas via an Advisory Board and also makes a financial donation to the organisation every year. In Gothenburg, Vasakronan partners with Mitt liv, an organisation that promotes a more inclusive society and advocates the value of diversity to the labour market. This collaboration has included, among other measures, a diversity course for all Gothenburg-based employees along with mentorship and internship programmes.

Vasakronan is also involved in many contexts to promote positive developments in the property industry. Within environmental issues, the Sweden Green Building Council and Byggarbetarna (a non-profit organisation owned by large developers and property owners in Sweden) are examples of instances where Vasakronan was one of the initiators when both organisations were formed. Vasakronan also subscribes to the UN's climate initiative Caring for Climate, Klimatpakten i Stockholm and Uppsala klimatprotokoll as well as many different research and development collaborations within a range of different areas.



Martin Sandgärde
Head of Retail Stockholm

#ÄLSKADE STAD is an initiative that aims to create a more sustainable city.

What does that mean?

"The aim is to reduce traffic in the city of Stockholm and thereby also to reduce noise and emissions. Älskade stad is based on a cross-sectoral collaboration involving players who dared to invest in and modify their business models to new needs. Including taking on new tasks that are beyond their ordinary core business."

What's Vasakronan's role?

"We have found a way to collaborate with Stockholm City, Ragn-Sells and Bring. Together with the city, we have created the preconditions through a new urban consolidation centre in the heart of the city. Bring and Ragn-Sells have, on commercial grounds, developed a business model that combines deliveries and package returns as well as collection of dry waste with an electric car to stores and offices."

How has the collaboration worked out?

"Excellent! As proof of this we received the Swedish Confederation of Transport Enterprises' Sustainability Award in October. The jury's reasoning was: The cross-sectoral collaboration has streamlined goods traffic and contributed to a more sustainable and dynamic urban environment. The collaboration is a commendable example for others to emulate!"

Biking to work is another way of contributing to a more sustainable city.

What does Cykel & Service offer?

"We started a partnership with Cykloteket two years ago to make it easier for people to ride their bikes to work. Cykloteket is located in our property Klara Zenit on Mäster Samuelsgatan. They have successfully handled surveillance of the bike parking and offer access to shower rooms, lockers, bicycle parts and repairs. Hopefully, this can be a source of inspiration for the property industry in general. We are also eager to establish more partnerships in the future."

New Segelhuset is emerging



NEXT TO SERGELS TORG IS SERGELHUSET, commonly referred to as the bank palace because SEB has had offices here since 1965. In the summer of 2017, SEB relocated and the conversion could begin. Vasakronan is now developing a total of 86,000 sq. m. of offices, stores and flats here.



SAFER IN THE CITY. Malmkillnadsgatan will transform from what was a dark back street that people avoided at night to a central inner-city street with a dynamic and vibrant city life. Restaurants, cafés with outdoor seating, stores on the ground floor and flats on the upper floors mean round-the-clock activity and security.

Focus on sustainability

CAREFUL RENOVATION When interiors and components of buildings are demolished, we do so with respect and care. We preserve as much as possible. More than 40 tons of material has been recycled, including 221 inner doors, 462 laminated glass panels and 212 ceiling lamps.

BUILDING MATERIAL ASSESSMENT Essentially, only building material that has been assessed from an environmental perspective according to Byggarubedömningen is used for new build and redevelopment activities.

WITH THE ENVIRONMENT IN MIND Project planning, demolition and new builds are carried out in line with meticulous procedures that minimise energy consumption, noise and transportation to and from the construction site. The consolidation centres mean that the number of vehicles driving to and from the site have been reduced from ten to two an hour. The vehicles run on fossil-free diesel and hydrotreated vegetable oil (HVO).

HIGHEST ENVIRONMENTAL CERTIFICATION After redevelopment, all buildings will have the most up-to-date and smart energy solutions. Vasakronan's goal is that they will be LEED certified and achieve the highest ranking, Platinum. Doing so requires, among other criteria, rainwater management – recycling rainwater that is used to flush the toilets.

AN AQUIFER is used as an energy source for Segelhuset by harnessing the underground water in Brunkebergsåsen. The water can effectively store energy that can then be used for both heating and cooling.



HIGH UP ON BRUNKEBERGS-ÅSEN, with a 180-degree view from east to west, rooftop terraces spread out. People come to socialise over a cup of coffee or after work.



CONNECTING SPACES A hub and a natural venue is what Soltrappan will be as it connects Sergels torg and Malmkillnadsgatan. People will be able to relax here, enjoy their lunch, have a cup of coffee or just unwind. The 36 stairs will be clad in Kullahus granite recycled from Sergelhuset's facade.

ACTIVE AND DYNAMIC The new Sergelhuset is part of the Sergelstan project which will give all of Stockholm City a facelift. The districts and streets adjacent to Sergels torg have long been in need of renewal. Now the block will be connected in a more obvious way and it will be easier for people to navigate between different places.



OPEN, BRIGHT AND AIRY Sergelhuset is made up of three buildings that are connected underground and face toward Sveavägen, Hamngatan, Malmkillnadsgatan and Mäster Samuelsgatan. Modern offices, stores, restaurants and venues are now being built here. The bottom floors are being opened up to let in light and to make them accessible. The project is enormous, with a gross area the size of twelve football pitches.

Building for tomorrow

Flexible solutions for facilities, an eye on the use of construction material, and a safe and secure environment for everyone in and around the premises. These are some of the areas on which Vasakronan focuses when building and developing its properties.

Vasakronan aims to be the preferred choice when tenants are looking for premises. This means that we must offer the products and solutions that are in demand. Vasakronan has a portfolio that more than adequately fulfils market needs, and new premises are constantly added through new construction and development of existing properties.

We strive to have premises that are fundamentally general in terms of design and not solely customised for existing tenants' current preferences. Premises that can be modified with a minimum of effort to meet tenant's changing needs saves time, money and the

environment. When tenants make choices regarding premises, it is important that they are environment friendly. Consequently, all of Vasakronan's projects have environmental certification. This is something we need to take into account in the development of a property. For a building to obtain environmental certification, there are requirements for new construction or redevelopments and on the property's impact on the environment and on energy performance in the day-to-day management.

An eye on materials

During new construction, redevelopment, leasehold improvements and property maintenance, large quantities of material are used that have an environmental impact when they are produced and transported. Therefore, it is essential to reduce the amount of material and use renewable raw materials and recycled or reused material to a greater extent. We also need to be sure that materials do not contain hazardous substances that can be spread in indoor environments and to the eco system outside our buildings.

As of 2017, we require all major new build and redevelopment projects to report the type of and amount of material used. This was done when Hubben i Uppsala was built, a building that was completed in December. The results showed that renewable material

accounted for 2% and non-renewable material for the rest. Of the non-renewable material, approximately 8% was recycled material. Our ambition is to increase both the percentage of renewable material and reduce the amount of material per square metre in project development activities, and goals for 2018 have been set in this regard.

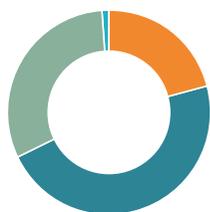
Waste workshops are arranged for all major new construction and redevelopment projects. The aim is to identify opportunities in the projects that can reduce the quantities of waste and to define a tangible efficiency goal. During the year, we pursued our efforts to increase the percentage of reused material and, at year end, 116 tons of material had been reused. The largest proportion stems from the renovation of Sergelhuset in central Stockholm.

Work is also underway within Vasakronan to reduce our climate impact from transportation to and from our projects. In the lead up to 2018, we set a goal for the company to increase its demand for the use of renewable fuel when transporting material and waste to our major development properties.

Safe environments

It is not just the property, it is also the surroundings that are important to tenants. Both Vasakronan and the tenants want premises in close proximity to a good selection of

An increasing share of waste is recycled



- Recycling, 21%
- Energy reuse/incineration, 47%
- Landfill, 31%
- Hazardous waste, 1%

Project waste 2017



Ulrika Dolietis *Managing Director of Håll Nollan the collaboration for zero accidents in the construction industry*

Håll Nollan aims to ensure zero workplace accidents. What is the background to the initiative?

“A construction site is under constant change. Every day, a hoard of people pass through who have different skills. This makes the construction industry one of the most dangerous. Some 6,000 workplace accidents occur every year. This is far too many. Håll Nollan is a challenge and a reminder that this is one of the most important issues.”

Who's behind the initiative?

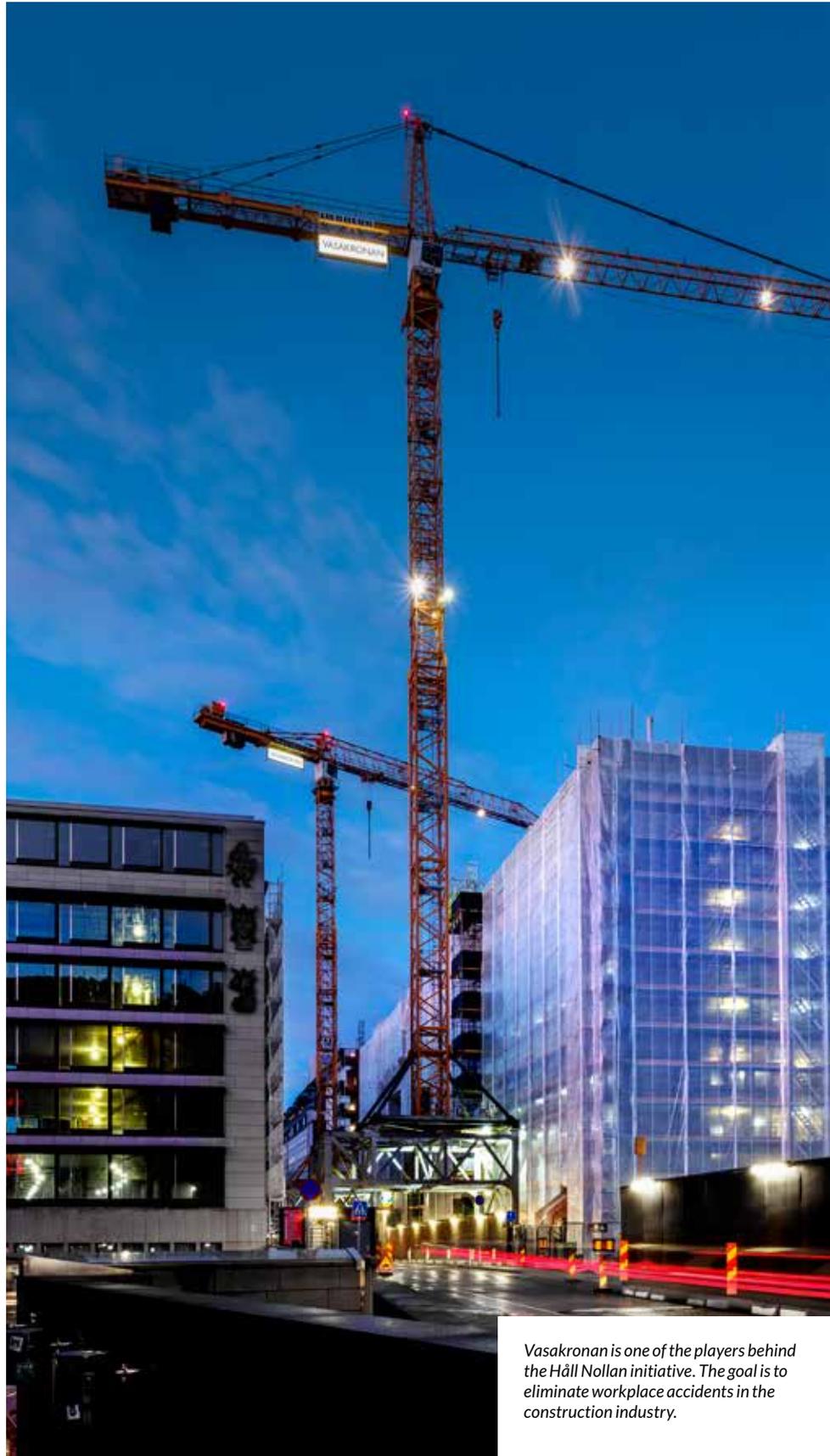
“The organisation was started by 13 players with various forms of involvement in construction projects, and includes property owners, developers and contractors. Since we started in March 2017, we have gained another 14 members, bringing our total up to 27. We are happy to add to our numbers.”

How do you intend to reach your goal?

“We have every chance of making a difference. The scope of expertise among our members gives us a good overview of the entire process, from planning and procurement to project planning, production and management. There's a ton of experience and expertise that we can share, and we need to add to our expertise in areas where we have knowledge gaps. We also know that we can, with the right structure and culture, prevent a great deal. That is why we work with four areas of interest: Leadership and culture, knowledge and expertise, mutual processes and standards, as well as setting requirements as customers.”

What are the challenges?

“We are working together to draft a sector-wide standard for a safe and secure work environment. Everyone has made some progress, though not equal, so reaching an agreement may pose a challenge. It is about everyone giving and taking a bit, making some changes. That said, everyone wants to make a difference and no one accepts the situation as it is today. Our members devote both time and resources. This is definitely not a question of just talking big.”



Vasakronan is one of the players behind the Håll Nollan initiative. The goal is to eliminate workplace accidents in the construction industry.

local service and public transport in order to facilitate effective and eco-smart commuting. When planning for a new property, or when renovating an existing one, a plan is drawn up that specifies the mix of various activities. To create a healthy, dynamic area with a good range of service, we have a constant dialogue with other property owners, municipalities and infrastructure planners.

It is also essential that the people who are in and around the premises feel safe. When planning our new construction and redevelopment projects, we identify measures to create a safe place. One example is the redevelopment of Segelhuset in central Stockholm where dark sections and narrow stairways have been eliminated. In addition, flats are being built in parts of the building which will add a greater mix to the area and create a more vibrant place even at night.

Stringent requirements for suppliers

To manage project risks, Vasakronan puts emphasis on quality-assurance processes for execution. Our personnel always assume responsibility for steering and monitoring projects, even when external project managers and contractors are hired for the actual work. When we procure contractor services, we ensure that they fulfil our high requirements in both the execution phase and the end product. All suppliers must also comply with our Code of Conduct for Suppliers.

Our suppliers sometimes perform risky work and our ambition is that no one should have an accident or be severely injured when carrying out work on behalf of Vasakronan. Therefore, we set stringent requirements for contractors in terms of construction site safety and, as of 2018, we are sharpening our internal procedures for reporting incidents and accidents. In 2017, Vasakronan contributed to the launch of Håll nollan, an organisation that collaborates for zero accidents in the construction industry.

Investments in the right markets

Property development entails financial risk taking. This risk is curbed by investing only in markets where Vasakronan has good market insight and where there is a strong demand for premises. If the market conditions are deemed to be particularly favourable, projects can start even if all of the premises are not leased by the project start date.

At year end, ongoing property projects had a total investment volume of SEK 9.4 billion (3.4), of which SEK 2.7 billion (2.1) was capitalised. The increase is the result of the construction start of several major projects during the year. For some of the projects, long leases were signed with tenants even before construction start. The occupancy rate for ongoing projects was 44% (72) at year end. The lower occupancy rate is due to the fact that several major projects with a low initial occupancy rate are in the start-up phase. Most import-

ant, however, is that the occupancy rate always exceeds the capitalisation rate.

In 2017, at total of SEK 2.5 billion (2.0) was invested in the development of properties and, over the past five years, SEK 2 billion on average has been invested every year. 2017 marked the completion of the new development of Hubben in Uppsala, which is fully leased to Region Uppsala. Renovation of Klara C on Vasagatan in central Stockholm was completed as was the redevelopment of part of Nöten 5 in Solna Strand. These properties are also fully leased.

The robust rental markets and high demand for newly built premises in prime locations generate favourable conditions for the continued growth of the portfolio. Therefore, we are planning more projects and expect to invest approximately SEK 3 billion in 2018.

Potential development rights

In addition to the development potential in existing properties, Vasakronan also has development rights and future potential development rights. At present, there are zoning plans for approximately 342,000 sq. m. of office space.

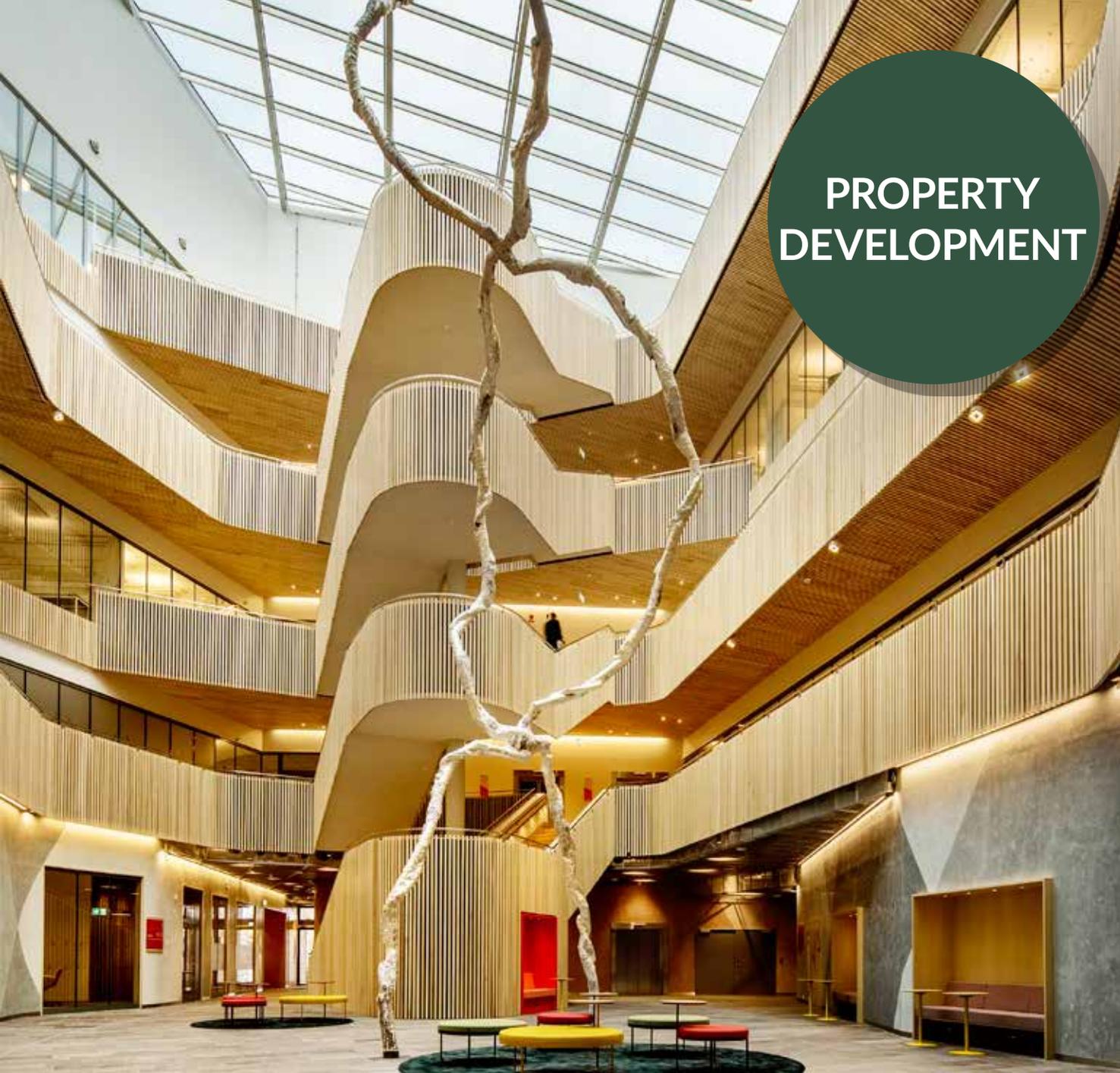
Efforts are constantly underway to identify new potential projects for the 1.7 million sq. m. of as yet unplanned development rights that are part of Vasakronan's portfolio. Among these are residential development rights primarily in the Norra Kymlinge area north of Stockholm.

Large investments in property projects

Area	Property	Total investment, SEK m	Capitalised, SEK m	Percentage capitalised, %	Area of premises, sq. m.	Estimated date of completion	Occupancy-rate, % ¹⁾	Environmental certification
Stockholm	Segelhuset	3,100	480	15	62,000	Dec 2021	4	LEED
Gothenburg	Platinan	1,800	252	14	35,500	Dec 2020	54	LEED
Stockholm	Nattugglan, house 2	800	31	4	15,000	June 2021	80	LEED
Malmö	Priorn 5	580	41	7	13,200	Dec 2019	47	LEED
Uppsala	Kronåsen 1:1 Hubben	485	475	98	12,850	Dec 2017	100	LEED
Uppsala	Kronåsen 1:1 Celsius	420	18	4	10,150	Dec 2020	82	LEED
Stockholm, Frösunda	Hilton 7	390	303	78	11,000	Jan 2019	2	LEED
Stockholm	Styrpinnen 15	190	25	13	3,850	June 2019	0	LEED
Gothenburg	Drivhuset	190	153	80	12,200	April 2018	64	Miljöbyggnad ²⁾
Stockholm	Part of Nöten 5	184	181	98	4,400	Nov 2017	100	LEED
Gothenburg	Part of Läppstiftet	175	147	84	8,800	June 2018	84	LEED ²⁾
Gothenburg	Bohusgatan	114	23	20	5,400	Dec 2018	100	LEED
Total major property projects		8,428	2,129	25			44	
Other projects		969	534					
Total		9,397	2,663					

1) Calculated based on area.

2) Pertains to the property's prior certification. The project pertains to part of the property and separate certification of the project will not occur.



PROPERTY DEVELOPMENT

UPPSALA SCIENCE PARK, has long lacked a natural venue for both spontaneous and planned meetings. But now it has Hubben, right in the heart of one of Sweden's foremost innovation centres. The area is home to some 140 companies, active primarily in the fields of Life Science, bio-technology, materials science, medicine and IT.

The construction of the five-story building started in 2015 with an investment of close to SEK 500 million. The building was completed at the beginning of 2017. In all, approximately 500 people will work here. The largest tenant is Region Uppsala, which signed a 20-year lease for approximately 10,500 sq. m. Hubben is right next to Uppsala University Hospital, and the hospital area and Hubben are connected via the culvert in the basement.

Region Uppsala has several operations in Hubben. The Clinical Training Center (CTC) affords personnel and students the opportunity to obtain training in practical skills, collaboration, communication and leadership in a hospital setting. Other organisations

include Uppsala Biobank, which is in charge of all biobank tests and samples from Region Uppsala and Uppsala University as well as Uppsala Clinical Research Center, UCR. The centre is involved in clinical research — regionally, in Sweden and internationally.

On the bottom floor are restaurants and conference facilities operated by Coor. There are also several innovation-supporting organisations in clean, shared premises under the name Innovation Hub Uppsala. Now, it is easy for STUNS, STUNS Energi, Uppsala BIO, UIC, Uppsala University Innovation, UU Holding and SLU Holding to collaborate and effectively use office space and meeting rooms. The different players are now gathered in the middle of Uppsala Science Park which makes the innovation support visible and more easily accessible to researchers, contractors and companies. Innovation Hub will play a key role since Hubben will become a central point for all companies and anyone else who wants to collaborate and exchange knowledge. ●

Bought and sold during the year

Buying and selling properties improves the quality of Vasakronan's portfolio and increases long-term returns. In recent years, Vasakronan's property turnover has averaged SEK 3 billion each year.

Over the past five years, Vasakronan has purchased properties for SEK 4 billion and sold for SEK 9 billion. This equals an average property turnover of close to SEK 3 billion each year. Properties are bought and sold to increase the return but this also entails a level of risk. Therefore, any acquisition is carefully analysed in advance to ensure that the property meets our high standards in terms of operating expenses, energy consumption

and choice of materials. Vasakronan's personnel perform most of the analyses, which makes it easier in the event that we take possession. We also consult with external experts when needed.

New properties

During the year, the newly developed property Hammarby Gård 12, Sthlm Seaside in Stockholm, was acquired. The property is

located in the western part of Hammarby Sjöstad, in an area experiencing strong growth and has an attractive mix of flats, workplaces and service. Public transport in the area is good, and offers a metro and light rail line, buses and ferries. The options will improve in 2025 when the extension of the blue metro line to Sockenplan and the creation of a new exit from Gullmarsplan with direct access to the premises are completed. Sthlm Seaside covers 12,500 sq. m. of office space and is essentially fully let.

A new detailed development plan has been adopted for the Grankällan block in the associated company Järvastaden where some 200 flats will be developed. In December, parts of Grankällan were acquired with the intent to resell to an external party and transfer in 2018.

Several divestments

During the year, Vasakronan completed five divestments of properties, or parts of properties, for a total of SEK 641 million. In Lund, the Benzelius 1 property was sold to Hemsö at a property value of SEK 150 million. In the autumn, Kungsängen 37:1 in Uppsala was sold to Klöverna at a property value of SEK 285 million. Part of the Telefonfabriken 1 property at Telefonplan was sold for SEK 32 million to HSB Bostad, which acquired a share in the same property in 2016.

Property divestments 2017

Property	City	Buyer	Purchase price, SEK m	Transfer date
Part of Skytteholm 2:24	Stockholm	Swedish Transport Administration	4	23 Jan 2017
Part of Gullbergsvass 1:16, 16:1 and 3:3	Gothenburg	Gothenburg municipality	170	31 Mar 2017
Benzelius 1	Lund	Hemsö	150	1 Jun 2017
Kungsängen 37:1	Uppsala	Klöverna	285	2 Oct 2017
Part of Telefonfabriken 1	Stockholm	HSB	32	21 Nov 2017
Total property value			641	

Property acquisitions 2017

Property	City	Seller	Purchase price, SEK m	Occupancy
Hammarby Gård 12	Stockholm	Skanska	900 ¹⁾	1 Dec 2017
Solna Järva 2:28, 2:35, 2:36 ²⁾	Solna	Järvastaden	149 ³⁾	19 Dec 2017
Total property value			1,049	

1) Net after deduction of deferred tax. 2) Part of Grankällan

3) Acquisitions from associated companies. An agreement was signed concerning resale to external party with transfer in 2018.



TRANSACTIONS

HAMMARBY KAJ, with a stunning view of the canal, is home to Sthlm Seaside. Vasakronan acquired the property for approximately SEK 900 million and took possession at the end of 2017. The eight-storey building, which houses 12,500 sq. m., was soon fully let. Softtronic signed a lease for just over half of the space, and the other tenants are Arrowhead, Goto 10, The Internet Foundation in Sweden – IIS, Mutate, Silentium, Yggdrasil and Propelle.

Sthlm Seaside is the first stage in Skanska's large-scale office project in Hammarby Sjöstad, Sthlm New (Stockholm New Creative Business Spaces). Sthlm New aims to bring together innovative, creative companies in a completely new district south of the Skansbron bridge over Hammarby canal. There will be seven buildings when Sthlm New is finished. These will house a total of 100,000 sq. m. of office space and more than 6,000 workplaces. The next stage, which includes the office high-rise Sthlm O1, is expected to be completed in 2020.

To make the most of the water-front location and the view of Södermalm, Sthlm Seaside has terraces and a glass facade. People working here can take the ferry to work or opt to use the light rail line. It is also close to Gullmarsplan, a hub for public transport, and to Skanstull's metro station. When the blue metro line is extended from Sofia in Södermalm to Sockenplan, a new exit from Gullmarsplan will be built with direct access to the property. When the exit is completed in 2025, already good public transport will become even better and the distance from Sthlm Seaside to Kungsträdgården will be shortened to two stops. It is also close to the hotels and restaurants in Hammarby Sjöstad, which has developed over the last 15 years into one of Stockholm's most expansive areas. The area offers an attractive mix of housing, workplaces and service. Hammarby Sjöstad will continue to grow and an estimated 25,000 people will live here in 2020. ●

New framework for more green financing

Access to capital remained favourable in 2017 and Vasakronan was able to extend average debt maturities at the same time as the average interest rate was lowered slightly. A new framework for green financing was adopted and the share of borrowing through the issue of green bonds has continued to grow.

Owning and managing properties is a capital-intensive business. Consequently, it is essential to always have access to financing on favourable terms. 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. Vasakronan finances its activities either through owners' capital or through external borrowing. The division between owners' capital and borrowing is decided by weighting the requirements for returns and financial stability.

External borrowing is done in the capital market through bonds or commercial paper, or from banks. The strong ownership structure, combined with the high quality of our property portfolio and stable earnings, gives Vasakronan financial strength. Diversified borrowings and subscription commitments from the owners further contribute to the company's strong and stable position. There is a connection to the ownership structure since the agreements for bonds, commercial paper and bank loans contain a change of control covenant that allows lenders to terminate the loan unless the current owners collectively or separately own at least 51% of Vasakronan.

Good access to capital

Access to capital has been good in both the bank and credit markets during the year. Good credit market conditions are due primarily to record-breaking inflows in funds and central banks that have supported the markets with bond purchases. As a consequence, credit margins for Vasakronan when issuing a 5-year bond declined from 91 to 65 basis points during the year. Both the Norwegian and Swedish capital markets had record-breaking years in terms of the volumes of corporate bonds issued. In total, corporate

bonds were issued in the Swedish market for SEK 155 billion (102) and in the Norwegian market for NOK 87 billion (67). Vasakronan was the largest issuer in the Swedish corporate bonds market and the seventh largest in the Norwegian market. Access to bank finance was also good, particularly the option to borrow with longer tenors.

Borrowing at low interest rates

Interest-bearing liabilities, net of cash and cash equivalents, increased during the year and amounted to SEK 56,998 million (53,093), mainly due to dividends paid to the owners. As previously, low interest rates applied for borrowing and the average interest rate was 1.7% (2.0) at year end. The increase in interest-bearing liabilities means that the net interest expense rose slightly to SEK 1,165 million (expense: 1,152), an increase that was curbed by a slight fall in average interest rates. The interest coverage ratio increased to a multiple of 3.9 (3.8) as a result of an improved net operating income.

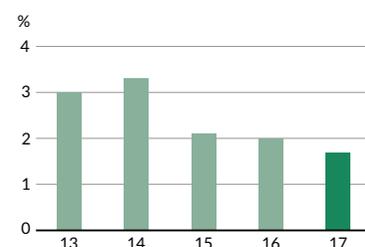
Vasakronan strives diversify borrowings across several sources of financing and, at year end, the share of capital market financing was 68% (72) and the share of bank financing was 32% (28). During the year, Vasakronan issued bonds for SEK 10.3 billion (8.0) in the Swedish capital market, and for NOK 2.8 billion (2.9) in the Norwegian capital market. Secured bank loans for SEK 3.2 billion (4.6) were obtained and at year end, bank loans outstanding secured against mortgage deeds amounted to 12% (13) of the Group's total assets. The financial policy states that collateralised loans must not exceed 20% of total assets and the aim is to increase the share of unsecured bank financing which, during the year, increased to 6% (1) of the total loan portfolio.

Vasakronan has a subscription commitment from the First, Second, Third and Fourth Swedish National Pension Funds. The subscription commitment serves as a credit facility, whereby the owners undertake to purchase the company's commercial paper for up to SEK 18 billion on request from Vasakronan. At year end, cash and cash equivalents of SEK 1,423 million (2,147), the unutilised subscription commitment of SEK 18,000 million (18,000) and the unutilised portion of the loan from the EIB of SEK 1,370 million (-) together correspond to 152% (127) of loans maturing over the next 12 months. This means that loans maturing within one year are covered 1.5 times (1.3) and that the company is thus well equipped to manage any disruptions in the capital and bank markets.

Extended fixed-interest tenors

Changes in market interest rates and credit margins influence borrowing expenses. Therefore, the fixed-interest structure must be balanced to limit the effects of changes in market interest rates or credit margins. A long fixed-interest tenor lowers interest rate risk but can entail a higher average interest rate in the short term. Vasakronan's fixed-interest strategy is to have about half of the

Lower average interest rate

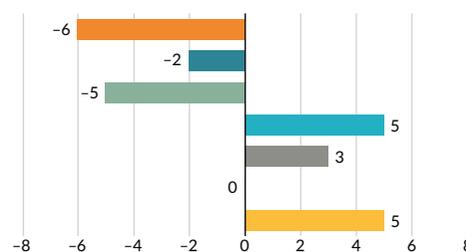


Sources of financing widely distributed



On balance-sheet date

Higher percentage of green financing



Changes in sources of financing 2016–2017 percentage of total borrowing

loan portfolio with floating interest and the remainder with fixed interest rates at longer tenors. This allows the company to benefit from low floating interest rates while fixed interest rates protect against rising interest rates. Vasakronan uses interest-rate derivatives to achieve a preferred average fixed-interest tenor. During the year, the company continued to use the low interest rate conditions through new derivatives with maturities of up to 15 years. The proportion of loans with fixed-interest maturities within one year was 41% (45) and loans with fixed-interest maturities of five years or more amounted to 43% (42) of interest-bearing liabilities. The average fixed-interest tenor increased and was 4.5 years (4.3) at year end.

Financing risk declined

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. Financing risk in the loan portfolio declined during the year through increased borrowing with long tenors. At the same time, borrowings with short tenors were reduced by a lower volume of commercial paper. Moreover, increased borrowing in the Norwegian capital market contributed as

did new bank loans for financing with long tenors. The proportion of loans maturing within the next 12 months decreased to 23% (29), due to a reduction in commercial paper borrowing, and the share of loans maturing in five years or more rose to 27% (16) of interest-bearing liabilities. The average loan-to-maturity increased during the year to 3.8 years (3.4) and average loan-to-maturity taking into consideration unutilised credit commitments increased to 4.4 years (3.9).

New green bonds framework

A little over four years ago, Vasakronan was first in the world to use green corporate bonds to offer the capital market the opportunity to invest in new build and redevelopment projects that lead to lower energy use and climate impact. Since then, the capital market's interest in green investments has increased, and therefore, a new framework that also allows the refinancing of existing properties was launched during the year. The new framework has been reviewed by the independent Center for International Climate Research (CICERO) and Vasakronan is the first Swedish property company to be awarded the highest second opinion, Dark Green.

For an existing property to qualify for financing within the framework, it must have a minimum rating of LEED Gold, and an annual energy performance of under 100 kWh/sqm. With the new framework, require-

ments were raised for new build and redevelopment projects financed with green bonds. These projects must have a minimum certification of LEED Platinum or BREEAM Outstanding, and an energy performance that is 25% below the National Board of Housing, Building and Planning's guidelines (BBR requirements).

Borrowing through green bonds contributes to a diversified loan portfolio and thereby to lower financing costs. Vasakronan aims for all properties to eventually meet the framework's requirements and thus enable 100% green financing. Investments that qualified for green bond financing under Vasakronan's green framework amounted at year end to SEK 14.2 billion (6.2) and total green bonds outstanding increased to SEK 8.0 billion (5.2). For more information, see Vasakronan's investment report for green bonds on page 127.

At the end of 2016, Vasakronan obtained its first bank loan with the Nordic Investment Bank (NIB), which finances projects that improve the environment in the Nordic and Baltic countries. During the year, Vasakronan obtained yet another bank loan with the NIB. The unsecured loan is for SEK 2.3 billion and has a tenor of ten years. In addition, an agreement was signed with the European Investment Bank (EIB) for a loan facility of SEK 1.9 billion with a nine-year tenor. The loans will finance the redevelopment of



Thomas Nystedt Group Treasurer

Extremely low interest rates continued throughout 2017.

What do you predict for 2018?

"It's always difficult to foresee the future, but our understanding is that we have hit bottom and that we now must expect cautiously climbing interest rates. Riksbanken has indicated an initial increase in interest during the latter part of the year, while several central banks have signalled that they will trim their government bond purchases."

What have you done to prepare for rising interest rates and higher credit margins?

"We are pursuing the same strategy that we initiated in 2016, to reduce our short-term and increase our long-term borrowing. We are borrowing on increasingly longer tenors and locking in interest rates for a long way forward. Nonetheless, we have actually managed to lower the average interest rates on our loans in 2017."

Have the banks become more restrictive with issuing loans?

"It's our understanding that banks in general are more cautious with approving loans, particularly to companies involved in project development, but this isn't something that we've noticed. All the major banks want to lend us money. The Swedish banks are also in the vanguard in terms of green financing, and Vasakronan is obviously a very interesting company to finance."

You increased borrowing in Norway in 2016. Has this continued?

"Yes, we are very pleased with the terms that we receive in the Norwegian capital market, and have continued to increase borrowing at about the same pace as the year before. We are now the Swedish company that has the greatest financing from Norway."

Sergelhuset in central Stockholm and the Platinan new build in Gothenburg. The aim is for these properties to achieve LEED Platinum certification, and it is precisely this high environmental profile that enables financing through the NIB and the EIB. At the close of the period, the green loans with the NIB and the EIB together with the green bonds constituted 20% (10) of the total loan portfolio. Vasakronan's ambition is to eventually have 100% green financing.

Derivatives currency hedge Norwegian borrowings

Vasakronan uses derivatives primarily to adjust the fixed-interest structure in the loan portfolio. Moreover, currency derivatives are used to eliminate currency exposure on loans in NOK, but also to eliminate the risk of inflation when borrowing through inflation-linked bonds. All derivatives are recognised at market value in the balance sheet and the change

in value is recognised in profit or loss. The unrealised change in value has no effect on cash flow and will not impact earnings if the derivative is held to maturity.

At year end, the derivative portfolio amounted to SEK 63,727 million (52,781). The year-on-year increase was primarily attributable to hedging on borrowings in NOK and an adjustment to fixed-interest tenors on bonds issued at a fixed rate. The value change in derivatives was up SEK 468 million (down: 764), which was due to higher long-term interest rates during the year. Interest-rate derivatives were redeemed early during the year for a nominal value of SEK 3,200 million (2,900). With that, a previously recognised loss of SEK 359 million (loss: 519) was realised. New interest-rate derivatives were simultaneously entered into with longer maturities. For more information about Vasakronan's derivatives, refer to Note 32 on page 107.

Financial policy ensures balanced risks

	Financial policy in brief	Actual, 31 Dec 2017
<i>Financing risk</i>		
Loan-to-maturity	min. 2 years	3.8
Loans maturing, 12 months	max. 40%	23%
Credit commitments and cash/loans maturing 12 months	at least 100%	152%
<i>Interest-rate risk</i>		
Interest coverage ratio	at least 1.9x	3.9
Fixed-interest period	1-6 years	4.5
Fixed-interest maturity within 12 months	max. 70%	41%
<i>Credit risk</i>		
Counterpart's rating	at least A-	met
<i>Currency risk</i>		
Currency exposure	not permitted	met

The outcome was within the restrictions defined in the financial policy.

Vasakronan's financial policy governs the company's treasury activities and regulates various variables to ensure balanced management of the financial risks. The financial risks are limited by regulating the average remaining maturities on interest-bearing liabilities, and a ceiling for how great a percentage that are allowed to mature within 12 months.

The fixed-interest and fixed-interest maturity structures are regulated in the policy in order to limit the effects of rising interest rates.

To reduce risks of counterparties not meeting their undertakings under liquidity management, investments may only be made with companies that have a credit rating of at least A- on Standard & Poor's rating scale or with companies that are State or municipality owned. The counterpart for derivatives must have a credit rating of at least A- on Standard & Poor's rating scale. Moreover, ISDA agreements that allow offsetting of payables and receivables from the same counterparty are required. For more information, refer to Note 27 on page 104.



GREEN FINANCING

2017 WAS THE YEAR demand for green bonds virtually exploded in Sweden and a series of the largest investors suggested large-scale investments in green bonds. Vasakronan, first in the capital market to issue green bonds in 2013, welcomes the increase in demand that has entailed good terms for financing for the company.

During the year, many new investors have chosen to invest in Vasakronan's green bonds. Meanwhile, there has been an increase in awareness and knowledge about green financing and dialogues with existing investors have improved. Many investors currently have specific questions regarding how Vasakronan ensures that development projects and existing properties truly are 100% green.

In 2017, Vasakronan updated and tightened the green bonds framework, a change that means higher environmental ambitions for the project and that

enables existing properties to be financed with green bonds. The updated framework was enthusiastically received by the market, and was awarded the highest second opinion, Dark Green, by the Center for International Climate Research, CICERO.

An equally prominent seal of quality is the fact the NIB and the EIB have chosen to finance two of Vasakronan's largest development projects via green loans. Both the NIB and the EIB perform meticulous analyses before they make a decision to lend money. For example, the NIB only accepts certification in accordance with the strictest environment-classification systems, LEED and BREEAM. That these two banks are now lending more than SEK 4.4 billion to the development of Sergelhuset in Stockholm and Platinan in Gothenburg signals full confidence for Vasakronan's environmental efforts in the projects and green financing. ●

Positive value growth

The strategy of focusing on modern buildings in attractive locations contributes to increased property values. During the year, the value of Vasakronan's portfolio rose from SEK 116 billion to SEK 127 billion.

Vasakronan's portfolio consists of properties with premises that are attractive over time. Consequently, the portfolio is concentrated to Stockholm, Gothenburg, Malmö, Lund and Uppsala – metropolitan areas with strong economic growth and high liquidity in the transaction markets. These cities have been found to have the best prerequisites for good rental growth in terms of factors such as population growth and employment, particularly in the service sector. The location of the properties in each city is also decisive. It is becoming increasingly evident that centrally located premises with good local service and public transport are in demand.

Vasakronan's property portfolio focuses on modern, streamlined and centrally located

office and retail properties, with retail properties primarily concentrated to city retail. Our assessment is that these properties give high long-term returns at carefully measured risk, even if the short-term return may vary. In the long term, there will always be a demand for modern premises in prime locations.

Several environmental certifications

At year end, Vasakronan's property portfolio comprised 179 properties (179) and a total lettable area of 2.4 million sq. m. (2.4). Of the total area, 84% (77) was environmentally certified.

The total market value of the properties at year end amounted to SEK 127 billion (116),

and the ten largest properties accounted for 31% of the value. Of these seven are in Stockholm, two in Gothenburg and one in Malmö. The largest property in terms of value is Klara Zenit in central Stockholm with an estimated market value of more than SEK 8 billion.

Other large properties include Garnisonen in Östermalm in Stockholm, Spektern on Regeringsgatan/Hamngatan in Stockholm and parts of Nordstan in Gothenburg. The Stockholm-based properties account for 65% (64) of the total value, which is around SEK 83 billion. For the portfolio as a whole, the average value is close to SEK 700 million (650) per property. For a detailed description of the portfolio, refer to the table on page 41 and the property lists under each region section.

The ten largest properties correspond to 31% of the property value

Property	Known as	Location
Blåmannen 20	Klara Zenit	City, Stockholm
Garnisonen 3	Garnisonen	Östermalm, Stockholm
Uggleborg 12	Klara C	City, Stockholm
Telefonfabriken 1 Hus 01	Telefonplan	Telefonplan, Stockholm
Spektern 13	Spektern	City, Stockholm
Hästskon 12	Sergelhuset	City, Stockholm
Nordstaden 8:27	Part of Nordstan	City, Gothenburg
Jakob Större 18	Jakob Större	City, Stockholm
Gasklockan 3	Gasklockan	Malmö
Nordstaden 10:23	Part of Nordstan	City, Gothenburg

The ten largest properties based on market value.

Focus on yields

To evaluate how well the operations and individual properties are developing financially, total yields are followed up continuously. The evaluation is based on the average outcome over rolling ten-year periods in accordance with IPD Sweden Annual Property Index. Also the outcome for each separate year is followed up and analysed. For 2017, the total yield was 11.0% (16.3) where the average for the index not including Vasakronan was 11.1% (13.6).

Over the past ten-year period, Vasakronan's total yield was 8.6% (9.0) a year, where the



OFFICE SOLUTIONS

A TEXT MESSAGE ON THE ESCALATOR or a report completed at the kitchen table is often a part of our workday. New technological solutions mean that we are no longer tied to a specific place, which paradoxically means that the office is more important than ever. Good conditions for physical meetings and interaction often top our customers' wish lists. The physical environment often has a big impact on how a workplace functions — and how the corporate culture is perceived. A well-functioning office can be a deciding factor in whether an organisation can perform at its best.

For Vasakronan, it is important to be able to offer the solution best suited to the customer's own challenges. Every workplace is unique. Opinions about location, technology and people are fundamental when Vasakronan sketches its drafts for the needs of tomorrow. The company has far-reaching expertise in all

three aspects, both through our own experience and through the knowledge that our customers pass on.

Digitisation has given us the potential to be flexible even at the office. By sharing resources, employees can decide themselves where they want to work depending on the tasks at hand or with whom they need to work with. They are offered a palette of workplace options while decreasing the need for space.

Increasingly more of our customers want to occupy the premises quickly yet are often uncertain of their future needs. This is where our Smart & klart office concept comes in. The premises are already fitted with everything needed at an office. The tenant can move in the same day and move out on short notice. Smart & klart is available in different locations and there are several different concepts to choose between. ●

PROPERTY HOLDINGS

average for the index not including Vasakronan was 7.6% (8.0). The yield for 2017 was 3.9% (4.1), compared with the index excluding Vasakronan of 3.9% (4.1).

The market value must be determined in order to continuously estimate the total yield. This is done through valuations conducted every quarter in accordance with the adopted valuation policy. The valuation principles are the same since 1997 and coincide with the RICS Red Book guidelines and IPD Sweden Annual Property Index. The valuations are based on cash-flow projections over a period of at least ten years and calculation

of future residual values based on yield requirements. At the start of the year and mid-year, all properties are valued by external appraisers and valued internally for the other quarters. A more detailed description of the valuation methodology can be found on page 97.

Positive value growth

In total, Vasakronan's properties had positive value growth in 2017 and the portfolio's value grew to SEK 127 billion (116). Excluding completed investments, this means a change in value of SEK 8.0 billion (12.1),

corresponding to 6.9% (11.6). The increase in value is largely due to rising market rents but also to a generally lower yield requirement in the portfolio. The value increase was greatest in Stockholm, followed by Uppsala, and amounted to 8.5% (12.8) and 8.4% (9.1) respectively. During the year, the value of development properties rose 7.9% (14.0) and contributed 0.9 percentage points to the total increase in value.

Wide distribution lowers risk

The risk in the lease portfolio is limited through a wide distribution over many tenants active in various industries and a diversified maturity structure. No individual tenant accounts for more than 3 percentage points of the contracted total rent, while the ten largest tenants account for only 17%. Of these ten, four are in the public sector. Broken down by sector, public sector tenants account for 24% of the contracted rent where the average remaining term to maturity is 7.7 years.

Change in value, by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	8.5	5.5
Gothenburg	4.9	0.9
Öresund	0.2	0.0
Uppsala	8.4	0.5
Total		6.9

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	6.6	5.7
Development properties	7.9	0.9
Transactions		0.3
Total		6.9

Factors impacting value¹⁾

SEK m	Value impact, %
Yield requirement	2.1
Market rents	4.8
Total	6.9

¹⁾ The increase in value was also due to investments and other factors impacting value that have been allocated proportionally across yield requirements and market rents.

Even distribution of rents to maturity

SEK m	No. of contracts	Annual rent, SEK m	% of total
2018	1,349	1,142	17
2019	958	1,167	18
2020	830	1,120	17
≥2021	1,146	2,865	43
Total	4,283	6,294	95
Residential	1,168	99	1
Garage	-	245	4
Total	5,451	6,638	100

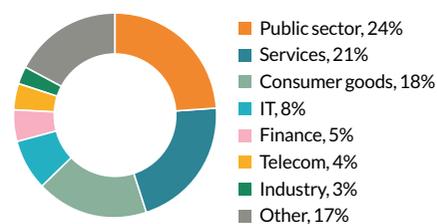
Maturity structure for contracted rent.

Widely distributed over many tenants

	Share in %
Swedish Police Authority	3
Ericsson	3
H&M	2
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
Ähléns	1
Ramböll	1
Sony Mobile	1
KPMG	1
Total	17

Largest tenants, share of contracted rent

Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

RETAIL



34 STORES that correspond to 11,372 sq. m. new retail. That was Vasakronan's addition to city retail in 2017. One of the most prestigious establishments was the Japanese clothes chain UNIQLO that will open its doors in the autumn of 2018 in Sverigehuset near Kungsträdgården in Stockholm. Another establishment that got a lot of attention was Rörstrands/littala's new flagship store at Stureplan in Stockholm.

In 2017, Vasakronan has focused heavily on developing city retail, and based these efforts on the work done to prepare strategies for the most important retail districts. It is about choosing which stores, how the environment should be improved and defining the soul of the district. This work started to produce results during the year.

Södra Förstadsgatan is one example. The ambition was to create one of Malmö's most genuine districts with a diverse selection where local and close by meet urban and large-scale. Vasakronan has conscientiously added businesses that reinforced the strategy. A new addition to the mix was Willy's hemma, which in the first quarter of 2018 will open the street's first grocery store. Södra Förstadsgatan has long struggled

with vacancies. Now, all the stores in Vasakronan's portfolio are fully leased along the district – for the first time in seven years.

Another aspect that has permeated our retail agenda was creating dynamic inner cities that reclaim their previous status as a place where people meet and enjoy themselves – all hours of the day. In order for this to happen, collaboration is necessary, such as through Business Improvement Districts (BIDs). Private and public parties collaborate to create attractive, safe places that offer experiences, service, stores and restaurants.

Traditional retail had it tough in 2017. Not least in the wake of growing e-commerce. At the same time, there is a clear trend in which e-commerce is a complement, not a threat. For example, Zara in Arkaden in Gothenburg recently expanded its store with a pickup desk for products ordered online. We have also witnessed how the digital flows into the physical. Royal Design is one example. Together with its sister company Rum21, Royal Design will open a store on Kungsgatan in Stockholm in the summer of 2018. ●

PROPERTY HOLDINGS

For the lease portfolio as a whole, the average remaining term to maturity is 4.2 years (4.3). In 2018, 17% of the commercial contracted rent will be subject to renegotiation. The number of leases, not including flats and garages, amounted to approximately 4,300 and the contracted rent amounted to SEK 6.3 billion (6.5) on 31 December 2017. Of the total contracted rent, 74% (74) was office premises and 18% (19) retail premises. The remainder comprised flats, parking, hotels and other.

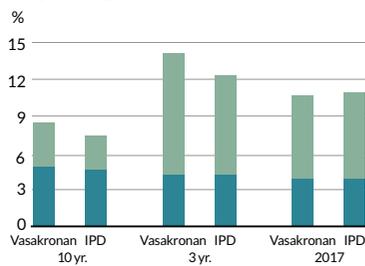
Broad selection

Market concentration and the property portfolio's high quality provides vast opportunities to offer new and existing tenants a broad selection of premises. In 2017, leases corresponding to an annual rent of SEK 613 million (475), or 167,000 sq. m., were signed. In addition, renegotiations or lease extensions of existing contracts corresponding to an annual rent of SEK 1,036 million (807) were completed.

Based on the contracts up for renegotiation, 64% (76) of the tenants decided to remain in their premises. The reduction is primarily explained by SEB's move from Segelhuset, which lowered the repurchase rate by 7 percentage points. Renegotiations and lease extensions during the years resulted in a new rent payable that on average surpassed the earlier amount by 10.2% (10.6). Net lettings for the year amounted to SEK 167 million (61), of which SEK 23 million was for lettings in new construction projects.

The occupancy rate was 93.1% (94.2) on 31 December 2017. During the year, the development property Segelhuset was vacated, which lowered the occupancy rate by 1.4 percentage points. Of the total vacancies, 2.5 percentage points (0.4) is attributed to ongoing projects and 0.3 (0.3) is attributed to vacant development properties. The loss in income for the vacant properties amounted to SEK 407 million (327).

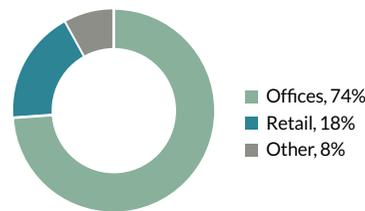
High long-term total yield



■ Yield ■ Change in value

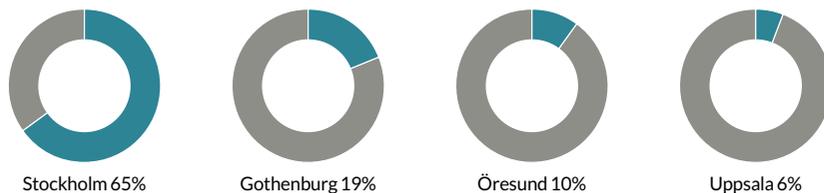
Vasakronan's total yield compared with IPD Sweden Annual Property Index (not including Vasakronan)

Focus on office and retail



Contracted rent by property type

Property portfolio in growth cities



Vasakronan's properties are located in five cities in Sweden distributed over four regions, of which 65% of the property portfolio's value is in Stockholm.

Region/Property type	Number of properties	Area, thousand sq. m.	Market value, SEK m	Contracted rent, SEK m	Occupancy rate, %	Net operating income, SEK m	Investments, SEK m	Change in value, %	Environmental certifications ¹⁾ , %
STOCKHOLM									
INNER CITY									
Offices	42	746	58,626	2,747	93	1,970	806	10.3	
Retail	2	41	3,070	150	97	98	14	9.2	
Other	2	9	20	0	-	-1	2	24.0	
<i>Central Stockholm, total</i>	46	796	61,716	2,897	93	2,067	822	10.3	84
INNER SUBURBS									
Offices	22	554	19,050	1,168	90	802	503	4.1	
Other	14	75	2,213	67	92	33	15	-1.7	
<i>Stockholm inner suburbs, total</i>	36	629	21,263	1,235	90	835	517	3.4	73
Stockholm, total	82	1,425	82,978	4,132	92	2,902	1,339	8.5	79
GOTHENBURG									
Offices	25	274	12,478	661	95	487	532	6.1	
Retail	11	148	11,201	581	98	468	112	3.6	
Other	0	1	10	2	100	1	0	*	
Gothenburg, total	36	423	23,688	1,244	96	957	644	4.9	94
ÖRESUND									
MALMÖ									
Offices	19	191	6,952	404	90	281	66	1.8	
Retail	10	95	3,783	235	88	131	41	-0.5	
Other	3	4	300	14	100	10	26	-6.1	
<i>Malmö, total</i>	32	290	11,035	653	90	422	133	0.8	96
LUND									
Offices	4	62	1,569	118	92	74	46	-3.5	
Retail	1	2	63	4	100	2	3	*	
<i>Lund, total</i>	5	64	1,632	122	92	76	49	-3.3	100
Öresund, total	37	353	12,667	775	90	498	182	0.2	97
UPPSALA									
Offices	12	173	5,164	343	96	224	354	9.8	
Retail	8	55	2,277	142	98	97	21	5.4	
Other	4		101	2	100	1	3	11.3	
Uppsala, total	24	229	7,542	487	96	321	377	8.4	79
TOTAL	179	2,430	126,875	6,638	93	4,678	2,543	6.9	84

The data in the tables are based on property category, see the definition on page 134.

1) Share of the region's area

* Data not stated due to one or few properties

Our regions

Vasakronan's portfolio consists of properties with premises that are attractive over time. The portfolio is concentrated to the metropolitan areas of Stockholm, Gothenburg, Malmö, Lund and Uppsala.

Vasakronan's properties are in cities that have strong economic growth and that have been found to have the best prerequisites in terms of factors such as population growth and employment, particularly in the service sector.

The portfolio in Stockholm includes attractive, well-known properties in Stockholm's CBD and central Stockholm, including four of the Hötorgsskrapor, Klara Zenit and Garnisonen. The properties located in Stockholm's inner suburbs such as Kista, Solna, Sundbyberg and Telefonplan have good public transport connections.

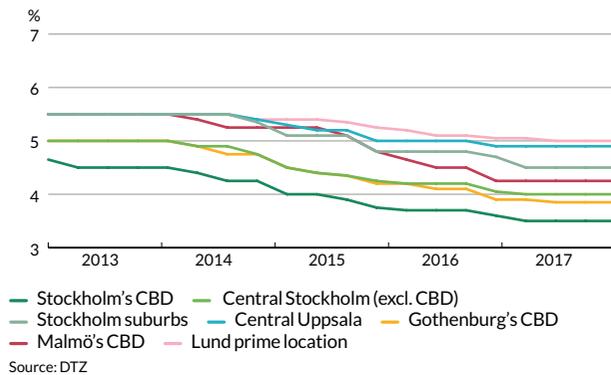
In Gothenburg, the office portfolio is concentrated to attractive sub-markets such as Gullbergsvass, Gårda, Inom Vallgraven

and Nordstan. Vasakronan is the largest property owner of retail premises in Gothenburg through the Arkaden and Kompassen galleries, and a large partnership in Nordstan.

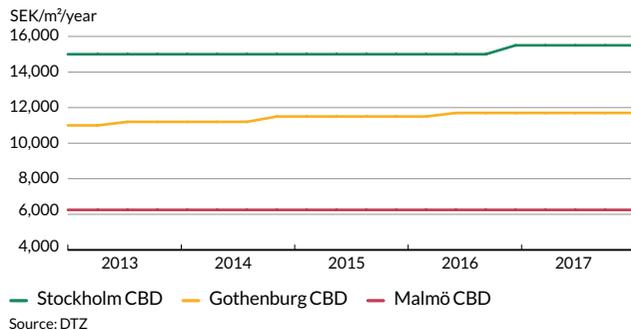
The Öresund region's portfolio consists of properties in Malmö and Lund. In Malmö, this is mainly centrally located mix-use properties that have office and retail premises. The retail properties stretch from Triangeln in the south and along Södra Förstadsgatan all the way to Stortorget. In Lund, the portfolio consists primarily of office properties in the area around Ideon and Brunnsbögen.

In Uppsala, the portfolio is concentrated to commercial properties in central Uppsala and Uppsala Science Park.

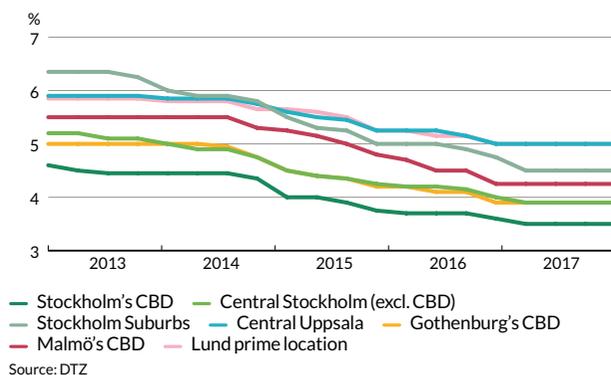
Lower yield requirement, retail



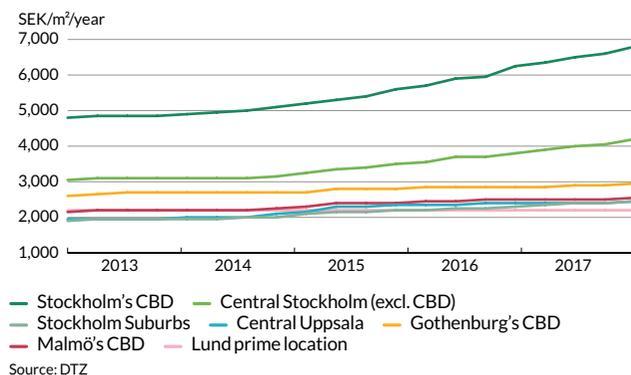
Stable market rent, retail



Lower yield requirement, office



Rising market rent, offices



Vasakronan	2017	2016	Share of Vasakronan total ¹⁾	Share of the region ¹⁾	Largest tenants, share ²⁾	%	Market share,	%
REGION STOCKHOLM CENTRAL								
Market value, SEK m	61,716	55,242			H&M	4	Central Stockholm, incl. CBD	
Rental revenue, SEK m	2,855	2,723			NetEnt	2	Vasakronan	13
Net operating income, SEK m	2,067	1,938			Tieto Sweden	2	AMF	8
Occupancy rate, %	93	96			Clas Ohlson	2	Fabege	6
Number of properties	46	46			KPMG	2	Hufvudstaden	5
Area, thousand sq. m.	796	796					AFA	4
Environmental certification, %	84	78						Source: CBRE
INNER SUBURBS								
Market value, SEK m	21,263	19,057			Ericsson	16	Stockholm inner suburbs	
Rental revenue, SEK m	1,171	1,117			Social Insurance Agency	8	Vasakronan	13
Net operating income, SEK m	835	778			Univ. of Arts, Crafts & Design	4	Klöver	12
Occupancy rate, %	90	90			JM	3	Fabege	12
Number of properties	36	32			Svenska Kraftnät	3	Unibail Rodamco	6
Area, thousand sq. m.	629	617					Humlegården	5
Environmental certification, %	73	73						Source: CBRE
REGION GOTHENBURG								
Market value, SEK m	23,688	22,147			Prison and Probation Service	8	Gothenburg's CBD	
Rental revenue, SEK m	1,246	1,205			Swedish Police Authority	8	Vasakronan	22
Net operating income, SEK m	957	928			Åhléns	5	Wallenstam	14
Occupancy rate, %	96	97			National Courts Administration	4	Hufvudstaden	9
Number of properties	36	36			SEB	3	Balder	8
Area, thousand sq. m.	423	422					SEB	7
Environmental certification, %	94	90						Source: Vasakronan via Datscha
REGION ÖRESUND MALMÖ AND LUND								
Market value, SEK m	12,667	12,606			Swedish Police Authority	15	Malmö's CBD and Västra Hamnen	
Rental revenue, SEK m	755	756			Sony Mobile	8	Vasakronan	20
Net operating income, SEK m	498	501			Prison and Probation Service	4	Wihlborgs	14
Occupancy rate, %	90	90			Scandic Hotels	4	Balder	6
Number of properties	37	38			Malmö University	2	Volito	5
Area, thousand sq. m.	353	360					Midroc	4
Environmental certification, %	97	69						Source: Vasakronan via Datscha
REGION UPSALA								
Market value, SEK m	7,542	6,871			Region Uppsala	11	Central Uppsala	
Rental revenue, SEK m	463	450			Medical Products Agency	7	Vasakronan	19
Net operating income, SEK m	321	314			National Courts Administration	5	Skandia Fastigheter	9
Occupancy rate, %	96	96			National Food Agency, Sweden	5	Uppsala Univ. Foundations	9
Number of properties	24	27			Municipality of Uppsala	3	Municipality of Uppsala	8
Area, thousand sq. m.	229	231					Hemfosa	4
Environmental certification, %	79	79						Source: Vasakronan via Datscha

1) Contracted rent

2) Share of the region's contracted rent.

Sergelstan is emerging

Demand for efficient office space in Stockholm has increased and vacancies are few, both in and outside the city. The conversion of Sergelhuset and soon also Sergelgatan will make the new Sergelstan one of the city's most attractive areas.



"We have reached unprecedented rent levels and in renegotiations, we managed to raise the rents an average of 14%."

Ronald Bäckrud,
Senior Vice President, Stockholm Region

What do you want to showcase from 2017?

"The rental market was extraordinary in all of Stockholm, even in our properties that are outside the city. We have reached unprecedented rent levels and in renegotiations, we managed to raise the rents an average of 14%. It was also gratifying that so many major customers chose to renegotiate and stay with us, such as JM in Frösunda.

One trend that stood out during the year was that customers are willing to pay more per square metre as long as they can see that the space is used more efficiently. Cost per workplace is a concept that has taken root, and we see that when a customer moves, they often move to smaller, more efficient premises."

Any projects that you are particularly pleased with?

"That Klara C on Vasagatan is fully let. That's really wonderful. And of course, the conversion of Sergelhuset where SEB was once the dominant tenant. Thanks to positive, early dialogue with SEB, the stores and the municipality, we were able to start redevelopment the day after SEB vacated the premises. Now we have three years of work ahead of us to get everything done and fill up the space with interesting tenants. There is a lot of interest since the location is fantastic and large cohesive office premises are a rare commodity in the city."

And outside the city?

"We are developing the Nattugglan 14 property at Medborgarplatsen on Södermalm and Tyréns has already signed a lease to move its head office there, despite the fact that the detailed development plan has yet to be completed. But they wanted to secure new premises in the area early on since they are growing heavily and need to

move to a new head office. Tyréns will let 80% of the property.

We landed the Swedish Transport Agency as a new tenant at Kista Entré. It's great to add a large public agency to the mix of IT companies that dominate in Kista. We collaborate with other parties in the area to give the Kista area a more dynamic urban feel – so that it feels safe and secure all hours of the day. For example, we are trying to promote more outgoing activities at street level."

What are the biggest challenges in 2018?

"Above all, the trend in retail. We see one sale after the other and watch how profitability in the stores is falling while e-commerce is booming. There are also other businesses, such as travel agencies, that have realised that there is no longer a need for physical stores since sales are only done online.

Retail also needs to streamline its use of space and it will be less common with large, multistorey stores in the future. Given the demand for offices, we will probably convert retail premises one floor up into offices. The bottom floors will be needed for sustainable transportation in the form of bicycle parking, car pools and logistics facilities for consolidation centres."

What are you most looking forward to?

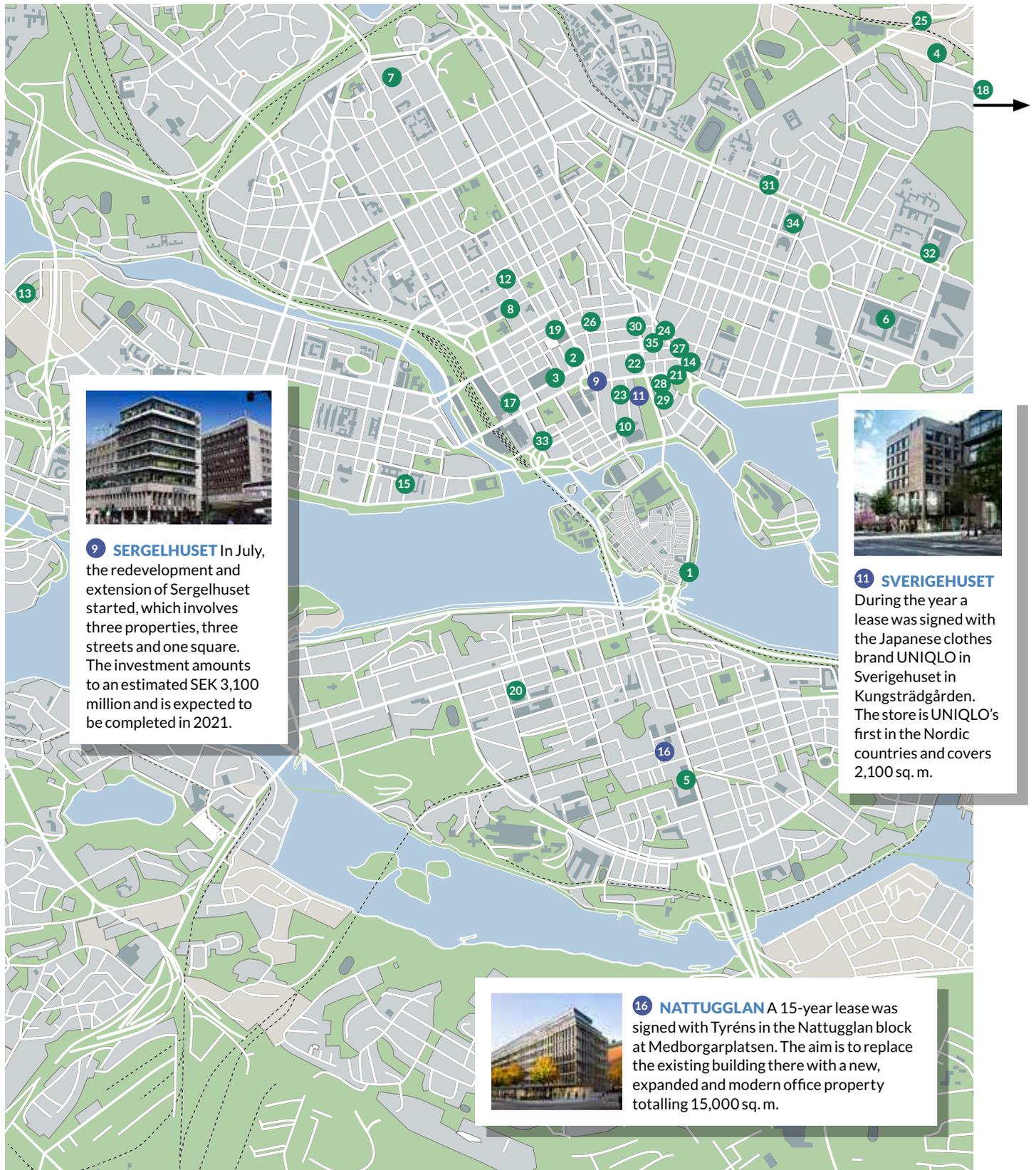
"Pursuing our plan to liven up and vitalise the area we call Sergelstan. In tangible terms, this means tying together Segelgatan with Sergelhuset via Mäster Samuelsgatan and thereby giving the entire area a boost. In 2018, we will focus on identifying the right feel for the area and the necessary mix of tenants. This will be an extremely exciting process to follow."





Sergelgatan is being converted. Green oases, restaurants and eateries with outdoor seating will give it new life. There is already an entrance from the street to the terrace that every summer provides musical and cultural entertainment and hosts events.

Central Stockholm



9 SERGELHUSET In July, the redevelopment and extension of Sergelhuset started, which involves three properties, three streets and one square. The investment amounts to an estimated SEK 3,100 million and is expected to be completed in 2021.



11 SVERIGEHUSET During the year a lease was signed with the Japanese clothes brand UNIQLO in Sverigehuset in Kungsträdgården. The store is UNIQLO's first in the Nordic countries and covers 2,100 sq. m.

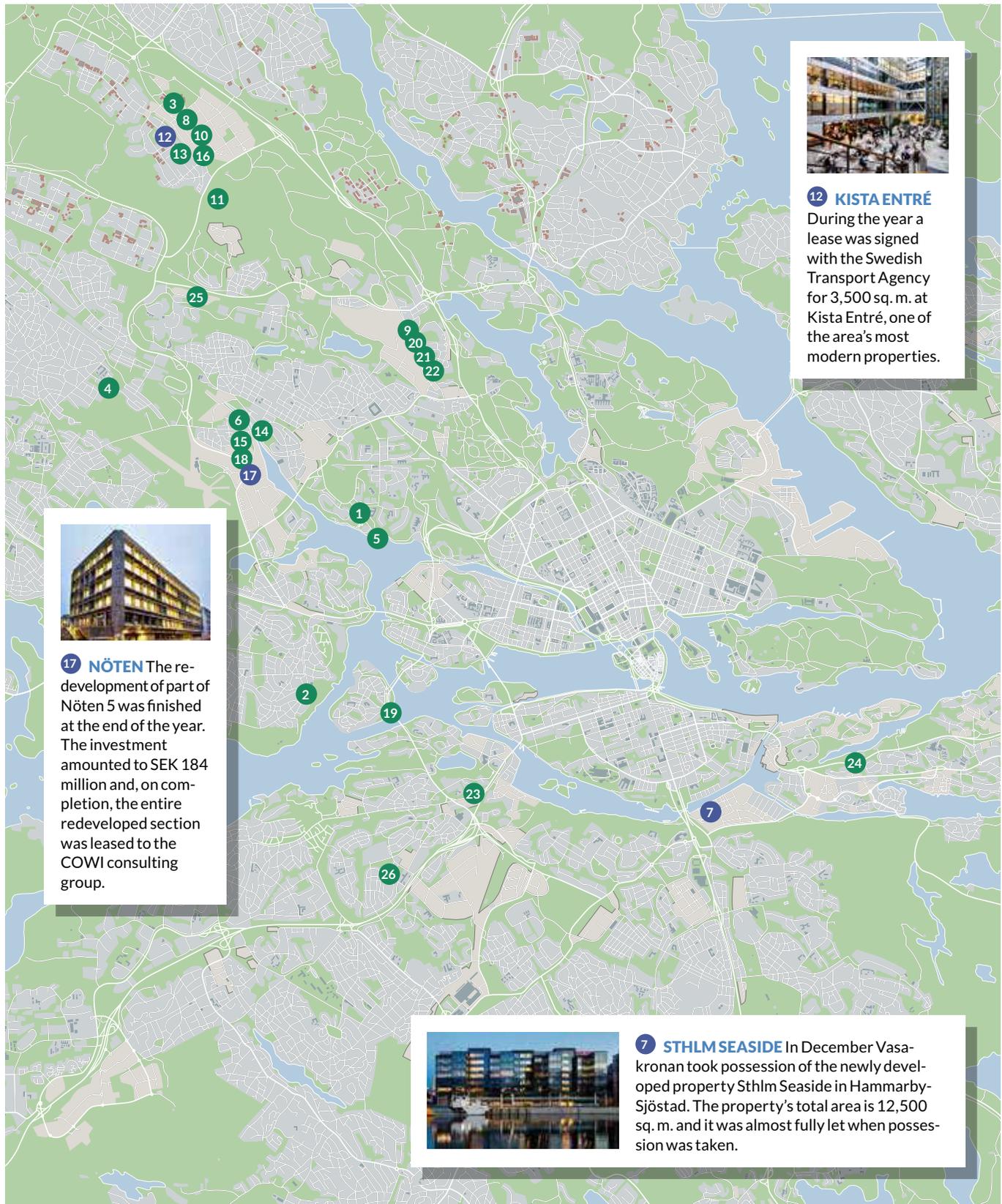


16 NATTUGGLAN A 15-year lease was signed with Tyréns in the Nattugglan block at Medborgarplatsen. The aim is to replace the existing building there with a new, expanded and modern office property totalling 15,000 sq. m.

Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage, sq. m.	Share, %		Environmental-certification ¹⁾
				Offices	Retail	
1	Argus 8	Skeppsbron 38/Packhusgränd 7/Tullgränd 4/Österlånggatan 47	1788/2002	5,165		LS
2	Beridarebanan 11	Sergelgatan 8-14/Sveavägen 5-9 Hitechbuilding/Mäster Samuelsgatan 42	1961/2007	24,352		LG
2	Beridarebanan 4	Sergelgatan 16-18/Sveavägen 13/Läkarhuset	1962/2000	12,943		LG
2	Beridarebanan 77	Sveavägen 17/Sergelgatan 20-22/Hötorget 2-4	1958/1996	15,447		LG
3	Blåmannen 20	Drottninggatan 53/Mäster Samuelsgatan 50-60/Bryggargatan 1-9/Klara Norra Kyrkogata 14	2000-2003	65,526		LG
4	Bremen 1	Tegeluddsvägen 3-9	1964/2008	21,334		-
5	Gamen 12	Götgatan 74-80/Vartoftagatan 21-51	1959/2006	31,192		LC
5	Gamen 8	Åsögatan 106A-108/Götgatan 72A	2000/2001	5,835		LG
6	Garnisonen 3	Karlavägen 96-112/Oxenstiernsgatan 15/Linnégatan 87-89/Banérgatan 16-30	1886/2004-05	136,162		LG
7	Getingen 11	Sveavägen 163-167/Ynglingagatan 18	1955/2005	23,853		LG
8	Grönlandet Norra 1-5	Drottninggatan 96-98/Wallingatan 2/Holländargatan 17/Kammargatan 15	1800/2001	15,572		LG
9	Hästsken 12	Sveavägen 2-10/Hamngatan 24-32/Mäster Samuelsgatan 39A-B/Malmskillnadsgatan 13-17, 36-40/Sergelarkaden 2/Sergelgängen	1963	53,218		-
9	Hästsken 9	Hamngatan 22/Regeringsgatan 45	1935	9,667		-
10	Jakob Större 18	Jakobsgatan 2-8/Regeringsgatan 8-24/Västra Trädgårdsgatan 7	1975/2009	26,590		LG
11	Kungliga Trädgården 7	Hamngatan 25-27/Västra Trädgårdsgatan 10-12	1969	5,423		LS
12	Kurland 11	Holländargatan 21A/Kammargatan 32	1884	2,274		LG
13	Lyckan 10	Lindhagensgatan 124-132/Hornsbergsv. 17	1940/2005	23,718		LG
13	Lyckan 9	Lindhagensgatan 122/Nordenflychtsvägen 55	1936/2003	8,370		LG
14	Matrosen 4	Birger Jarlsgatan 2-4/Nybrogatan 3/Ingmar Bergmans gata 1-3	1893/1984	9,264		LS
15	Munklägret 21	Hantverkargatan 15/Parmätargatan 12	1958/2000	6,330		LG
16	Nattugglan 14	Västgöttagatan 5-7/Folkungagatan 44/Åsögatan 101	1978/2015	22,269		LP
17	Pennfäktaren 11	Vasagatan 7	1977/2009	12,010		LG
18	Riga 2	Hamburgsvägen 12-14/Fjärde Bassängvägen 11-19/Malmvägen 7-13/Tredje Bassängvägen 2-14	2010	24,386		LG
19	Sejlaren 7	Sveavägen 25-29/Olofsgatan 6-8/Olof Palmes gata 7/Apelbergsgatan 44	1930/1995	10,232		LG
20	Skjutsgossen 8	Krukmakargatan 15-21	1942/2008	12,275		LG
21	Skravelberget Mindre 12-13	Hamngatan 2/Birger Jarlsgatan 1-5/Smålandsgatan 5	1903/1999	9,052		-
22	Skären 3	Mäster Samuelsgatan 11/Norrlandsgatan 12	1853/1984	1,758		LC
23	Spektern 13	Hamngatan 29-33/Regeringsgatan 26-32/Sergelgängen/Västra Trädgårdsgatan 17	1975/1995	28,192		LG
24	Sperlingens Backe 45	Stureplan 2	1897/1959	3,905		-
24	Sperlingens Backe 47	Birger Jarlsgatan 16/Grev Turegatan 1	1935/1993	8,222		-
25	Starkströmmen 2 & 4	Midskogsgränd 1-5	1965	9,192		-
26	Stuten 12	Kungsgatan 25-27/Regeringsgatan 67-71/Oxtorgsgatan 2-4	1925/2002-05	14,888		LS
27	Styckjunkaren 11	Birger Jarlsgatan 6D & 10	1891/1984	1,615		LS
27	Styckjunkaren 7	Birger Jarlsgatan 14/Grev Turegatan 2/Riddargatan 2	1900/1987	2,244		LS
28	Styrpinnen 12	Hamngatan 13	1979/1995	2,223		-
29	Styrpinnen 15	Kungsträdgårdsgatan 16/Näckströmsgatan 1	1901/1990	3,647		LG
30	Sumpen 14	Lästmakargatan 6/Norrlandsgatan 22	1856/1985	2,046		LS
30	Sumpen 15	Stureplan 17-19/Birger Jarlsgatan 19/Kungsgatan 1	1895/1980	3,981		LC
30	Sumpen 16	Stureplan 13/Lästmakargatan 2-4	1862/1988	3,010		-
31	Svea Artilleri 14	Valhallavägen 117 Bldg 81-Bldg 87	1877/2013	22,088		LG
32	Tre Vapen 2	Valhallavägen 185-215/Lindarängsvägen 1-7/Borgvägen 6-22	1959/2005	38,473		LG
33	Uggleborg 12	Vasagatan 14-18/Klara Västra Kyrkogatan 9-15/Klara Vattugränd 1/Klarafaret 4	1934/2016	34,527		LP
34	Uppfinnaren 2	Östermalmsgatan 87/Artillerigatan 62A-B/Skeppargatan 61-63	1914/2003	16,819		LG
35	Vildmannen 6	Biblioteksgatan 11/Lästmakargatan 1-3	1897/1998	6,320		LS
Total Stockholm's inner city				795,609		

1) LP=LEED Platinum LG=LEED Gold LS=LEED Silver LC=LEED Certified

Stockholm's inner suburbs



12 KISTA ENTRÉ During the year a lease was signed with the Swedish Transport Agency for 3,500 sq. m. at Kista Entré, one of the area's most modern properties.



17 NÖTEN The re-development of part of Nöten 5 was finished at the end of the year. The investment amounted to SEK 184 million and, on completion, the entire redeveloped section was leased to the COWI consulting group.



7 STHLM SEASIDE In December Vasakronan took possession of the newly developed property Sthlm Seaside in Hammarby-Sjöstad. The property's total area is 12,500 sq. m. and it was almost fully let when possession was taken.

	Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage, sq. m.	Share, %		Environmental-certification ¹⁾
					Offices	Retail	
1	Albydal 3	Sundbybergsvägen 1-3/Solna Access	1979/2003	28,246			LG
2	Alvik 1:18	Gustavslundsvägen 129-145	1987	47,986			-
3	Bredbandet 1	Isafjordsgatan 2-4/Dalviksgatan/Grönlandsgatan/Kistavägen	-	-			-
4	Bromsten 9:1	Sulkyvägen 1-31/Sulkyvägen 2-32	-	-			-
5	Diktaren 1	Terminalvägen 32-40 (Tegelhuset)	1965	6,751			-
6	Godset 4	Sturegatan 3-9/Fabriksgränd 1/Järnvägsgatan 2-10/ Lysgränd 2	1977	21,722			LG
7	Hammarby Gård 12	Hammarby Kaj 10A/Hammarby Kaj 10D	2017	12,457			LP
8	Hekla 1	Isafjordsgatan 14-16/Blåfjällsgatan/Grönlandsgången/ Kistagången	1975/2001	36,119			LG (part of)
9	Hilton 7	Gustav III:s Boulevard 48-52	-	-			-
10	Härddisken 1	Isafjordsgatan 10/Hans Werthéns Gata/Grönlandsgatan/ Dalviksgatan	-	-			-
11	Järvafältet	Järva Dammtorp/Sjövägen/Mellersta Järvafältet	-	2,084			-
12	Katla 1	Kista Science Tower/Färögatan 33 (Main entrance)/ Hanstavägen 11, 21, 27, 29	2003	48,804			LG
13	Knarrarnäs 2	Knarrarnäsgatan 1-11/Hanstavägen 2/Isafjordsgatan 1/ Kista Entrance	2002	42,652			LG
14	Kronan 1	Sturegatan 2-4 B/Ekensbergsvägen/Prästgårdsgatan 1-3/ Tallgatan	1981	23,075			LG
15	Magasinet 1	Sturegatan 1/ Fabriksgränd 2	2009	12,340			LS
16	Modemet 1	Isafjordsgatan 10-12/Hans Werthéns gatan 1/Grönlandsgatan 31/ Blåfjällsgatan 4/Modemgatan 10-12	2008/2015	58,667			LG, LS & LP
17	Nöten 3	Solna strandväg 96-122	1949/2000	35,800			LG
18	Nöten 5	Solna strandväg 62-86	1986	29,202			-
19	Primus 1	Primusgatan 16-20	1963/2000	27,607			-
20	Rosenborg 1	Gustav III:s Boulevard 54-58	2007	10,306			LG
21	Rosenborg 2	Gustav III:s Boulevard 62-66	2009	10,921			LG
22	Rosenborg 3	Rosenborgsgatan 2-12	2014	17,106			LP
23	Rosteriet 6 & 8	Rosterigränd 2-16	1959/1999	17,421			LG
24	Sicklaön 37:49	Kvarnholmsvägen 56	1972/2002	33,769			-
25	Sundbyberg 2:44	Torshamnsgatan	-	-			-
26	Telefonfabriken 1	Telefonvägen 22A-30, LM Ericssonsväg 12-32 and others	1939/2010	106,506			LG
Total, Stockholm inner suburbs				629,541			

1) LP=LEED Platinum LG=LEED Gold LS=LEED Silver

Exciting city developments

The great transformation of Gothenburg has only just begun. The first ground was broken for the Platinan block, Vasakronan's first contribution to the new Älvstaden district. The rental market has been characterised by a boom with few vacancies.



"In total, we have an investment volume of SEK 3.2 billion in future projects."

Kristina Petterson Post,
Senior Vice President, Gothenburg Region

What do you want to showcase from 2017?

"On the office side, we have an enormous boom with low vacancy rates and rising rents. We have let a record amount of space, and top rates reached as high as 4,000 Swedish krona per square metre. Many tenants are demanding more modern and efficient areas which make it possible to better utilise the premises. Less area per workplace is then needed, which they are willing to pay a higher price for.

The year was also marked to a great extent by all our projects, in both new construction and redevelopment of our properties. In total, we have an investment volume of SEK 3.2 billion in our project pipeline."

Which project was the largest?

"The Platinan block. Here, we are building 60,000 square metres of hotel, offices and shops. The first ground was broken on 15 June and occupation is planned for 2021. It's a fascinating project. Take just the piling work. A total of 1,100 steel and concrete piles will be driven into the ground; laid end to end, they would be ninety kilometers long."

What do Gothenburg residents think about all these changes?

"They're a bit split on the issue. They welcome development, but at the same time they expect a few difficult years with all these projects, which some of them are worried about. For example, it will affect how we travel to and from the city. For us, it's incredibly important to keep the city full of life, and we are working full time to identify solutions."

What are you particularly proud of?

"The lease to Scandic in Platinan of a total of

20,000 square metres. Our vision is that Platinan will be a location that draws people around the clock. The hotel is an important part of creating a lively, safe neighborhood, and it adds vitality and services at the property.

Putting Fredstan on the map was also gratifying. Fredsgatan is one of Gothenburg's most popular shopping districts. At the same time, the neighboring blocks and cross streets are perceived as empty and a little unsafe, once the shops have closed. That is why, in partnership with other property owners, we took a proper grip with the aim of expanding the offering of shops, services, culture and restaurants. The next step is marketing Fredstan to the public."

What are the biggest challenges in 2018?

"One is further strengthening retail. Competition is fierce, and I think we will be seeing many new concepts combining physical and digital retail. Despite the tough retail situation, however, we have experienced strong demand and an excellent occupancy rate in our retail premises."

What are you looking forward to?

"Getting to watch Platinan rise up from the ground and feeling: This is it! We're considering describing its growth with things like VR technology and films. We want to offer the people of Gothenburg a journey where they can watch the new city grow.

I'm also looking forward to continuing to work on getting parts of the city certified under Purple Flag. This is about improving safety, accessibility, offerings and the physical environment. The spring of 2018 will be a time for concrete measures, and in August it will be time to show the proof."





Platinan In June, the first ground was broken for Platinan in central Gothenburg. This is Vasakronan's first contribution to the new Älvstaden district. 60,000 square metres of hotel, offices and shops will be built on this block. Scandic Hotels has signed a 20-year lease for 20,000 square metres. Occupancy is planned for 2021.

Gothenburg



1 LÄPPSTIFTET Over the past few years, Läppstiftet has undergone measures to reduce its energy consumption. At the end of the year, it was one of the properties that qualified for the issue of green bonds.



3 PLATINAN At the beginning of the year, development of 60,000 square metres of office, hotel and shopping space began in the Platinan block. A 20-year contract has been signed with Scandic Hotels, which means that 54% has already been leased by the start of construction.



27-32 NORDSTAN One of the initiatives Vasakronan took during the year was certifying Nordstan in Gothenburg under Purple Flag, which is a distinction that showcases locations that are successfully working on improving safety, accessibility and offerings during the evenings as well.



	Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage, sq. m.	Share, %		Environmental-certification ¹⁾
					Offices	Retail	
1	Gullbergsvass 1:16	Lilla Bommen 1-2/Hamntorget 1	1989	31,980			LG
2	Gullbergsvass 16:1	Gullbergs Strandgata 2-8	1984/1986	22,831			LG
3	Gullbergsvass 3:3	Vikingsgatan 1-5/Gullbergs Strandgata 3-7	-	-			-
4	Gårda 18:23	Vädursgatan 6	1989	12,194			MB
5	Gårda 18:24	Gårdatorget 1-2	1991	8,738			LG
6	Heden 22:19	Bohusgatan 13-15/Skånegatan 9	1984	24,176			LG
7	Heden 42:1	Skånegatan 5/Ernst Fontells Plats 15	1964/2005-12	52,916			LG
8	Heden 42:2	-	-	-			-
9	Heden 42:4	Ullevigatan 11	2010	20,550			LG
10	Heden 42:5	-	-	-			-
11	Heden 46:1	Ullevigatan 15	2009	16,534			LG
12	Heden 46:3	Skånegatan 1-3	2015	20,276			B
13	Högen 3:1	Härkeshultsvägen 2, Råhult Partille	1984/2006	1,395			-
14	Inom Vallgraven 11:6	Arkaden/Fredsgatan 1-3/Drottninggatan 38-48/ Södra Hamngatan 37-43/Östra Hamngatan 36	1970/2002	21,003			LG
15	Inom Vallgraven 17:3	Drottninggatan 13/Västra Hamngatan 10/Kyrkogatan 20-22	1813/1994	4,125			LS
16	Inom Vallgraven 19:18	Kyrkogatan 44/Östra Hamngatan 31	1905/1987	2,760			LS
16	Inom Vallgraven 19:7	Drottninggatan 37/Östra Hamngatan 29	1864/1966	2,183			LS
16	Inom Vallgraven 19:9	Östra Hamngatan 33/Kyrkogatan 46	1810/1940	1,769			LS
16	Inom Vallgraven 20:14	Kungspassagen, Kungsgatan 48, Kyrkogatan 23	1930/2002	3,979			LG
16	Inom Vallgraven 20:6	Kungsgatan 50/Kyrkogatan 25	1850/1960	3,690			LS
16	Inom Vallgraven 20:7	Östra Hamngatan 35/Kyrkogatan 27	1800/1944	1,818			LS
17	Inom Vallgraven 22:3	Kungsgatan 31-33	1930	1,568			-
18	Inom Vallgraven 22:15	Kungsgatan 27-29/Västra Hamngatan 12-16/Vallgatan 12-14	1936/2006	9,371			-
19	Inom Vallgraven 22:16	Kungsgatan 35-39/Vallgatan 16-24	1910/2008	10,806			LC
20	Inom Vallgraven 33:10	Magasingatan 22 & 24	1978/1995	3,146			LG
21	Inom Vallgraven 59:14	Ekelundsgatan 8-10/Kungsgatan 26-32/ Magasingatan 7A, 7B, 7C & 9/Kyrkogatan 1-7	1844/2009	10,295			LG
22	Inom Vallgraven 61:11	Kungsgatan 12-18/Käppslängareleden 1/Otterhällegatan 12	1972/2008	10,028			LG
23	Inom Vallgraven 7:5	Centrumhuset/Östra Hamngatan 52/ Östra Larmgatan 15-21/Kungsgatan 61-67	1939/1996	8,885			LS
24	Inom Vallgraven 8:18	Kompassen/Kungsgatan 58-60/Kyrkogatan 35 & 39/ Östra Larmgatan 9-13/Fredsgatan 9-11, 12-14	1974/2015	11,530			-
25	Inom Vallgraven 9:13	Fredsgatan 6-10/Drottninggatan 49-65/ Kyrkogatan 56-60/Östra Larmgatan 3-7	1967/2013	8,290			LG
26	Lorensberg 45:16	Storgatan 53/Södra vägen 3-5	1957/2009	6,917			LG
27	Nordstaden 10:20	Köpmansgatan 9/Norra Hamngatan 18/Östra Hamngatan 30-34	1930	6,520			LS
28	Nordstaden 10:23	Köpmansgatan 11-25/Götgatan 13-15 & 14-16/ Norra Hamngatan 20-34	1986	27,524			LG
29	Nordstaden 17:6	Kronhusgatan 9-13, Torggatan 16	1862/2003	4,611			LS
30	Nordstaden 21:1	Kronhusgatan 2A/Packhusplatsen 2/Smedjegatan 1A	1901/2008	5,125			LG
31	Nordstaden 31:1	Sankt Eriksgatan 3/Nedre Kvarnbergsgatan 3	1787/2005	2,317			LG
32	Nordstaden 8:27	Östra Hamngatan 18-24/Nordstadstorget 1-7/ Spannmålsgatan 11-15/Postgatan 22-24	1974	43,138			LC
Total Region Gothenburg				422,988			

1) LG=LEED Gold LS=LEED Silver LC=LEED Certified MB= Miljöbyggnad B=BREEAM

Major focus on city retail

Thanks to a regeneration of Södra Förstadsgatan and Södertull, all retail and dining premises in the portfolio are fully let. Centrally located and next to Triangeln, the construction of Priorn — a new office property where half the space was let from the start — will begin in 2018.



“It’s important to be on our toes in retail — an important segment for us.”

Anna Stenkil,
Senior Vice President, Öresund Region

What do you want to showcase from 2017?

“That would have to be our work on Södra Förstadsgatan, where for the first time in seven years all the shops are let. Three years ago, our analysis of the shopping district found that, despite large flows of people on the pedestrian precinct, retail sales were low. Now we have changed the character of the street, bringing in shops like Grandpa and Meadow — two trendy clothing shops — and Willys Hemma, the first supermarket on the street. The result is an interesting shopping street that has a small-town feel with a big-city quality.”

How have you continued developing Södertull?

“People in Malmö also want an experience. The best locations in Södertull are by the water, and we regard the area as a natural place for meetings and dining, especially on warm summer days. That is why we created a restaurant district on the site. Designorget, which previously had premises by Södertull, has moved to Södra Förstadsgatan and made room for businesses like Condecco and Vibiblioteket. Now Södertull is popular, and established.”

What were the biggest challenges in 2017?

“A large number of new offices have been built in Malmö over the last ten years, in locations like Hyllie and Västra Hamnen, resulting in supply outpacing demand. We have met this by measures such as a strong offering of office space in the city and by offering Smart & klart, turnkey offices with everything included so that tenants can move in immediately. We currently have three, and are planning for more.”

What are you looking forward to in 2018?

“Above all, continuing to develop our retail spaces. It’s important to be on our toes in retail — an important segment for us. We have worked long on developing Triangeln, Södra Förstadsgatan and Södertull, and we will continue to do so. We have to meet the changes that occur when online shopping increases, and be sensitive to people’s preferences and behavior. Development of city retail can never stop.

Then, of course, it’s a matter of making our offices as attractive as possible. We have the best office locations in Malmö. In the Priorn 5 block, which is next to Pildammsparken, Malmö Konsthall and the Triangeln shopping centre, we are now building an entirely new office property. Construction will begin in 2018, and nearly half the space is already leased to organisations including Region Skåne and COWI.”

Is there anything else for 2018 you’d like to showcase?

“At MHC — the Mobile Heights Center — in Lund, we have come a long way toward creating an interesting cluster for high-tech companies working in the mobile phone sector. For that industry, being in close contact with each other over boundaries and collaborating for development is important. We have been able to push the development of MHC in pace with Sony drawing down their space, and we intend to continue that.”





Södra Förstadsgatan in Malmö

Vasakronan is working in partnership with other property owners to develop the shopping district and make it more attractive. One example of success is Södra Förstadsgatan, where all the shopping premises in the portfolio are now fully let. A new addition to the mix is Willys Hemma, which will be opening the first supermarket on the street.

Öresund

Malmö



1 2 7 8 9 13 14 26

SÖDRA FÖRSTADSGATAN

During the year, a lease was signed with Willys Hemma for 1,300 sq. m. on Södra Förstadsgatan. As a result, the entire ground floor of the holding at Södra Förstadsgatan has been fully let.



19 PRIORN Leases have been signed with COWI and Region Skåne in the Priorn 5 property, which began construction during the year as a result of the detailed development plan entering into force. The leases mean that the property was 43% let at the start of construction.

Lund



3 NYA VATTENTORNET

In February, Schneider Electric moved into Nya Vattentornet, also known as the Mobile Heights Center (MHC). The property covers 20,000 sq. m. and as a result of the lease to Schneider Electric, the occupancy rate is at 80%.

MALMÖ

	Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage, sq. m.	Share, %		Environmental certification ¹⁾
					Offices	Retail	
1	Björnen 1	Södra Förstadsgatan 17/Kärleksgatan 2/Davidshallsgatan 14	1903/2001	3,864			LG
2	Björnen 38	Södra Förstadsgatan 25-27/Davidshallsgatan 26	1904/1999	5,269			LG
3	Bylgia 1	Hans Michelsengatan 2/Skeppsbron 17	1960/2004	8,855			LG
4	Carl Gustav 5	Södra Tullgatan 4/Kanalgatan 3-5/Södra Vallgatan 3 A-C	1961/2000	15,194			LG
5	Claus Mortensen 26	Södergatan 14	1967/2009	3,237			LS
6	Claus Mortensen 35	Södergatan 20/Baltzarsgatan 43	1898/2009	1,993			LS
7	Delfinen 12	Södra Förstadsgatan 2/Drottninggatan 38	1908/2007	5,380			LG
8	Elefanten 23	Södra Förstadsgatan 22-24/Södra Långgatan 25/Lugna gatan 38	1938/1988	5,888			LS
9	Elgen 14	Södra Förstadsgatan 9-11/Davidshallsgatan 10/Storgatan 22	1937/1998	5,723			LS
10	Gasklockan 3	Porslinsgatan 6/Malmgatan 1/Drottninggatan 7	1993/2014	54,898			LG
11	Hans Michelsen 9	Adelgatan 1-3/Bruksgratan 1-3/Norra Vallgatan 51-52	1974/2013	2,003			LS
12	Jungmannen 1	Skeppsgatan 9	2004	5,114			LG
13	Kaninen 26	Södra Förstadsgatan 33-47/Rådmansgatan 10/Triangeln 2-4	1989/2013	36,678			LS
14	Kaninen 27	Södra Förstadsgatan 49-51/Friisgatan 2/Sankt Johannesgatan 1A/Triangeln	1958/2013	19,428			LS
15	Kaninen 30 & Innerstaden 6:149	Rådmansgatan 12 A-C/Rådmansgatan 18 A-C/Sankt Johannesgatan 1 E, 2C, 3 N-W	2012	11,551			LS & BVG
15	Kaninen 32	Rådmansgatan 16	2012	4,701			LG & BVG
16	Magnus Stenbock 2	Gustav Adolfs Torg 12/Torggatan 2	1894/2007	5,254			LG
16	Magnus Stenbock 4	Södra Tullgatan 3/Torggatan 4/Södra Vallgatan 5	1963/2010	10,477			LG
17	Nereus 1	Neptuniplan 7-9/Matrosgratan 1/Styrmansgatan 2/Bassängkajen 10-12	2012	16,678			LP
18	Oscar 1	Stortorget 31/Södergatan 1-3	1903/2004	2,997			LS
18	Oscar 17	Stortorget 27-29/Stortorget 19-23/Lilla Torg 2-4/Skomakaregatan 7-11	1910/2001	14,222			LG
19	Priorn 2	Rådmansgatan 13/Sankt Johannesgatan 2-6	1944/2010	8,171			LG
20	Regndroppen 1	Hyllie/Bures gata	-	-			-
21	Relingen 1	Propellerg. 1/Västra Varvsgatan 10	2000	5,117			LG
22	Sankt Jörgen 7	Södergatan 28/Kalendegatan 27	1929/2012	5,590			LG
23	Sirius 1	Jörgen Kocksgatan 9/Navigationsgatan 3	1992	7,114			LG
24	Smedjan 13 & 15	Celsiusgatan 33-35/Östra Farmvägen 5	1937/2004	11,231			-
25	Stapelbädden 3	Stora Varvsgatan 13A/Södra Stapelgränd 4	2012	8,100			BE
26	Tigern 1	Södra Förstadsgatan 1/Regementsgatan 2	1893/2008	2,508			LS
26	Tigern 7	Södra Förstadsgatan 7/Storgatan 37	1894/2006	2,335			LS
Total Malmö				289,570			

LUND

1	Apotekaren 12	Lilla Fiskaregatan 2/Kyrkogatan 1-3	1912/1981	4,028			LC
2	Galten 25	Mårtenstorget 12-14/Råbygatan 2	1985	1,889			LC
3	Nya Vattentornet 2	Mobilvägen 8-10/Sölvegatan 51	1999	24,494			LG
3	Nya Vattentornet 4	Mobilvägen 4-6	2007/2008	27,540			LG
4	Repslagaren 31	Stora Södergatan 45-47	1980/2008	5,773			LG
Total Lund				63,724			

Total Region Öresund

353,294

1)LP=LEED Platinum LG=LEED Gold LS=LEED Silver LC=LEED Certified BVG=BREEAM Very Good BE=BREEAM Excellent

Completed projects and new business

In December, Region Uppsala began moving into Hubben in Uppsala Science Park, and the National Food Agency signed a lease in a new building that will be completed in 2020/2021. Both are key to the development of one of Sweden's foremost innovation environments.



“Mutual trust was the key to sealing the deal.”

Jan-Erik Hellman,
Senior Vice President, Uppsala Region

What do you want to showcase from 2017?

“How obviously the boom has impacted our office lets. It’s going very well for many companies. At the same time, new production of commercial properties in central Uppsala over the past few years has been low. This means that, essentially, we have no vacancies.

Matching tenants to office premises has also gone tremendously well, even for those properties that have stood empty for longer periods. And since that work went so smoothly, we have also had the opportunity to invest a lot of time and energy into our major development projects.”

Which was the largest lease?

“The National Food Agency in Uppsala Science Park, who signed a lease for 8,300 square metres. That’s an investment of SEK 420 million. A strong player like this will clearly promote the development of one of Sweden’s foremost innovation environments. The first ground was broken in March 2018.”

What are you particularly proud of?

“How we worked on the lease to the National Food Agency. A team of ten people have been involved for around six years. The National Food Agency has been leasing their current premises, in the Hugin block, from us since the mid-70s. Adapting the premises to meet modern requirements at a reasonable cost was not possible. Customer satisfaction was relatively low when we began the work, but our long-term efforts created mutual trust which was the key to sealing the deal.

And then, on 1 December it was incredibly exciting to move into the completed Hubben in Uppsala Science Park. Region Uppsala has signed a 20-year lease at the 12,500-square metre building. Construction began in 2015, and it feels unreal now that it’s finished.”

What are the challenges in 2018?

“Uppsala is experiencing steady population growth. This is an excellent foundation for retail operations in the city. At the same time, we’re seeing a number of vacancies as regards retail premises. Previously there was a list of interested parties for any given premises, but that has changed. Restaurants and cafés are still interested, but smaller individual shops are cautious.

It’s clear that retail is undergoing a transformation that is especially connected with digital developments. Competition from the larger malls outside of town is also stiff. We have to work even harder and stay just a bit sharper in order to create an attractive city centre where people want to be.”

What are you looking forward to the most?

“Continuing to work on the city centre, from plans like the shopping district strategy we developed for Dragarbrunnsgatan. There are a number of parties working together – property owners, the municipality, and shops. The aim is to create a shopping district that is alive both day and night, where people meet for experiences, culture, shops and restaurants. With its central location and proximity to public transportation, it has excellent prerequisites.”





Science Park in Uppsala Uppsala Science Park is one of Sweden's foremost innovation environments. There are around 140 business here, active primarily in Life Sciences, biotech, materials science, medicine and IT. New additions are Region Uppsala, which moved into the Hubben property, and the National Food Agency, which signed a lease for 8,300 sq. m.

Uppsala



	Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage, sq. m.	Share, %		Environmental-certification ¹⁾
					Offices	Retail	
1	Dragarbrunn 14:5	Svarbäcksgatan 8/Sankt Persgatan 6	1970	5,140		-	
2	Dragarbrunn 18:1	Gamla Torget 5	1990/2001	1,435		LS	
3	Dragarbrunn 18:2, 18:7	Gamla Torget 1-3/Östra Ågatan 25-27	1973/1991	6,131		LS	
4	Dragarbrunn 18:9	Stora Torget 4/Svarbäcksgatan 4	1978/2001-04	6,026		LG	
5	Dragarbrunn 19:10	Dragarbrunnsgatan 35/Påvel Snickares Gränd 1	1966/2005	4,198		-	
6	Dragarbrunn 19:11	Svarbäcksgatan 1B-5/Sankt Persgatan 7/Påvel Snickares Gränd 3	1918/1978	9,173		LG	
7	Dragarbrunn 20:3	Dragarbrunnsgatan 38-40/Vaksalagatan 8	1966/1999	3,433		LC	
8	Dragarbrunn 23:4	Dragarbrunnsgatan 39/Vaksalagatan 5	1961/2006	2,716		LC	
9	Dragarbrunn 24:5	Vaksalagatan 7-13/Dragarbrunnsgatan 42-44/Kungsgatan 49	1974/2000	15,352		LG	
10	Dragarbrunn 26:3	Bredgränd 4/Kungsängsgatan 5 B/Kungsängsgatan 7	1962/2006	4,261		LG	
11	Dragarbrunn 26:4	Kungsängsgatan 3-5A/Smedsgränd 3	1962/1994	4,998		-	
12	Dragarbrunn 28:5	Kungsgatan 53-55/Bredgränd 14-18/ Dragarbrunnsgatan 46-48	1895/2011	21,041		LG	
13	Dragarbrunn 31:1	Dragarbrunnsgatan 50-52/Bangårdsgatan 10-28/ Bredgränd 15-19/Kungsgatan 57 A-D	1860/2011	19,852		LG	
14	Kronåsen 1:1	Dag Hammarskjölds väg 10-14, 26-54, 58-60	1910/2017	69,851		LG	
15	Kungsängen 1:25	Kungsgatan 79/Dragarbrunnsgatan 78/ Samaritergränd 5/Strandbodgatan 10	2006	10,974		LG	
16	Kungsängen 14:1	Fjalars gränd 4	-	-		-	
16	Kungsängen 14:2	Suttungsgränd 3	1885/2008	1,747		LS	
16	Kungsängen 14:5	Suttungsgränd 3A	-	-		-	
17	Kungsängen 16:6	Hamnesplanaden 1-5/Kungsängsgatan 43/ Strandbodgatan 2-4/Ebba Boströms gata 7	1975/2008	30,650		-	
18	Kungsängen 4:4	Bangårdsgatan 5-9/Kungsängsgatan 18A/ Dragarbrunnsgatan 51-53	1972/2013	6,728		LG	
19	Kvarngärdet 1:19	Portalgatan 2	1959/1990	5,160		LG	
20	Årsta 11:233	Haeggströmsgatan 1	-	-		-	
21	Årsta 64:1	Haeggströmsgatan 1	-	-		-	
Total Region Uppsala				228,866			

1) LG=LEED Gold LS=LEED Silver LC=LEED Certified

FINANCIAL STATEMENTS AND NOTES

Administration Report	63
Risks and risk management	64
Corporate Governance Report	68
The Board of Directors and auditors	74
Senior executives	75
Other information	76
Consolidated income statement incl. comments	78
Consolidated balance sheet incl. comments	82
Consolidated statement of changes in equity	85
Consolidated cash-flow statement incl. comments	86
Parent Company financial statements	88

NOTES

General information	Note 1	90
Summary of important accounting and valuation policies	Note 2	90
Critical judgements in applying the Group's accounting policies	Note 3	93
Segment reporting – Group	Note 4	94

INCOME STATEMENT

Rental revenue	Note 5	95
Expenses allocated by category	Note 6	95
Administration	Note 7	95
Average number of employees	Note 8	95
Salaries, other benefits and social security costs	Note 9	96
Intra-Group transactions	Note 10	97
Interest income	Note 11	97
Interest expense	Note 12	97
Change in value of investment properties	Note 13	97
Profit from participations in subsidiaries	Note 14	98
Change in value of financial instruments	Note 15	98
Appropriations and untaxed reserves	Note 16	98
Tax	Note 17	99

BALANCE SHEET

Intangible assets	Note 18	100
Investment properties	Note 19	100
Equipment	Note 20	100
Shares and participations in subsidiaries	Note 21	101
Shares and participations in joint ventures	Note 22	103
Non-current receivables	Note 23	103
Accounts receivable	Note 24	103
Other current receivables, prepaid expenses and accrued income	Note 25	103
Cash and cash equivalents	Note 26	103
Interest-bearing liabilities	Note 27	104
Other non-current liabilities	Note 28	105
Provision for pensions	Note 29	105
Other current liabilities, accrued expenses and deferred income	Note 30	106
Pledged assets and contingent liabilities	Note 31	106
Supplementary disclosures for financial assets and liabilities	Note 32	107

CASH-FLOW STATEMENT

Adjustment for non-cash items	Note 33	108
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OTHER NOTES

Related parties	Note 34	108
Dividend per share	Note 35	108
Events after the balance-sheet date	Note 36	108

OTHER

Proposed appropriation of profits	109
Auditors' report	110

Administration Report

The Board of Directors and CEO of Vasakronan AB (publ), corporate registration number 556061-4603, hereby present the 2017 Annual Report for the Group and Parent Company.

The macro environment

In 2017, economic growth accelerated in many parts of the world. The economy and labour market has been optimistic in the US. The euro area experienced a wide upswing mainly driven by rising employment, increased investments and growing exports. In Sweden, the economy continued its positive trend, and the main reasons behind the strength of the economy were rising employment, housing investment and increased exports.

Access to capital remained healthy in terms of both the banking and credit markets during the year. The favourable credit market conditions were mainly due to record large inflows to fixed-income funds and to central banks supporting the market through bond purchases.

Interest rates remained extremely low in Sweden and Europe. At its December meeting, the Riksbank (Sweden's central bank) decided to keep the repo rate unchanged at negative 0.5 percent. However, expectations are for the interest to be raised in the second half of 2018.

Rental market

During the year, the office rental market strengthened in all areas and sub-areas where Vasakronan operates. The strongest trend was posted in Stockholm's CBD and central Stockholm, where rents rose around 10% in 2017. Moreover, in Gothenburg, rent levels rose significantly by about 5%. The main underlying reasons for the rising rents are the strength of the economy together with considerable demand for modern, efficient office space.

For central locations in Vasakronan's markets, office vacancies have remained relatively stable at low levels over the year, from 3.5% to barely 5%. The exception was Malmö, where office vacancies were about 9% in 2017.

Property market

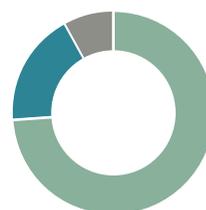
Activity in the Swedish property market was down slightly in 2017 compared with 2016, which can be seen as a record year, but was on a par with 2014 and 2015. During the year, completed transactions amounted to SEK 157 billion, compared with SEK 208 billion in 2016. Office properties accounted for 20% of the above. The majority of the transactions were conducted in Stockholm and most of the buyers were Swedish operators.

The market continues to have favourable access to capital and extremely low interest rates. Market requirements for yields have declined in all of Vasakronan's sub-markets over several years. In 2017, these stabilised at low levels. In the CBDs of Stockholm and Gothenburg, the requirements for yields are 3.5% and 3.9% respectively, and in Stockholm's inner suburbs, Öresund and Uppsala from 4.2-5.0%.

Operations

Vasakronan owns, manages and develops centrally located office and retail properties in Stockholm, Uppsala, Gothenburg, Malmö and Lund. At year end, the property portfolio comprised 179 properties (179) with a total lettable area of 2.4 million sq. m. (2.4). Of the total area, 84% (77) was environmentally certified. At year end, the total market value of the properties was SEK 127 billion (116), of which the ten largest properties accounted for 31%.

Contracted rent by property type



- Offices, 74%
- Retail, 18%
- Other, 8%

Contracted rent by geographic market



- Stockholm, 62%
- Gothenburg, 19%
- Öresund, 12%
- Uppsala, 7%

At 31 December 2017, the occupancy rate was 93.1% (94.2). During the year, the Sergelhuset development property was vacated, thus lowering the occupancy rate by 1.4 percentage points.

At year end, Vasakronan had a project portfolio comprising new construction, extensions or redevelopments valued at SEK 9.3 billion (3.4) of which SEK 2.7 billion (2.1) was capitalised. The occupancy rate for major projects was 44% (72) at the end of the period. Several major projects with a low initial occupancy rate are in the start-up phase, for example Sergelhuset and Platinan.

Vasakronan improves its property portfolio by buying and selling properties, thereby creating the preconditions for an increased long-term return. During the year, properties for slightly more than SEK 1 billion were acquired, of which Sthlm Seaside was the largest and five properties were divested for a total of SEK 0.6 billion.

Reasonable and desirable levels for risk assumption

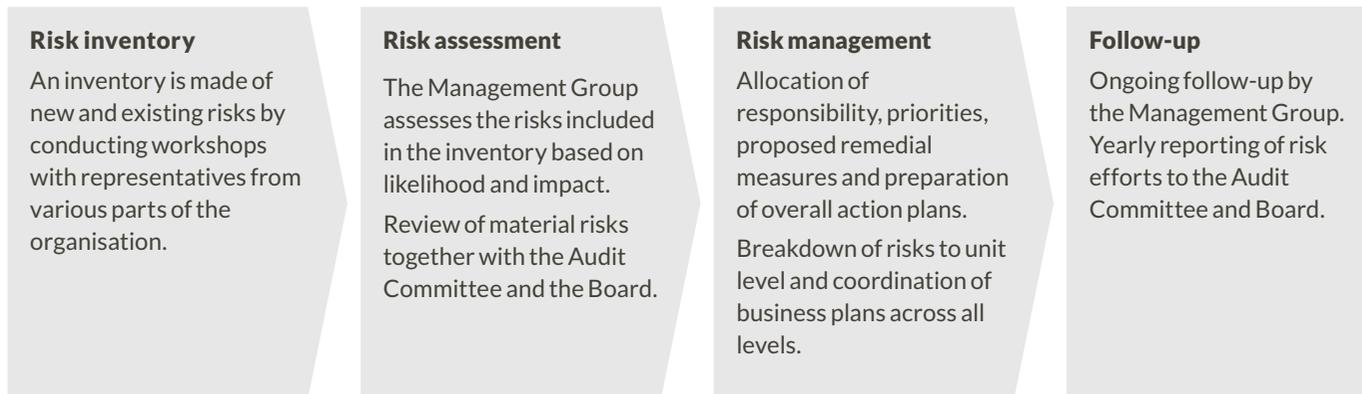
Vasakronan has been tasked by its owners with delivering a high and stable, long-term return. At the same time, the operations should take people, ethics and the environment into consideration. To best achieve these goals, we have to manage all the opportunities and risks that impact operations.

All business operations are associated with risks, which when managed correctly can give rise to opportunities, but when managed incorrectly can have considerable negative consequences in the form of lower revenue, higher costs or reduced credibility. Efforts to identify, analyse, manage and follow up risks are therefore a prioritised area at Vasakronan.

Ultimately, it is the Board's responsibility to establish appropriate and effective systems for risk management and internal control. The Board has delegated day-to-day responsibility to the CEO and has established guidelines in terms of how to conduct these efforts and the risk levels that are acceptable. The CEO is supported by a steering committee for internal control that, in addition to the

CEO, comprises the CFO, General Counsel and Group controllers. The steering committee's responsibilities include follow up and ongoing development of internal control. Vasakronan's day-to-day risk efforts involve all employees and follow a structured process.

Risk management process



Vasakronan has divided identified risks into four categories:

BUSINESS-RELATED RISKS

Risks related to external factors that Vasakronan is unable to directly influence, but where the negative effects can be mitigated.

OPERATIONAL RISKS

Risks resulting from inadequate or failed internal processes or routines, human error or system error.

FINANCIAL RISKS AND REGULATORY COMPLIANCE

Risks related to our funding, our financial reporting and inadequate compliance with ordinances, laws and regulations.

ENVIRONMENTAL RISKS

Risks arising from the negative environmental impact of operations and from environmental changes leading to property damage.

All of the risks are ranked based on their financial impact on operations and on the likelihood of the risk occurring after taking into account the company's internal controls, preventive measures and level of priority in

the company. A description of the risks and their rankings is presented in the tables on pages 65–67. The tables also describe how the company's risk focus has changed compared with last year.

BUSINESS-RELATED RISKS

Risk description	Analysis and exposure	Management	Vasakronan's assessment
Increased e-commerce will lead to fewer purchases in physical stores, which will result in stores closing down, entering receivership or demanding smaller premises.	Lower demand for Vasakronan's store space will lead to lower rental revenue and higher vacancy rates for store premises. Vasakronan's portfolio mainly comprises stores in central locations with considerable natural flows of people. Vasakronan believes demand will remain firm for these types of premises, albeit for other uses, which will partially mitigate the effect.	<ul style="list-style-type: none"> Competitive intelligence Offer flexible solutions, for example, in terms of size of premises Plan for each property and ongoing evaluation of alternative uses for premises Follow-up and analysis of sales statistics reported by store tenants Close dialogues with existing tenants Clear concepts for shopping precincts Diligent analysis ahead of acquisitions as well as new construction, extensions or redevelopments Strive to achieve a good mix of different sectors, rental periods and premises types in each property/area 	Impact ● Likelihood ● Priority ● Focus ▲
Negative market trend due to raised yield requirements and/or lower market rents leading to a downturn in property values.	In the short term, the single largest impact on the company's financial performance is from the value of the properties, even if it does not directly affect cash flow. Vasakronan has chosen to concentrate its portfolio in markets with strong economic growth. The long-term assessment is that these properties have the best prerequisites for generating a favourable value trend even if, in the short term, they may be the most volatile in terms of yield.	<ul style="list-style-type: none"> Competitive intelligence Clear strategy for each property Structured process for decisions regarding new construction, extensions or redevelopments Portfolio focused on central and desirable locations 	Impact ● Likelihood ● Priority ● Focus ↔
Decreased confidence in Vasakronan among the company's stakeholders due to unethical behavior or breaches of laws and regulations could harm the brand.	As Sweden's largest property company, there is considerable public interest in Vasakronan's operations. This, in combination with the ownership structure and the listing of the company's bonds on the Stockholm Stock Exchange, means stringent requirements are set for the company's behaviour. Lack of confidence in Vasakronan could lead to substantial economic damage in the form of lost business or partnerships.	<ul style="list-style-type: none"> Active valuation efforts involving all employees Policies with clear allocation of responsibility and authorities Codes of conduct for employees and for suppliers Whistle-blower mechanism 	Impact ● Likelihood ● Priority ● Focus ↔
Political decisions can lead to changed prerequisites. This could pertain to decisions regarding new tax legislation, the relocation of government agencies or energy-related decisions.	Vasakronan's operations are impacted by political decisions in a number of different areas that could negatively impact rental revenue or costs. Such decisions are generally outside the company's control. The effects can be limited through proactive monitoring of plausible decisions, analysis of consequences and action plans for the various alternatives.	<ul style="list-style-type: none"> Competitive intelligence Participate in debate via appropriate forums Analysis of the effects and of possible proactive measures Dialogue with the Board and owners about impact and actions 	Impact ● Likelihood ● Priority ● Focus ↔
The pace of technical development is rapid. New digital solutions are replacing old technology, new participants are entering the market and customers are demanding new solutions and services. Those who are unable to adapt their operations to these new conditions may lose customers, suppliers and employees.	Vasakronan aims to be at the forefront as regards the use of modern technological solutions and of service offerings. The company drives development in various areas and is open to collaboration with different participants. Moreover, Vasakronan continuously strives to ensure it has the right skills to meet developments.	<ul style="list-style-type: none"> Reorganise to achieve an inbuilt capacity to create change and development An innovative corporate culture that promotes testing new solutions Connected technology in our properties that gather a large quantity of different data. New innovative energy solutions 	Impact ● Likelihood ● Priority ● Focus ▲

- Low impact, likelihood or priority
- Medium impact, likelihood or priority
- High impact, likelihood or priority
- ▲ Increased focus compared with the preceding year.
- ↔ Unchanged focus compared with the preceding year.

OPERATIONAL RISKS				
Risk description	Analysis and exposure	Management	Vasakronan's assessment	
Major renovation and new construction projects are associated with risk across all phases, which increases with the project's complexity. Moreover, in economic booms, when demand is high, risk increases due to the lack of suppliers and employees.	Vasakronan has a project volume of SEK 9.4 billion. Most of the projects are complex, continue over a long period of time and involve many different parties. Calculation errors, delivery delays or increased expense due to unforeseen events or carelessness can lead to substantial negative financial consequences for Vasakronan.	<ul style="list-style-type: none"> Quality assurance of internal processes including risk analysis, project reviews and exchanging experiences Highly skilled project organisation Contractual agreements with partners Code of conduct for suppliers Simulation of various outcomes/scenarios Clear supplier procurement process 	Impact Likelihood Priority Focus	● ● ● ▲
In pace with increasing property sector digitalisation, there is an accelerating need for a well-functioning information and data security. Development in these areas is rapid and is becoming increasingly complex.	If critical information is lost or falls into the wrong hands as a result of a computer crash, data hacking or inadequate IT security, the financial consequences could be considerable and the company's credibility may be damaged. Vasakronan has prioritised this issue and actively monitors developments in the area.	<ul style="list-style-type: none"> Continuously follow developments by participating in seminars IT and communication policy High awareness of IT security-related risks through internal and external courses Ongoing information via internal channels 	Impact Likelihood Priority Focus	● ● ● ▲
Employees are a company's most important assets, since they create the company's culture and develop its business. If it is not possible to keep the right employees or sufficient employees, the business will underperform.	Competition is fierce for the best employees. Vasakronan has a strong brand and an innovative values-based corporate culture. Staff turnover is low and there is considerable interest in working at the company.	<ul style="list-style-type: none"> Strong brand Market-leader in the property sector Development plans for personnel Collaboration with universities Succession planning for key personnel 	Impact Likelihood Priority Focus	● ● ● ↔
All activities are associated with risk for both physical and mental injury.	The employees' working environment and health are strategically important issues for Vasakronan. An unsafe working environment and a negative work climate lead to an ineffective organisation. Vasakronan works actively to minimise the risk of employees, contractors or tenants suffering physical or mental injury in and around Vasakronan's offices, projects or properties.	<ul style="list-style-type: none"> Collaboration between employees, safety officers, managers, company management and suppliers Training in physical and mental health Clear goals linked to worksite accidents and mental health as well as their follow-up Wellness measures Codes of conduct for employees and suppliers Whistle-blower mechanism 	Impact Likelihood Priority Focus	● ● ● ▲
Investments are made through new construction, and major renovations as well as through the acquisition of existing properties.	Through its size and focus, Vasakronan has excellent market knowledge of the regions and sub-markets in which it operates. Long lead times apply when starting larger new or redevelopment projects, which always entail market risk. However, Vasakronan never starts new projects in weaker sub-markets without having first leased out the majority of the premises.	<ul style="list-style-type: none"> Clear investment strategy Clear decision process Highly skilled in property investment Active dialogues with municipalities 	Impact Likelihood Priority Focus	● ● ● ↔
All business relationships entail a risk that the counterparty is unable to meet its obligations.	Vasakronan is exposed to counterparty risk in terms of its suppliers, tenants and transaction counterparties. To limit risk, diligent evaluations are always conducted prior to entering into contracts.	<ul style="list-style-type: none"> Structured procurement process for suppliers and accepting new tenants, incl. credit checks and taking references Consequences from non-delivery are contractually regulated Risk classification of tenants When necessary, a deposit is required 	Impact Likelihood Priority Focus	● ● ● ↔

FINANCIAL RISKS AND REGULATORY COMPLIANCE

Risk description	Analysis and exposure	Management	Vasakronan's assessment
Property is a capital intensive industry and it is important to secure access to borrowed capital to ensure the survival of the operation. When capital is scarce, risk arises that the cost of new financing or refinancing will be high or impossible.	Vasakronan has an LTV of 46% and a strong financial position. In combination with the owner structure, this reduces refinancing risk.	<ul style="list-style-type: none"> Financial policy that regulates the use of several sources of funding The average maturity of interest-bearing liabilities is not permitted to be lower than two years Not more than 40% of interest-bearing liabilities are permitted to mature within the next 12 months. Green financing 	Impact ● Likelihood ● Priority ● Focus ↔
Interest on borrowed capital is a large cost item in profit or loss and a change in interest rate can have a considerable impact.	Vasakronan has relatively long fixed-interest periods of 4.2 years, which limits exposure to changes in interest rates. If the interest rate increases 1 percentage point, the interest expense will rise by SEK 220 million.	<ul style="list-style-type: none"> Financial policy with conservative goals for interest coverage ratio, fixed-interest tenors and fixed-interest maturities Interest-rate derivatives aimed at achieving the desired fixed-interest structure 	Impact ● Likelihood ● Priority ● Focus ↔
Financial reporting comprises important decision-data and shortcomings can lead to erroneous decisions for the company, as well as for external parties such as lenders and investors.	Awareness of financial reporting risks is created by discussion between the employees concerned. Work at Vasakronan is facilitated by the company's centralised accounting and finance function.	<ul style="list-style-type: none"> Policies with clear allocation of responsibility and authorities Good internal control with preventive and follow-up controls External audit Highly skilled accounting and finance function Continuous monitoring of regulatory changes Proactive work with and analysis of new tax and accounting rules 	Impact ● Likelihood ● Priority ● Focus ↔
Vasakronan has to adapt to numerous different rules, regulations and laws. Non-compliance with regulations can lead to economic consequences, sanctions or damaged confidence.	Regulations can be complex to interpret and comply with. Vasakronan continuously strives to stay updated vis-à-vis current regulations as well as regulatory changes to ensure regulatory compliance.	<ul style="list-style-type: none"> Continuously follow developments pertaining to laws, rules and regulations in relevant areas Proactive analysis of the possible effects of changes in rules and acting with the above in mind Active participation in debate to the extent possible in the relevant forums Dialogue with politicians or other influential individuals 	Impact ● Likelihood ● Priority ● Focus ↔

ENVIRONMENT-RELATED RISKS

Risk description	Analysis and exposure	Management	Vasakronan's assessment
Properties have a major impact on the environment throughout their life cycle – from project planning, construction and management to renovation and demolition.	Vasakronan is Sweden's largest property company and has a goal of delivering a high and stable, long-term return, but never at the cost of the environment. Environmental initiatives should not be seen as an isolated area but rather as a natural and integral part of business activities. Vasakronan is positioned at the forefront and aims to set an example for other property companies. The company has tied parts of its funding to green funding (refer to page 32 for more information), which sets stringent requirements on Vasakronan's sustainability work.	<ul style="list-style-type: none"> Environmental policy with clear aims for Vasakronan's sustainability efforts Clear targets for reducing energy consumption and waste, increased recycling of materials and reduced environmental impact from Vasakronan's and suppliers transportation Installation of solar photovoltaic panels Environmental certification of properties Preparation and review of a sustainability report 	Impact ● Likelihood ● Priority ● Focus ↑
Global climate change is leading to higher temperatures, extreme weather conditions and raised water levels. For property companies, this means increased risk of property damage due to flooding, of buildings/material not coping with the new weather conditions or temperature changes.	Vasakronan's single largest asset comprises properties. Climate change poses new demands on Vasakronan's properties, which the company has to address when making investments. If the company does not work proactively and monitor climate issues, there is considerable risk that, in the future, some properties will be unusable and/or the cost of rectifying the damage will be high.	<ul style="list-style-type: none"> Follow research and development in sustainability Review of the entire portfolio to identify where any risk of a major impact exists and to prepare action plans Risk analysis for new production and preventive measures 	Impact ● Likelihood ● Priority ● Focus ↑

Clear structure provides control

Vasakronan’s corporate governance efforts are based on clearly formulated goals and strategies as well as sound values.

Vasakronan AB is a public limited company. In view of the general interest in the company’s operations, and since the company’s bonds are listed on the Stockholm stock exchange, the Swedish Corporate Governance Code has been applied. Clear internal structures and processes also ensure that operations are conducted efficiently and appropriately.

Our framework

Corporate governance at Vasakronan is based on both internal and external rules and regulations. The Board of Directors has adopted policy documents based on the values that ought to characterise operations, in order to guide employees at Vasakronan.

Important external regulations:

- The Swedish Companies Act
- Accounting policies, legislation and recommendations
- Nasdaq Stockholm Rule Book for Issuers
- The EU Market Abuse Regulation (MAR)
- The Swedish Corporate Governance Code
- Global Compact

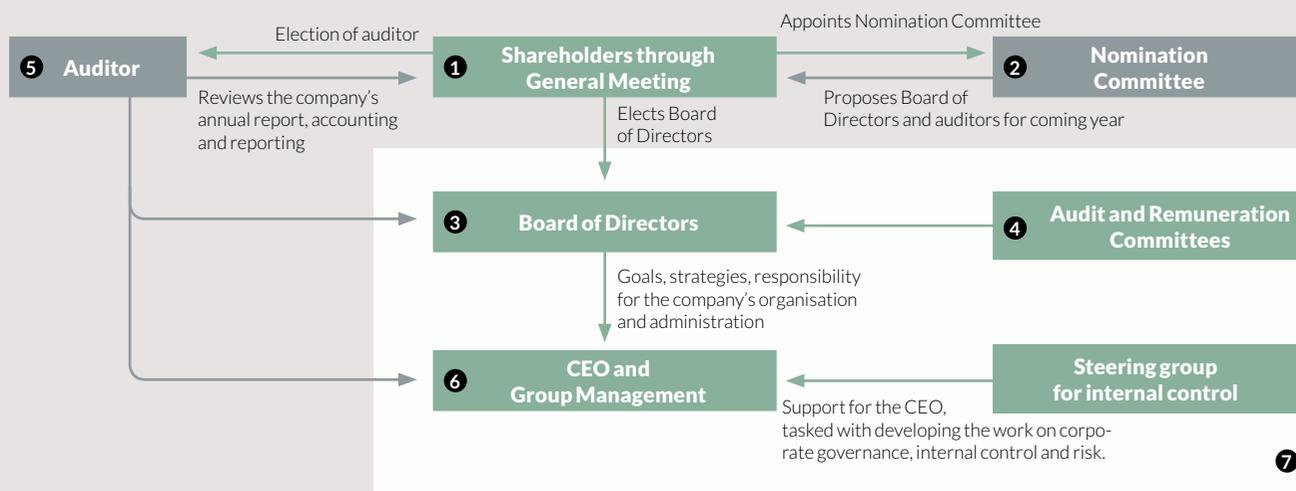
Important internal regulations:

- The Articles of Association
- The Rules of Procedure for the Board of Directors and committees, and the CEO’s Instructions
- Internal guidelines and policies that cover all Vasakronan’s employees and are characterised by business values such as a finance policy, decision-making and delegation processes, an anti-corruption policy, an environmental policy and a Code of Conduct
- Framework for green bonds

Deviations from the Code

As a consequence of its small group of owners, Vasakronan deviates from the Code in two ways: the Nomination Committee proposals for Board members and notices of general meetings or minutes from general meetings are not published on the company’s website. None of the members of the Nomination Committee are independent in relation to the owners.

Governance structure



1 Shareholders through General Meeting

Vasakronan is owned in equal shares by the First, Second, Third and Fourth AP funds. Shareholders exercise their influence through participation in the Annual General Meetings (AGMs), which are the highest decision-making body. Under the Articles of Association, the AGM of shareholders must be held within six months of the end of the financial year. The Companies Act and the Articles of Association regulate what is to be resolved at the AGM. Extraordinary general meetings are held if any of the owners so request, or if the Board of Directors considers there is reason to do so.

The tasks of the AGM include:

- Adopting the income statement and balance sheet.
- Discharging the Board members and CEO from liability.
- Resolving on the proposed distribution of profit.
- Resolving on fees for the members of the Board and the committees, as well as the auditors.
- Electing Board members, members of the Audit and Remuneration committees, and auditors.
- Establishing principles for remuneration and other employment terms and conditions for senior executives.

The latest AGM was held on 3 May 2017 at Vasakronan's head office in Stockholm. All shares were represented and the auditors were present.

2 Nomination Committee

The task of the Nomination Committee is to present proposals regarding:

- Election of Board members and Chairman of the Board.
- Fees for the Board of Directors and members of the Board committees.
- Auditors and auditor's fees.
- Changes to the rules regarding the Nomination Committee.

The Nomination Committee consists of one representative from each of the owners, who are appointed in accordance with the instructions for the Nomination Committee as adopted by the AGM. The Nomination Committee met three times before the 2018 AGM.

In the Committee's work on producing proposals for Board members, an equal gender distribution must be taken into account, and that the Board in general should be characterised by diversity based on competence, experience and background. The Nomination Committee has studied the internal evaluation of the work of the Board, the Chairman's account of the work of the Board and the company's strategy, and interviewed individual Board members as part of its work. The goal of the Committee is to propose a composition of Board members that complement each other as regards experience, personalities and knowledge, in order to thereby create the best value for Vasakronan. No fees were paid to the Nomination Committee in 2017.

3 Board of Directors

Composition of the Board

The Articles of Association stipulate that the

Board is to comprise at least three and at most ten members, excluding any employee representatives. The owners can, but do not need to be, represented on the Board. In addition to the owner representatives, the ambition of the owners is that the Board of Directors also contain members who are independent in relation to the company and the owners. The independent members will supplement the Board with specific industry competence. At the AGM on 3 May 2017, eight members were re-elected and one new member (Ann-Sofi Danielsson) was elected. The CEO is not a member of the Board, but is present at all Board meetings.

Tasks and responsibilities of the Board

The overall task of the Board is to be responsible for organisation and administration of operations, and financial reporting. It also decides on the company's strategy, establishes financial, social, and environmental targets, and is responsible for establishing efficient and appropriate systems for governance, internal control and risk management. The work is regulated through rules of procedure that are established at the statutory Board meeting every year. These rules include instructions on the Board's areas of responsibility and limitations in relation to the committees and the CEO.

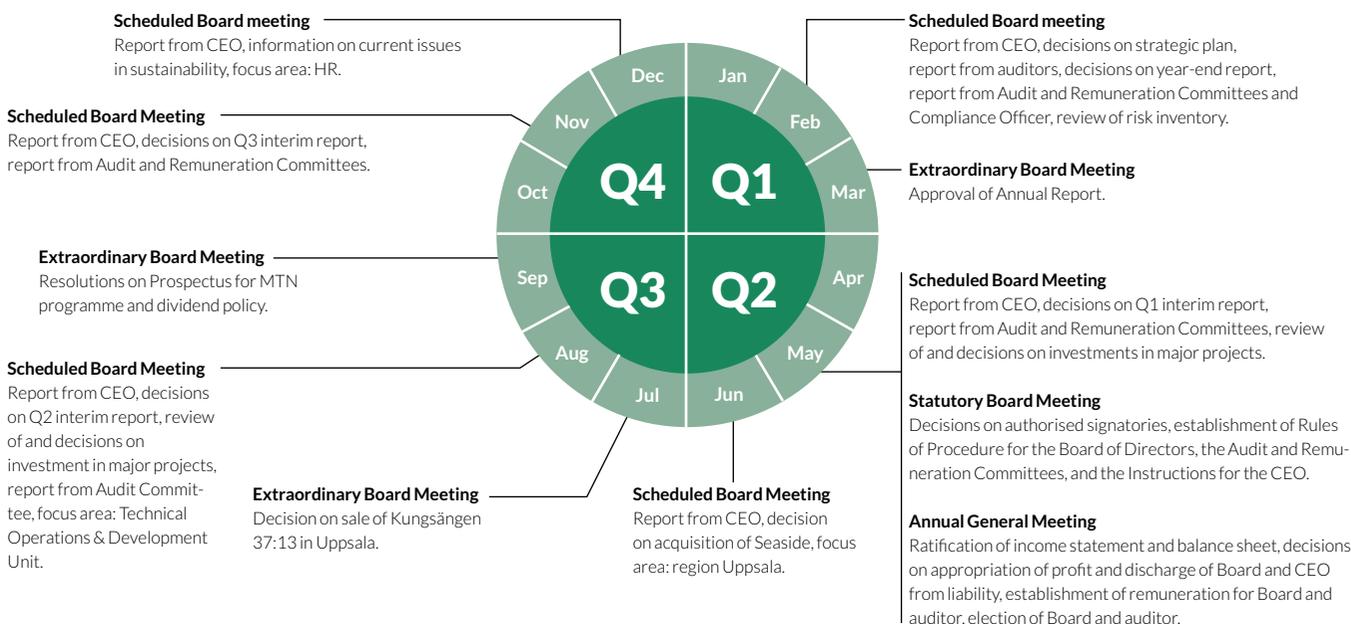
The Chairman of the Board monitors the Board's performance of its tasks. The Chairman also monitors operations in dialogue with the CEO and is responsible for ensuring the other members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman is also responsible for evaluating the work of both the Board and the CEO.

Composition of the Board

	Elected	Indep. of company	Indep. of major owners	Board and Committee fees, KSEK	ATTENDANCE		
					Board meetings	Audit Committee	Remuneration Committee
Mats Wäppling	2010	Yes	Yes	695	10/10	4/4	3/3
Jan-Olof Backman	2011	Yes	Yes	260	10/10		
Ann-Sofi Danielsson ¹⁾	2017	Yes	Yes	130	7/8	2/2	
Niklas Ekvall	2016	No	No	No remuneration	10/10		
Eva Halvarsson	2006	No	No	No remuneration	10/10	4/4	
Kerstin Hessius	2004	No	No	No remuneration	10/10		
Christel Kinning	2014	Yes	Yes	260	9/10		
Roly Lydahl	2007	Yes	Yes	320	10/10	4/4	
Johan Magnusson	2008	No	No	No remuneration	10/10		3/3

1) Elected May 2017.

Governance structure



Work of the Board of Directors in 2017

The work of the Board of Directors follows an annual cycle of scheduled meetings on fixed dates, adjusted for such matters as the Board needing to adopt the financial reporting.

The CEO, CFO and General Counsel (in the capacity of the secretary of the Board) attended the scheduled meetings. Other persons from the organisation such as regional Senior Vice Presidents and SVPs for Finance and Property Development participate as needed, presenting reports on particular cases. Vasakronan's Compliance Officer (the company's General Counsel) also reports annually to the Board on cases that have come in to the company's whistleblower function.

The Board meetings follow a fixed agenda on which the CEO's information on general operations are a standing point. In cases where committee meetings have been held, the chairpersons of the respective committees also report on their work.

Meetings in addition to the scheduled Board meetings are also held as needed, for example when a business decision requires the approval of the Board.

In total, the Board had seven scheduled meetings in 2017, one of which was statu-

tory. Issues of strategy and risk management are always high on the agenda. Over the last year, focus has been on trends in the property and retail industries and their impact on Vasakronan, on the work in major new build and redevelopment projects in Vasakronan and on IT security issues. The Board also held a strategy conference together with the Management Group, the purpose of which was to provide a basis for the company's business planing and also to provide the opportunity for deeper study in areas of current importance for Vasakronan. The meeting also provided the Board of Directors and the Management Group with the opportunity to get to know each other.

The auditors were present at the Board meeting held in February where the year-end report was adopted.

Three extraordinary Board meetings were held during the year, at which decisions were taken on the approval of the Annual Report, the dividend policy and the sale of properties.

Evaluation of the Board of Directors

The Rules of Procedure state that the Board of Directors must conduct an annual evaluation of its own work. In 2017, this was conducted through interviews conducted the

Nomination Committee with all Board members. The purpose of the evaluation is to ensure that the Board is focused on the correct areas, that the Board has the correct competence and that it is correctly composed. The results of the evaluation are used as the basis for the Nomination Committee's work on bringing up new candidates for the Board of Directors.

Remuneration to the Board

The AGM passes resolutions on remuneration to the Board. Board fees are not paid to members who are employed by any of the owners. For the period until and including the 2018 General Meeting, the AGM resolved that the Chairman will receive SEK 640,000 and the other independent members SEK 260,000 in fees. For the Audit Committee, it was resolved that a fee to its Chairman of SEK 60,000 and to independent members SEK 25,000 would be paid, and a fee of SEK 30,000 to the Remuneration Committee. Remuneration can be paid as a fee against invoice, provided that it is cost-neutral for the company and that a special agreement is signed between the Board member and the company.

4 The committees

In order to enhance the efficiency of its work, the Board has established an Audit Committee and a Remuneration Committee. The primary task of these committees is to prepare the decisions of the Board in these two areas.

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of four Board members. The Committee's areas of responsibility are regulated in the rules of procedure established by the Board. The overall responsibilities of the Audit Committee include:

- Preparing the work of the Board on quality assurance of the financial reporting, which in turn includes addressing material accounting issues.
- Monitoring the work of company management on internal control, tax management and issues of risk and corporate governance issues.
- Evaluating the audit work and preparing the election of an auditor.
- Issuing guidelines concerning the advance approval of non-audit related services performed by the elected external auditor.

The Audit Committee meets with the auditor on a continual basis in order to obtain infor-

mation about the orientation, scope and results of the audit. This take place through the Committee studying the auditor's written reporting and the auditor being present at certain Committee meetings.

For 2017, the Audit Committee consisted of Rolf Lydahl, who was also the chairman; Eva Halvarsson, Mats Wäppling and Ann-Sofi Danielsson, who was elected to the Committee in June 2017. All members have the competence in accounting, which is required under the Annual Accounts Act.

The Committee held four meetings during the year. The company's auditor was present at three of them to report on the audit. In addition to this, the Committee primarily discussed the company's financial statements and the work of the Management Group on risk and internal control. The work of the Committee was also evaluated at the meeting in April. The CEO, the CFO and SVP for Group Control (the secretary of the committee) participated in the meetings. At least once each year, the Committee meets with the auditor without the participation of company management.

Remuneration Committee

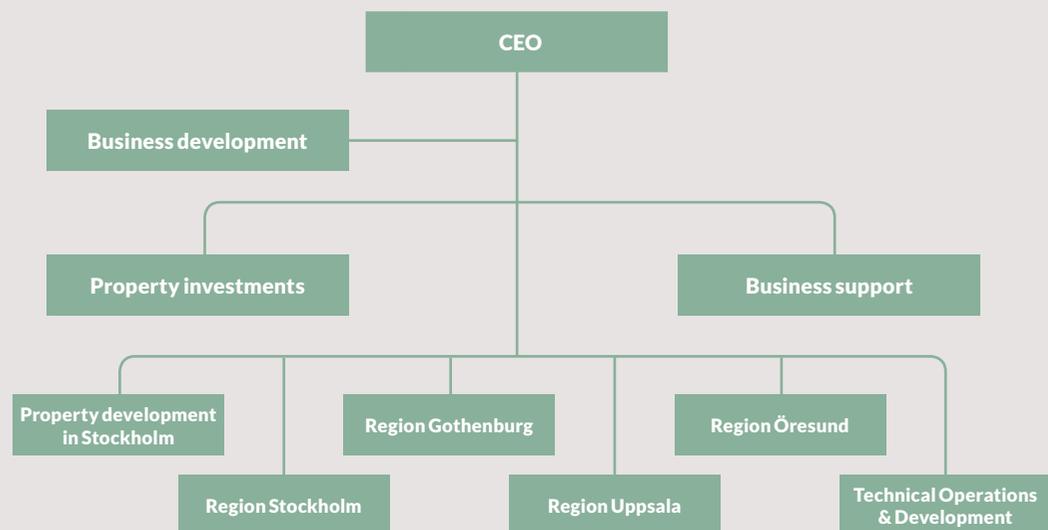
The Board of Directors has appointed a Remuneration Committee consisting of two Board members. The Committee's areas of

responsibility are regulated in a rules of procedure established by the Board and consists primarily of:

- Preparing the work of the Board of Directors on remuneration for senior executives and in the profit-sharing programme for other employees.
- Monitor and evaluate compliance with the "Guidelines for Terms of Employment for Senior Executives in state-owned Companies" that Vasakronan is to comply with. As regards remuneration and other terms of employment for company management, refer to Point 6 below.

For 2017, the Remuneration Committee consisted of Mats Wäppling, who was also the Chairman, and Johan Magnusson. During the year, the Committee held three meetings at which issues of remuneration for senior executives and principles for profit-sharing for other employees were primarily discussed. The work of the Committee was also evaluated at the meeting in January. The CEO and the SVP for Human Resources, who is the secretary of the Committee, participated in all the meetings and the company's auditor submitted their report from the review of remuneration for senior executives at the meeting in May.

Organisation



5 External audit

In accordance with the Articles of Association, the general meeting must appoint at least one and at most two authorised public accountants with an equal number of deputies. If an auditing company is appointed as auditor, deputies will not be appointed. The auditor is elected for one year at a time. The Board of Directors has decided that the selection of an auditor will be preceded at least once every four years by a procurement to be prepared by the Audit Committee.

In addition to issuing the Auditors' Report, the selected auditor examines the annual accounts, the consolidated financial statements and accounting records, the Board's and the CEO's administration of the company and the annual accounts of the subsidiaries. The audit will take place in accordance with the Annual Accounts Act, international auditing standards and generally accepted auditing principles in Sweden.

At the 2017 AGM, PricewaterhouseCoopers was elected as auditor for the coming year, with Helena Ehrenborg as Auditor in Charge. In addition, Daniel Algotsson was elected as auditor. More information about the auditors can be found on Page 74. Information about the auditors' fees can be found in Note 7 on Page 95.

6 CEO and Management Group

The CEO is appointed by the Board of Directors and is responsible for daily operations in Vasakronan, in accordance with the Board's instructions established each year. The CEO is responsible for keeping the Board continually updated on operations and ensures that the Board is provided with the necessary basis for decisions in order to take well-founded decisions. Fredrik Wirdenius has been the CEO of Vasakronan since 2008.

The CEO has formed a Management Group that, in addition to the CEO, consists of twelve directly subordinate Senior Vice Presidents; refer to the presentation on Page 75. The Management Group meets regularly in order to handle Group-wide and strategic

issues. Nine meetings were held in 2017. At four of them, the interim reports and operational monitoring were discussed. Two of the meetings are longer strategy meetings. One strategy meeting is held in the spring, and the focus is on the trends and operating environment factors that impact the company. The other strategy meeting is held in the autumn, and the strategic portion of the business plan is developed with focus areas and key issues for operations.

Vasakronan's operations are organised in four regions, with a special unit for property development in Stockholm. Technical Operations & Development are organised separately, with central support functions and local staffing. As support for the organisation, there are central units for property investments and business support, which included finance, communications and IT, legal and HR. A Head of CSR has been appointed to govern and monitor the company's work on sustainability topics.

The Annual Meeting passes resolutions on principles of remuneration for the CEO and the Management Group. Salaries and other benefits for the Management Group, including the CEO, consist only of fixed salaries with no variable remunerations. In addition, Vasakronan applies the Government's "Guidelines for Terms of Employment for Senior Executives in state-owned Companies" as regards remuneration and other terms of employment for company management. The company can, however, deviate from the guidelines if there is reason to do so. Vasakronan deviates from the Government's guidelines in two aspects. The CEO's period of notice totals twelve months instead of the six indicated by the guidelines, and remuneration for the Management Group, exclusive of remuneration for the CEO, is not recognised at the individual level in the Annual Report.

7 Governance and control

The Board of Directors is responsible for the company having satisfactory and relevant risk management and internal control. The purpose is to ensure that operations are pursued effi-

ciently and sustainably, that external reporting maintains a good level of quality, and that applicable laws and regulations are observed.

Planning, governance and monitoring of operations follows the organisational structure, with a clear delegation of responsibilities and authorisations. The business planning conducted every year creates clear, well-supported plans for how operations are to be pursued in all sections. Business planning starts with the Management Group's strategy days in the spring and concludes with the Board of Directors deciding on the plan at its December meeting. In between, business plans are developed for both underlying units and for the company as a whole. The plans formulate both short- and long-term financial, environmental, and societal goals. The business plan is thereafter monitored continually during the subsequent year.

A risk inventory and risk assessment are conducted every year prior to business planning, and the identified material risks are managed in the business plans for the units. The work on risk management is described in more detail on pages 64–67. A framework of guidelines, policies and instructions established by the Board of Directors and the CEO govern the organisation and its employees for the purpose of ensuring long-term value creation. The framework is to be followed by all employees, and monitoring occurs annually.

As support for the CEO, a special steering group has been established in order to develop the work on corporate governance, internal control and risk. In addition to the CEO, the group consists of the General Counsel, the CFO and the SVP for Group Control. This takes place in close collaboration with the Audit Committee, which is responsible for risk work, and internal control is continually tested and evaluated. Since existing structures for evaluation and monitoring have so far been deemed sufficient to provide a basis for evaluation by the Board, no special unit for internal auditing has been established. The decision is, however, taken up annually for re-examination.

Internal control of financial reporting

This report was prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code, and is limited to describing how internal control regarding financial reporting is organised. Vasakronan's goals for internal control regarding financial reporting are to make it relevant and efficient, that it results in reliable reports, and that it ensures that relevant laws and regulations are observed. The report contains no statements on how well internal control functioned during the past financial year, and it has not been audited by the company's auditors.

Control environment

The basis for internal control in Vasakronan consists of a control environment with a clear organisation, clear decision-making paths and a clear allocation of responsibilities. The Board of Directors of Vasakronan has overall responsibility for internal control of financial reporting. The Board annually ratifies a number of steering documents such as the Rules of Procedure for the Board of Directors, instructions for the CEO, and financial policy in order to establish and clarify the allocation of responsibilities and authorisations in the organisation. The Board has also appointed an Audit Committee with particular responsibility for preparing quality assurance by the Board of the financial reporting as well as monitoring the work of company management on internal control. The control environment also encompasses the culture and values that both the Board and company management communicate and work from as conveyed by such documents as Vasakronan's Code of Conduct, which is ratified yearly by the Board of Directors. A whistle-blower function has been established to which the company's employees or other stakeholders can turn with suspicions of improper conduct or crime. A Compliance Officer (Vasakronan's General Counsel) is tasked with managing issues of improper conduct and deficient compliance with regulations in the company. Reporting to the Board of Directors takes place annually.

Based on the steering documents that concern accounting and financial reporting, the CEO is responsible for formulating internal processes and for establishing policies and instructions.

The CFO is responsible for guidelines for financial reporting and ensuring that they are prepared in accordance with applicable accounting standards and the legal and listing requirements in force.

Risk assessment

As part of business and operations planning, Vasakronan annually conducts an overall risk evaluation. Risks in all the company's key processes are then evaluated based on likelihood and impact. For more detailed information on the company's risk evaluation process, refer to page 64. In addition, risks are continually assessed based on the company's income statement and balance sheet, where every item is evaluated based on its existence, appraisal and completeness.

Risks linked to tax, legal issues or other non-current transactions are evaluated regularly for preventive purposes. These risks are described separately on pages 65–67 in the Annual Report. Risks are built on management's best assessment of impact and likelihood. The risks in the financial reporting are routinely discussed with the company's auditor.

Control activities

Control activities are formulated based on the risk assessments. At Vasakronan, there are controls built into all key processes through standardised system solutions, documented and well-established routines and a clear allocation of responsibilities in a centralised financial function. Control activities comprise a mix of preventive and monitoring functions that can be both manual and automatic.

The financial reporting process is constantly reviewed. The finance function has a clear responsibility for adapting the process as needed to ensure quality in the reporting

and that laws and external requirements are observed.

Information and communication

Employees' understanding of Vasakronan's risk situations is an important part of the work of internal control. Awareness of the risks in the financial reporting is created through discussion and dialogue with employees being a natural element both in annual business and operations planning and in routine work.

This communication is facilitated by a centralised finance function, with which employees are in close contact on a daily basis. Guidelines and instruction of essential importance for financial reporting are routinely updated and communicated to the employees concerned. All the routine descriptions and tools needed are available on Vasakronan's intranet together with Group-wide policies and instructions.

Monitoring of internal control

The Board of Directors of Vasakronan has overall responsibility for monitoring internal control. The Audit Committee has particular responsibility for preparing quality assurance by the Board of the financial reporting. Monitoring of the financial reporting takes place continually through the controls and analyses performed by the Board of Directors, the Audit Committee, management and the finance function. These controls and analyses also capture the need for measures or proposals for improvements. Monitoring also takes place through the audit performed by the company's external auditors. The observations from this audit are reported to the Board of Directors, the Audit Committee and company management as well as to the employees concerned.

The company's external auditors regularly report back on the results of their audit to the CFO and to the Audit Committee.

The Board of Directors and auditors



Mats Wäppling



Jan-Olof Backman

Mats Wäppling

Chairman of the Board, chairman of the Remuneration Committee and member of the Audit Committee since 2014. Board member since 2010.
Born: 1956
Education: Civil Engineer.
Other assignments: Own operations. Pandox, Vesper, PKM Invest, Nordic Modular Group, Campus X and Assemblin.
Previous experience: Executive positions in Sweco, Skanska and NCC.
Independent: Independent in relation to the owners, the company and company management.

Kerstin Hessius

Board member since 2004.
Born: 1958
Education: Master of Business Administration and Economics
Other assignments: CEO, Third National Pension Fund.
 Board member of Hemsö, Trenum, Handelsbanken, SVEDAB and Öresund Konsortiet.
Previous experience: Chairman of the Stockholm Stock Exchange, executive positions at Östgöta Enskilda Bank Alfred Berg. Chairman of Finansmarknadsrådet.
Independent: Owner representative.



Ann-Sofi Danielsson



Niklas Ekvall

Jan-Olof Backman

Board member since 2011.
Born: 1961
Education: Civil Engineer.
Other assignments: Own operations. Board assignments at Microsystemation, Logent and 24Storage.
Previous experience: Executive positions in Coor Service Management, McKinsey & Company and Byggnads AB O. Tjärnberg.
Independent: Independent in relation to the owners, the company and company management.

Christel Kinning

Board member since 2014.
Born: 1962
Education: Finance and marketing
Other assignments: Own operations. Board member of Stadium, Reima, Zoundindustries, Venue Retail Group, Björn Borg and Hope.
Previous experience: CEO of Polarn O. Pyret, CEO of RNB Retail and Brands and executive positions at Kellermann Scandinavia.
Independent: Independent in relation to the owners, the company and company management.



Eva Halvarsson



Kerstin Hessius

Ann-Sofi Danielsson

Board member since 2017.
Born: 1959
Education: Master of Business Administration and Economics
Other assignments: CFO and Head of IR at Bonava. Board member of Pandox AB and Bulten AB.
Previous experience: CFO at NCC AB. Board member of RNB Retail and Brands AB.
Independent: Independent in relation to the owners, the company and company management.

Rolf Lydahl

Board member since 2007, Chairman of the Audit Committee since 2011.
Born: 1945
Education: Master of Business Administration and Economics
Other assignments: Own operations. Board member of Atlasmuren.
Previous experience: CEO of Probo, deputy CEO of Nordstjärnan, executive positions at Retrieva and representative of Credit Suisse.
Independent: Independent in relation to the owners, the company and company management.



Christel Kinning



Rolf Lydahl

Niklas Ekvall

Board member since 2016.
Born: 1963
Education: Lecturer in Finance, Ph.D. Financial Economics and M.Sc Industrial Engineering
Other assignments: CEO, Fourth National Pension Fund.
 Board member of the Hans Dalborg Stiftelse för Bank- och Finansforskning and the KVA Investment Committee.
Previous experience: CEO of Nordea Investment Management; deputy CEO, Third National Pension Fund; executive positions in Nordea, Carnegie and Handelsbanken.
Independent: Owner representative.

Johan Magnusson

Board member and member of the Remuneration Committee since 2008.
Born: 1959
Education: Graduate in Economics
Other assignments: CEO of the First Swedish National Pension Fund.
Board member of Willhem
Previous experience: Executive positions at SEB Wealth Management, SEB Private Banking and ABB Investment Management.
Independent: Owner representative.



Johan Magnusson

Eva Halvarsson

Board member since 2006 and member of the Audit Committee since 2008.
Born: 1962
Education: Master of Business Administration and Economics
Other assignments: CEO, Second National Pension Fund.
 Board member of UN-PRI, the Swedish Royal Opera, IWF and FinansKompetensCentrum.
Previous experience: Tax auditor and head of State ownership administration.
Independent: Owner representative.

Chairman of the Board Mats Wäppling has declined re-election. Ahead of the General Meeting on 3 May 2018, the proposal of the Nomination Committee is that Ulrika Francke be elected to the Board as its new Chairman.

AUDITORS

Öhrlings PricewaterhouseCoopers

Helena Ehrenborg

Auditor in charge
Born: 1965
Other important assignments: Auditor at Pandox, Jernhusen, HSB and Akelius.

Daniel Algotsson

Authorised Public Accountant
Born: 1982
Other important assignments: Auditor at Avida Finans, FCG Fonder, Mangold and Proventus.

Per Uhlén

Stepped down from the Board at the 2017 AGM

Senior executives

Fredrik Wirdenius

CEO
 Born: 1961
 Employed: 2008
 Joined Management Group: 2008
 Education: Civil Engineer.
 Previous experience: Skanska
 Other assignments: Board assignments at Scandic Hotels and RICS Sweden.

Ronald Bäckrud

SVP, Stockholm Region
 Born: 1958
 Employed: 1995
 Joined Management Group: 2008
 Education: Civil Engineer.
 Previous experience: J&W, Vattenbyggnadsbyrå, Skandia and Arne Johnson Förvaltning.
 Other assignments: Board member of Byggherrarna.

Sheila Florell

SVP, General Counsel
 Born: 1965
 Employed: 2005
 Joined Management Group: 2006
 Education: B. Law and estate agent exam.
 Previous experience: If Skadeförsäkring and Association of Swedish Real Estate Agents.
 Other assignments: Board assignments at SSM Holding.

Jan-Erik Hellman

SVP, Uppsala Region
 Born: 1975
 Employed: 2010
 Joined Management Group: 2017
 Education: Civil Engineer.
 Other assignments: Board assignments at Citysamverkan AB
 Previous experience: JLL, ICA Fastigheter.

Christer Nerlich

SVP, CFO
 Born: 1961
 Employed: 1995
 Joined Management Group: 1998
 Education: Master of Business Administration and Economics
 Previous experience: Newsec and FastighetsRenting.
 Other assignments: Board assignments at Akademiska Hus.

Anna Nyberg

SVP, Property development
 Stockholm
 Born: 1973
 Employed: 2007
 Joined Management Group: 2015
 Education: Civil Engineer.
 Previous experience: Hufvudstaden, Ericsson, Dalkia and Stadshypotek.

Kristina Pettersson Post

SVP, Gothenburg Region
 Born: 1964
 Employed: 1993
 Joined Management Group: 2011
 Education: Civil Engineer.
 Previous experience: Byggnadsstyrelsen.
 Other assignments: Board member of Nordstans Samfällighet, Trophi Fastighets AB and CMB Chalmers.

Johanna Skogestig

SVP, CIO
 Born: 1974
 Employed: 2015
 Joined Management Group: 2015
 Education: Civil Engineer.
 Previous experience: AP Fastigheter, Sveafastigheter and Areim
 Other assignments: Board member of Fastighets AB Regio.

Anna Stenkil

SVP, Öresund Region
 Born: 1968
 Employed: 2011
 Joined Management Group: 2016
 Education: Economist
 Previous experience: Proffice, Newsec, Wihlborgs.
 Other assignments: Board member of Fastigheter and Ideon Open.

Cecilia Söderström

SVP, Human Resources
 Born: 1962
 Employed: 2008
 Joined Management Group: 2008
 Education: Social worker
 Previous experience: Svenska Spel and Ericsson.
 Other assignments: Board member of Almega Fastighetsarbetsgivarna.

Per Thiberg

SVP, Business development
 Born: 1959
 Employed: 2002
 Joined Management Group: 2010
 Education: Civil Engineer.
 Previous experience: JM and Newsec.

Nicklas Walldan

SVP, Technical Operations & Development
 Born: 1971
 Employed: 2001
 Joined Management Group: 2008
 Education: Civil Engineer.
 Previous experience: Tyréns.
 Other assignments: Board member of Svensk Byggtjänst and Samhällsbyggnadslänken at KTH Royal University of Technology.

Peter Östman

SVP, Corporate Communications
 Born: 1961
 Employed: 1998
 Joined Management Group: 1998
 Education: Master of Business Administration and Economics
 Previous experience: Storstaden.



Fredrik Wirdenius



Ronald Bäckrud



Sheila Florell



Jan-Erik Hellman



Christer Nerlich



Anna Nyberg



Kristina Pettersson Post



Johanna Skogestig



Anna Stenkil



Cecilia Söderström



Per Thiberg



Nicklas Walldan



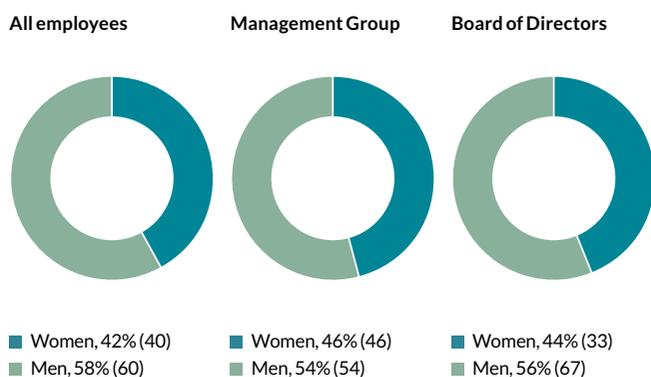
Peter Östman

Other information

Personnel

At 31 December 2017, the number of employees was 349 (339). Vasakronan promotes the diversity of society in the composition of its personnel. All employees and job applicants will be treated equally, and no discrimination will be accepted. Further information related to staff composition can be found on page 123 of this printed document.

Distribution of women and men



Sustainability reporting

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Vasakronan has chosen to prepare its sustainability report separately from its Annual Report. The Sustainability Report can be found on pages 114–126 in this printed document.

Appropriation of profit

A dividend of SEK 4 billion has been proposed to the General Meeting. 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. Refer to page 108.

Events after the balance-sheet date

In addition to the proposed dividend in accordance with the above as well as page 109 and Note 35, no significant events occurred after the balance-sheet date that impact the assessment of Vasakronan's financial position.

Future performance

The assessment for 2018 is for the rental market to remain strong, with continued strong demand for office premises in good locations. This means excellent prerequisites for improving net operating income and a slightly higher occupancy rate. The targets for 2018 are an increase in net operating income in comparable property holdings of 6% and an occupancy rate of not less than 93.5% at year end.

The healthy rental market also creates favourable prerequisites for the continued development of Vasakronan's property holdings. Planning of additional projects is in progress, and the assessment is that approximately SEK 3 billion will be invested in 2018.



"Helix," a stylised strand of DNA rising towards the sky, like all the thoughts and ideas that fly within the walls of the building, is the first thing that greets visitors to the Hub at Uppsala Science Park. Artist Monika Grymala worked for a year on the piece, which was delivered in 35 parts and weights 2.9 tons.

Consolidated income statement

Amounts in SEK million	2017	2016	Note
Rental revenue	6,490	6,251	4, 5
Operating expenses	-662	-681	
Repairs and maintenance	-110	-105	
Property administration	-331	-300	7
Property tax	-544	-544	
Ground rents	-165	-162	
Total property expenses	-1,812	-1,792	6
Net operating income	4,678	4,459	
Central administration	-97	-87	6, 7
Result from participations in joint ventures	-3	-3	
Interest income	2	10	11
Interest expense	-1,167	-1,162	12
Profit before value changes and tax	3,413	3,217	
Change in value of investment properties	7,973	12,056	13
Change in value of financial instruments	468	-764	15
Divested/impaired goodwill	-26	-18	18
Profit before tax	11,828	14,491	
Current tax	-95	0	17
Deferred tax	-2,464	-3,019	17
Profit for the year	9,269	11,472	
Other comprehensive income			
<i>Items that may be reclassified¹⁾</i>			
Cash-flow hedges	-	17	
Income tax on cash-flow hedges	-	-4	
<i>Items that may not be reclassified²⁾</i>			
Pensions, revaluation	-14	-89	29
Restriction for surplus in pension plan with asset cap	3	16	29
Income tax on pensions	2	16	
Other comprehensive income for the year, net of tax	-9	-44	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR³⁾	9,260	11,428	
Key metrics			
Surplus ratio, %	72.1	71.3	
Interest coverage ratio, multiple	3.9	3.8	

1) Items that may be reclassified to profit or loss.

2) Items that will not be reclassified to profit or loss.

3) 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 year to SEK 6,490 million (6,251). In comparable property holdings, the increase was 5% and was mainly attributable to higher gross rents from new lettings contracted and from renegotiated leases.

New lettings corresponding to 167,000 sq. m. (140,000) and annual rent of SEK 613 million (475) were contracted, of which 18% (17) impacted on revenue in 2017. Of the year's new lettings, 23% (5) were attributable to new construction projects. Notice of termination was received during the period (tenant will be vacating) corresponding to annual rent of SEK 446 million (414), whereby net lettings amounted to SEK 167 (61) million.

Renegotiations and lease extensions during the year corresponded to annual rent of SEK 1,036 million (807), resulting in an increase on the previous rent payable of 10.2% (10.6). Of all the contracts up for renegotiation over the last 12 months, 64% (76) of the tenants decided to extend their contracts. The change between the years is attributable to SEB having moved out of Sergelhuset in Stockholm.

Contracted rent at the end of the year amounted to SEK 6,638 million (6,481) and the average remaining maturity was 4.2 years (4.3). At year end, the occupancy rate was 93.1% (94.2). Of total vacancies, 2.5 percentage points (0.4) were attributable to ongoing projects and 0.3 percentage points (0.3) to vacant development properties. When SEB vacated Sergelhuset, the negative impact on the occupancy rate was 1.4 percentage points.

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2018	1,349	1,142	17
2019	958	1,167	18
2020	830	1,120	17
≥2021	1,146	2,865	43
Total	4,283	6,294	95
Residential	1,168	99	1
Garage	-	245	4
Total	5,451	6,638	100

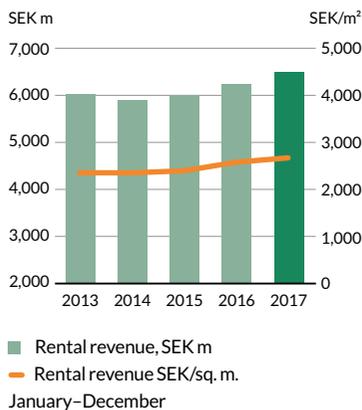
Maturity structure for contracted rent.

Widely distributed over many tenants

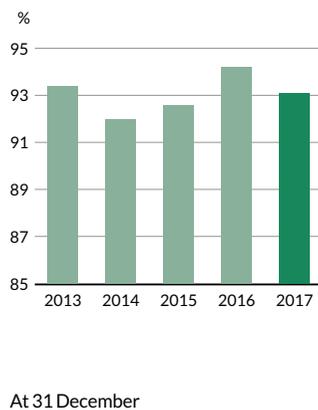
	Share in %
Swedish Police Authority	3
Ericsson	3
H&M	2
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
Ährléns	1
Ramböll	1
Sony Mobile	1
KPMG	1
Total	17

Largest tenants, share of contracted rent

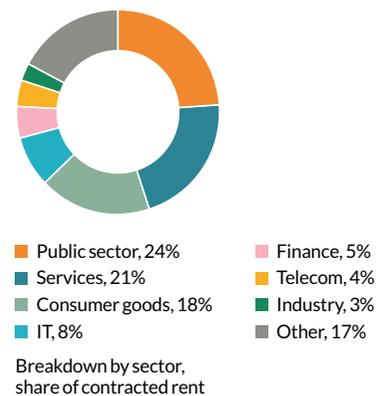
Rising rental revenue



Stable occupancy rate



Public sector comprises largest share of tenants



Property expenses

Property expenses amounted to SEK 1,812 million (expense: 1,792) for the period. For comparable property holdings, the increase in property expenses was 2.1% (5). The increase was primarily due to higher property administration costs.

The portfolio's energy performance improved to 100 kWh/sq. m. (110) at year end.

Net operating income

Net operating income increased during the period to SEK 4,678 million (4,459). For comparable property holdings, the increase in net operating income was almost 6.0% (3). The surplus ratio was 72% (71).

The assessment for 2018 is for the rental market to remain strong. This means excellent prerequisites for improving net operating income in comparable property holdings and a slightly higher occupancy rate. The targets for 2018 are an increase in net operating income in comparable property holdings of 6% and an occupancy rate of not less than 93.5% at year end.

Administration

Property administration costs were SEK 331 million (expense: 300) and central administration costs were SEK 97 (expense: 87) million. The changes were primarily attributable to higher personnel costs. The number of employees during the year increased by 10.

Net interest

Net interest expense deteriorated slightly to SEK 1,165 million (expense: 1,152) due to a larger loan portfolio during the period. The average interest rate for loans and derivatives decreased to 1.7% (2.0) at the end of the period.

The average fixed-interest tenor increased to 4.5 years (4.3), primarily due to the acquisition of new, extended interest-rate derivatives during the year. The proportion of loans with fixed-interest maturities within 1 year was 41% (45) and fixed-interest maturities in 5 years or more amounted to 43% (42) of interest-bearing liabilities.

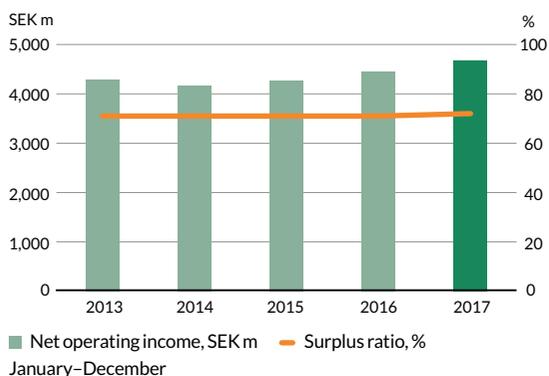
The interest coverage ratio increased to a multiple of 3.9 (3.8) as a result of improved net operating income. The policy for the interest coverage ratio does not permit it falling below a multiple of 1.9.

Sensitivity analysis

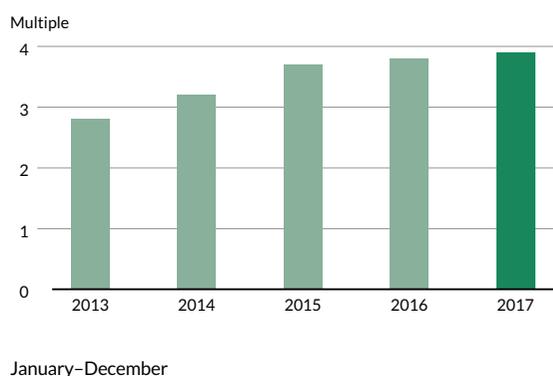
	Change	Impact on profit before tax, SEK m
Economic occupancy rate	+/- 1%	+/- 75
Rental revenue	+/- 1%	+/- 65
Price change for renegotiated leases terminating in 2018	+/- 1%	+/- 11
Property expenses	+/- 1%	-/+ 18
Net interest with current fixed-interest tenors and changed interest	+/- 1 percentage point	-/+ 211
Value of interest-rate derivatives if average interest rates change	+/- 1 percentage point	+/- 1,742
Market value of properties ¹⁾	+/- 1%	+/- 1,269

1) The market value is in turn impacted by other factors, refer to the sensitivity analysis on page 93.

High surplus ratio



Improved interest coverage ratio



Profit before value changes and tax

Profit before value changes and tax was SEK 3,413 million (3,217), up 6.1%. The increase was due to higher net operating income.

Change in value of investment properties

At 31 December 2017, 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 7,973 million (12,056), which corresponded to a 6.9% (11.6) increase in value. The increase was primarily attributable to rising market rents, particularly in the Stockholm portfolio, which rose 8.5%.

On average, the yield requirement for the portfolio was 4.5%, compared to 4.6% for corresponding properties at the end of 2016.

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 63,727 million (52,781). The increase was mainly attributable to currency hedges on borrowings in NOK and an adjustment to fixed-interest tenors on bonds

issued at a fixed rate. The value change in derivatives was SEK 468 million (negative: 764), which was due to higher long-term interest rates during the year. Vasakronan opted for early redemption of interest-rate derivatives for a nominal value of SEK 3,200 million (2,900) during the year. With that, a previously recognised loss of SEK 359 million (loss: 519) was realised. At the same time, new interest-rate derivatives were acquired with longer maturities.

Tax

The Group reported a total tax expense of SEK 2,559 million (expense: 3,019). Of the tax expense for the period, SEK 95 million (0) was current tax and SEK 2,464 million (3,019) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments. The effective tax rate amounted to 21.6% (20.8) during the period.

Vasakronan has a tax policy that has been established by the Board to ensure that tax issues are managed in a societally responsible way. For more information on Vasakronan's tax policy, please see Vasakronan's website and the section on GRI.

At the end of the period, Vasakronan was not involved in any tax litigation.

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	8.5	5.5
Gothenburg	4.9	0.9
Öresund	0.2	0.0
Uppsala	8.4	0.5
Total Vasakronan		6.9

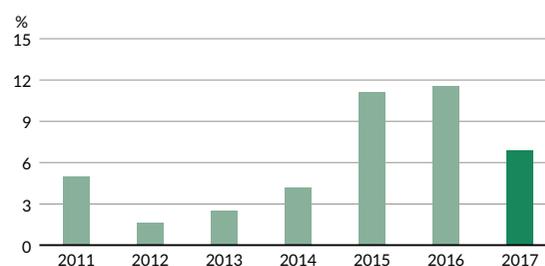
Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Property management	6.6	5.7
Development properties	7.9	0.9
Transactions	-	0.3
Total Vasakronan		6.9

Factors impacting value¹⁾

	Value impact, %
Yield requirement	2.1
Market rents	4.8
Total	6.9

1) The increase in value was also due to investments and other factors impacting value that have been allocated proportionally across yield requirements and market rents.

Value change in the total portfolio

Consolidated balance sheet

Amounts in SEK million	2017	2016	Note
ASSETS			
Non-current assets			
Intangible assets	2,145	2,171	18
Property, plant and equipment (PPE)			
Investment properties	126,875	115,922	4, 19
Equipment	46	54	20
	126,921	115,976	
Financial assets			
Shares and participations in joint ventures	368	372	22
Derivatives	242	423	32
Other non-current receivables	313	58	23
	923	853	
Total non-current assets	129,989	119,000	
Current assets			
Accounts receivable	20	31	24
Receivables from joint ventures	1	111	
Current tax assets	-	15	
Derivatives	33	35	32
Other current receivables, prepaid expenses and accrued income	817	717	25
Cash and cash equivalents	1,423	2,147	26
Total current assets	2,294	3,056	
TOTAL ASSETS	132,283	122,056	
EQUITY AND LIABILITIES			
Equity			
Share capital	4,000	4,000	
Other contributed capital	4,227	4,227	
Retained earnings	43,150	37,890	
Total equity	51,377	46,117	
Non-current liabilities			
Non-current interest-bearing liabilities	44,711	39,334	27
Deferred tax liability	16,824	14,362	17
Derivatives	2,699	3,383	32
Other non-current liabilities	55	198	28
Provision for pensions	86	80	29
Total non-current liabilities	64,375	57,357	
Current liabilities			
Current interest-bearing liabilities	13,710	15,906	27
Accounts payable	124	132	
Liabilities joint ventures	17	-	
Current tax liabilities	80	-	
Derivatives	3	-	32
Other current liabilities, accrued expenses and deferred income	2,597	2,544	30
Total current liabilities	16,531	18,582	
TOTAL EQUITY AND LIABILITIES	132,283	122,056	
Key metrics			
Net interest-bearing liabilities, SEK m	56,998	53,093	
Equity/assets ratio, %	39	38	
LTV, %	45	46	

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 2017, goodwill was SEK 2,045 million (2,071), and the decline was primarily due to impairment of goodwill and 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 2017, based on external appraisals the estimated market value of Vasakronan's property portfolio was SEK 126,875 million compared with SEK 115,922 million at year-end 2016. The change in value during the period was SEK 7,973 million (12,056) and the remaining change in the market value comprised net investments. Refer to Note 13 on page 97 for more detailed disclosures.

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 2017, 84% (77) of the portfolio had environmental certification.

Property projects

Ongoing property projects have a total investment volume of SEK 9,397 million (3,423), of which SEK 2,663 million (2,061) had been capitalised as of 31 December. The occu-

pancy rate for major projects was 44% (72) at the end of the period. Several major projects with a low initial occupancy rate are in the start-up phase, including Sergelhuset and Platinan. 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.

During the quarter, work began on the detailed development plan encompassing the Nattugglan property, comprising a total area of 15,000 sq. m., and which is located at Medborgarplatsen in Södermalm. The investment amounts to an estimated SEK 800 million and the property is expected to be completed by mid-2021. A lease has been signed with Tyréns, and the occupancy rate 80% when construction started. Construction on Priorn 5 in Malmö started when the detailed development plan entered force. An agreement was signed with COWI and Region Skåne, which means that 47% was already leased at the start of construction.

During the quarter, Hubben at Uppsala Science Park and Nöten 5 at Solna Strand were completed. Both properties were fully leased at the time of completion.

Higher property values

SEK m	2017	2016
Opening balance, 1 January	115,922	103,894
Investments	2,543	2,035
Acquisitions, consideration	1,049	58
Sales, consideration	-612	-2,121
Change in value	7,973	12,056
Closing balance, 31 December	126,875	115,922

Large investments in property projects

Location	Property	Total investments, SEK m	Capitalised, SEK m	Share capitalised, %	Premises area, sq. m.	Estimated completion date	Occupancy rate, % ¹	Environmental certification
Stockholm	Sergelhuset	3,100	480	15	62,000	Dec 2021	4	LEED
Gothenburg	Platinan	1,800	252	14	35,500	Dec 2020	54	LEED
Stockholm	Nattugglan, block 2	800	31	4	15,000	June 2021	80	LEED
Malmö	Priorn 5	580	41	7	13,200	Dec 2019	47	LEED
Uppsala	Kronåsen 1:1 Hubben	485	475	98	12,850	Dec 2017	100	LEED
Uppsala	Kronåsen 1:1 Celsius	420	18	4	10,150	Dec 2020	82	LEED
Stockholm, Frösunda	Hilton 7	390	303	78	11,000	Jan 2019	2	LEED
Stockholm	Styrpinnen 15	190	25	13	3,850	June 2019	0	LEED
Gothenburg	Drivhuset	190	153	80	12,200	April 2018	64	SGBC ²
Stockholm	Part of Nöten 5	184	181	98	4,400	Nov 2017	100	LEED
Gothenburg	Part of Läppstiftet	175	147	84	8,800	June 2018	84	LEED ²⁾
Gothenburg	Bohusgatan	114	23	20	5,400	Dec 2018	100	LEED
Total major property projects		8,428	2,129	25			44	
Other projects		969	534					
Total		9,397	2,663					

1) Calculated based on area.

2) Pertains to the property's prior certification. The project pertains to part of the property and separate certification of the project will not be carried out.

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 2017, the deferred tax liability was SEK 16,824 million (14,362) 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 56,998 million (53,093), primarily due to dividends distributed during the year. The average loan-to-maturity increased to 3.8 years (3.4) and the average loan-to-maturity taking into consideration unutilised credit commitments increased to 4.4 years (3.9). The proportion of commercial paper fell to 12% (17) of the total loan portfolio. The proportion of loans maturing within the next 12 months decreased to 23% (29), due to decreased commercial paper borrowing. The percentage of loans maturing in 5 years or more increased to 27% (16) of interest-bearing liabilities, which is attributable to newly acquired loans with longer maturities.

Vasakronan strives to diversify borrowing by allocating across several different sources of funding. At the end of the period, the share of capital market financing was 68% (72) and the share of bank financing was 32% (28). The aim is to increase the share of unsecured bank financing which, during the year, increased to 6% (1) of the total loan portfolio. During the year, Vasakronan issued bonds for SEK 10.3 billion (8.0) in the Swedish capital market, as well as for NOK 2.8 billion (2.9) in the Norwegian capital market. This makes Vasakronan the largest issuer in the Swedish capital market. Secured bank loans of SEK 3.2 billion (4.6) were obtained and at year end, bank loans outstanding secured against mortgage deeds amounted to 12% (13) of the Group's total assets. The treasury policy states that collateralised loans must not exceed 20% of total assets. Total green bonds outstanding increased during the period

to SEK 8.0 billion (5.2). During the period, unsecured green loan agreements were signed for a total of SEK 4.3 billion (0.5). The percentage of green funding consisting of green bonds and green loans¹⁾ increased during the period to 20% (10) of the total loan portfolio.

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 1,423 million (2,147), the unutilised credit facility of SEK 18,000 million (18,000) and the unutilised portion of the EIB loan of SEK 1,370 million (-) together correspond to 152% (127) of loans maturing over the next 12 months or all loan maturities through July 2019.

Credit margins in the Swedish bond market have steadily fallen over the year and access to capital is assessed as being very good in both the banking and capital markets.

1) A loan where the liquidity goes to investments that help lower energy use and reduce environmental impact.

Diversified funding with healthy reserves

SEK m	Loan limit	Amount utilised	Share, %
Commercial paper	20,000	6,948	12
MTNs	50,000 ¹⁾	17,652	30
Green MTNs		8,035	14
Inflation-linked MTNs		450	1
NOK MTNs		6,660 ²⁾	11
Secured bank loans	15,290	15,290	26
Nordic Investment Bank (NIB)	2,790	2,790	5
European Investment Bank (EIB)	1,966 ³⁾	596	1
Subscription commitment	18,000		
Total		58,421	100

1) Joint loan limit for EUR, SEK and NOK.

2) The amount corresponds to NOK 6,650 million and is fully hedged.

3) The amount corresponds to EUR 200 million.

The average fixed-interest tenor increased to 4.5 years (4.3) and the loan-to-maturity increased to 3.8 years (3.4).

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0-1 year	24,148	41	13,710 ¹⁾	23
1-2 years	1,530	3	11,686	20
2-3 years	2,314	4	6,774	12
3-4 years	3,690	6	6,318	11
4-5 years	1,989	3	4,320	7
5 years or more	24,750	43	15,613	27
Total	58,421	100	58,421	100

1) The subscription commitment from owners of SEK 18,000 million, unutilised loan commitments from the EIB of SEK 1,370 million plus cash and cash equivalents of SEK 1,423 million corresponded to 152 percent of loans maturing in the next 12 months.

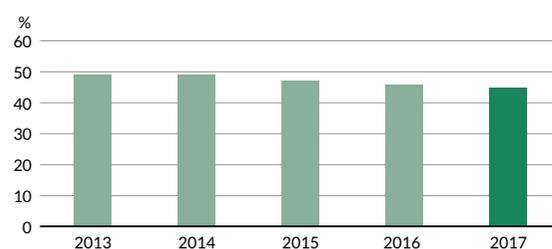
Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other contributed capital	Other reserves	Retained earnings	Total equity
Equity, opening balance at 1 Jan 2016	4,000	4,227	-13	33,031	41,245
Cash-flow hedges, after tax	-	-	13	-	13
Profit for the year	-	-	-	11,472	11,472
Other comprehensive income	-	-	-	-57	-57
Comprehensive income for the year	-	-	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, opening balance at 1 Jan 2017	4,000	4,227	-	37,890	46,117
Profit for the year	-	-	-	9,269	9,269
Other comprehensive income	-	-	-	-9	-9
Comprehensive income for the year	-	-	-	9,260	9,260
Dividends	-	-	-	-4,000	-4,000
Equity, closing balance at 31 Dec 2017	4,000	4,227	-	43,150	51,377

Equity

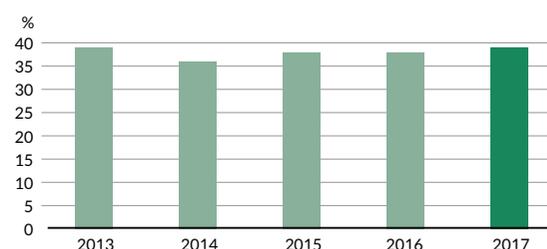
Equity increased during the year to SEK 51,377 million (46,117) due to positive comprehensive income of SEK 9,269 million (11,472). The equity/assets ratio was 39% (38) and the LTV was 45% (46).

Lowered LTV



At 31 December

Strengthened solvency



At 31 December

Consolidated cash-flow statement

Amounts in SEK million	2017	2016	Note
Operating activities			
Profit before value changes and tax	3,413	3,217	
Adjustment for non-cash items	11	7	33
Net interest	1,165	1,152	
Interest paid	-1,193	-1,201	
Interest received	2	10	
Taxes paid	-15	-48	
Cash flow before changes in working capital	3,383	3,137	
Increase (-)/decrease (+) in operating receivables	-233	9	
Increase (+)/decrease (-) in operating liabilities	-39	293	
Cash flow from operating activities	3,111	3,439	
Investing activities			
Investments in existing property	-2,543	-2,035	19
Property acquisitions	-1,049	-58	19
Property divestments	612	2,121	
Other PPE, net	-5	-11	
Other financial assets, net	-	6	
Cash flow from investing activities	-2,985	23	
Cash flow after investing activities	126	3,462	
Financing activities			
Dividends and Group contributions	-4,000	-7,382	35
Raised debt: interest-bearing liabilities	19,193	16,993	
Repayment of debt: interest-bearing liabilities	-15,684	-12,708	
Redemption of financial instruments	-359	-519	
Cash flow from financing activities	-850	-3,616	
Cash flow for the period	-724	-154	
Opening balance, cash and cash equivalents	2,147	2,301	
Cash flow for the period	-724	-154	
Closing balance, cash and cash equivalents	1,423	2,147	26

Comments to the consolidated cash-flow statement

Cash flow from operating activities before changes in working capital improved SEK 246 million to SEK 3,383 million (3,137). The improvement was primarily attributable to higher net operating income. Cash flow from working capital deteriorated by SEK 574 million, which was mainly due to increased deposits to cover margin calls on currency derivatives outstanding. Due to the above, cash flow from operating activities after changes in working capital declined to SEK 3,111 million (3,439).

Investments in existing properties increased during the period to SEK 2,543 million (2,035) due to major investments in projects. Furthermore, due to property acquisitions and fewer property sales, an outflow of SEK 670 million (inflow: 2,063) was charged to cash flow. Cash flow after investing activities thus amounted to SEK 126 million (3,462).

In total, net borrowing for the year amounted to SEK 3,150 million (4,285). Dividends paid to owners of SEK 4,000 million (7,382) impacted cash flow from financing activities, which amounted to an outflow of SEK 850 million (outflow:

3,616). In total, cash and cash equivalents declined SEK 724 million (decrease: 154) and was SEK 1,423 million (2,147) at the end of the period.

Stable cash flow from operating activities



Property divestments

Property	Location	Buyer	Purchase price, SEK m	Transfer date
Part of Skytteholm 2:24	Stockholm	Swedish Transport Administration	4	23 Jan 2017
Part of Gullbergsvass 1:16, 16:1 and 3:3	Gothenburg	Gothenburg municipality	170	31 Mar 2017
Benzelius 1	Lund	Hemsö	150	1 Jun 2017
Kungsängen 37:1	Uppsala	Klövern	285	2 Oct 2017
Part of Telefonfabriken 1	Stockholm	HSB	32	21 Nov 2017
Total property value			641	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-29	
Total purchase price			612	

Property acquisitions

Property	Location	Seller	Purchase price, SEK m	Transfer date
Hammarby Gård 12	Stockholm	Skanska	900 ¹⁾	1 Dec 2017
Solna Järva 2:28, 2:35, 2:36	Solna	Järvastaden	149 ²⁾	19 Dec 2017
Total property value			1,049	

1) Net after deduction for deferred tax.

2) Acquisitions from associated companies. An agreement was signed concerning resale to an external party with vacancy in 2018.

Parent Company financial statements

INCOME STATEMENT

Amounts in SEK million	2017	2016	Note
Net sales	453	423	
Operating expenses	-565	-525	7-10
Capital gain on sales	-	1	13
EBIT	-112	-101	
Financial items			
Profit from participations in subsidiaries	3,500	10,796	14
Result from participations in joint ventures	0	0	
Interest income	57	70	11
Interest expense	-1,184	-1,189	12
Profit before value changes and tax	2,261	9,576	
Change in value of financial instruments	468	-764	15
Appropriations	-142	-	16
Profit before tax	2,587	8,812	
Tax	-326	74	17
Profit for the year	2,261	8,886	
STATEMENT OF COMPREHENSIVE INCOME			
<i>Items that may be reclassified</i>			
Cash-flow hedges	-	17	
Income tax on cash-flow hedges	-	-4	
Other comprehensive income for the year, net of tax	-	13	
Total comprehensive income for the year	2,261	8,899	

CHANGE IN EQUITY

Amounts in SEK million	Share capital ¹	Retained earnings	Total equity
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
Total comprehensive income	-	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
Equity, opening balance at 1 Jan 2017	4,000	6,939	10,939
Profit for the year	-	2,261	2,261
Total comprehensive income	-	2,261	2,261
Dividends	-	-4,000	-4,000
Equity, closing balance at 31 Dec 2017	4,000	5,200	9,200

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

BALANCE SHEET

Amounts in SEK million	2017	2016	Note
ASSETS			
Non-current assets			
Equipment	19	25	20
Shares and participations in subsidiaries	30,610	30,759	21
Receivables from subsidiaries	9,196	9,771	
Shares and participations in joint ventures	1	1	22
Deferred tax assets	246	478	17
Derivatives	242	423	32
Other non-current receivables	309	54	23
Total non-current assets	40,623	41,511	
Current assets			
Accounts receivable	0	0	24
Receivables from subsidiaries	29,897	28,326	
Receivables from joint ventures	150	110	
Current tax assets	-	15	
Derivatives	33	35	32
Other current receivables, prepaid expenses and accrued income	396	298	25
Cash and cash equivalents	1,420	2,146	26
Total current assets	31,896	30,930	
TOTAL ASSETS	72,519	72,441	

BALANCE SHEET

Amounts in SEK million	2017	2016	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	2,939	-1,947	
Profit for the year	2,261	8,886	
	5,200	6,939	
Total equity	9,200	10,939	
Untaxed reserves	186	44	16
Non-current liabilities			
Non-current interest-bearing liabilities	44,711	39,334	27
Liabilities to subsidiaries	-	100	
Derivatives	2,699	3,383	32
Other non-current liabilities	54	158	28
Provision for pensions	3	4	
Total non-current liabilities	47,467	42,979	
Current liabilities			
Current interest-bearing liabilities	13,710	15,906	27
Accounts payable	4	6	
Current tax liabilities	80	-	
Liabilities to subsidiaries	1,415	2,041	
Derivatives	3	-	32
Other current liabilities, accrued expenses and deferred income	454	526	30
Total current liabilities	15,666	18,479	
TOTAL EQUITY AND LIABILITIES	72,519	72,441	

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 453 million (423), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered. The change in the value of financial instruments was SEK 468 million (negative: 764), which was due to higher long-term interest rates, see page 81. Profit before tax was SEK 2,587 million (8,812). Closing cash and cash equivalents amounted to SEK 1,420 million (2,146).

CASH-FLOW STATEMENT

Amounts in SEK million	2017	2016	Note
Operating activities			
Profit before value changes and tax	2,261	9,576	
Add back of financial income and expenses, net	-2,373	-9,677	
Adjustment for non-cash items	27	9	33
Interest paid	-1,180	-1,187	
Interest received	57	70	
Taxes paid	-15	-47	
Cash flow before changes in working capital	-1,223	-1,256	
Increase (-)/decrease (+) in operating receivables	-5,915	4,394	
Increase (+)/decrease (-) in operating liabilities	-859	-1,822	
Cash flow from operating activities	-7,997	1,316	
Investing activities			
Acquisitions of equipment	-7	-6	
Divestments of equipment	4	3	
Acquisition of shares in subsidiaries	-	0	
Divestment of shares in subsidiaries	-	1	
Dividends received from subsidiaries	8,124	2,148	
Cash flow from investing activities	8,121	2,146	
Cash flow after investing activities	124	3,462	
Financing activities			
Dividends and Group contributions to Parent Company	-4,000	-7,382	35
Raised debt: interest-bearing liabilities	19,193	16,993	
Repayment of debt: interest-bearing liabilities	-15,684	-12,708	
Redemption of financial instruments	-359	-519	
Cash flow from financing activities	-850	-3,616	
Cash flow for the period	-726	-154	
Opening balance, cash and cash equivalents	2,146	2,300	
Cash flow for the period	-726	-154	
Closing balance, cash and cash equivalents	1,420	2,146	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 21 March 2018 and will be submitted to the Annual General Meeting for adoption on 3 May 2018.

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 2017. 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.

IAS 7 has impacted disclosures pertaining to the cash-flow statement. No other IFRS changes that entered force in 2017 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 millions, 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, larger amounts 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 administration 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 the accumulated impairments.

2.8 Investment properties

All properties in the Group are classified as investment properties on the basis that they are 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, 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 directly in other comprehensive income or 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 assets and tax liabilities 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 an 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 2017 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 will be applied by the Group for financial years starting 1 January 2018. In accordance with the standard's transition rules, the Group will not restate comparative figures for the 2017 financial year. In autumn 2017, an analysis and valuation were carried out of the Group's financial instruments. The assessment is that the new classification and measurement rules will not have any material impact on the Group's financial position at the transition date. Nor will the new impairment model, which is based on expected credit losses instead of on incurred credit loss events, have any material impact since, historically, credit losses have been low and, given the risk nature of the receivables, these are expected to remain low going forward.

IFRS 15 will be applied by the Group for financial years starting 1 January 2018. The comparative figures for 2017 will not be restated. The effects of a transition to IFRS 15 were analysed in autumn 2017. The Group's revenue is essentially rental revenue, which is recognised pursuant to IAS 17 Leases. Other revenue is not a significant amount and is assessed as only leading to expanded disclosure requirements. In respect of property sales and assuming customary contractual conditions, these are recognised on the date of taking possession and are not adjudged to be affected by IFRS 15. Consequently, the transition to IFRS 15 will have no effect on consolidated equity.

IFRS 16 Leases applies from 1 January 2019 and replaces IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27. For lessees, the standard will no longer distinguish between operating and financial leases. Lessor accounting remains essentially unchanged. IFRS 16 will impact the consolidated accounting for leases where the company is the lessee. Among other things, the Group's ground rent agreements will be recognised in the balance sheet and thus increase total assets. The income statement will be impacted, since the Group will have increased financial expenses and reduced leasing fees in operating profit. The assessment is that the introduction of the standard will have limited impact on the financial statements, since the Group is primarily a lessor. The effects will be quantified in 2018. 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 97 contains more detailed information on assessments and assumptions.

Yield requirements on valuation at 31 Dec 2017, %

	Lowest-Highest	Average
Central Stockholm	3.55-5.40	4.24
Stockholm's inner suburbs	4.30-7.50	5.34
Gothenburg	3.90-5.00	4.63
Malmö	4.10-5.50	5.03
Lund	4.10-5.90	5.57
Uppsala	4.80-6.15	5.41

Sensitivity analysis – market values

Factors impacting value		Value impact, %	Value impact, SEK m
Yield requirement and cost of capital	+1 percentage point	-17.6	-22,352
Yield requirement and cost of capital	-1 percentage point	27.7	35,197
Market rents	+/- SEK/50 sq. m.	+/- 1.9	+/- 2,422
Operating and maintenance costs	+/- SEK/25 sq. m.	-/+1.0	-/+1,211
Long-term vacancy rate	+1/- percentage point	-/+1.1	-/+1,423

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 2017 and 2016 were asset acquisitions.

3.3 Recoverable amount for goodwill

Goodwill arises on the difference between the nominal and the calculated tax applied for business combinations.

The value of goodwill is tested each quarter 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 2017, the assessment was that when marked-to-market deferred tax averaged 6.6% (5.5).

Valuation assumptions at 31 Dec 2017, weighted average

Inflation assumption	2.0%
Cost of capital – cash flow	6.25%
Cost of capital – residual value	6.49%
Yield – residual value	4.48%
Long-term vacancy rate	4.76%
Operating and maintenance costs, year 1	SEK 404/sq. m.
Investments, year 1	SEK 1,033/sq. m.
Market rent (at zero vacancies)	SEK 3,031/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. Thereafter, only the change in value of investment properties and divested/impaired goodwill is broken down by segment. Other revenue

and costs are assessed as Group-wide and are therefore not allocated by segment. 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Rental revenue	4,026	3,840	1,246	1,205	755	756	463	450	-	-	6,490	6,251
Operating expenses	-387	-399	-99	-102	-114	-119	-62	-61	-	-	-662	-681
Repairs and maintenance	-64	-64	-14	-15	-17	-15	-15	-11	-	-	-110	-105
Property administration	-167	-151	-67	-60	-58	-52	-39	-37	-	-	-331	-300
Property tax	-358	-357	-100	-98	-60	-62	-26	-27	-	-	-544	-544
Ground rents	-148	-153	-9	-2	-8	-7	0	0	-	-	-165	-162
Property expenses	-1,124	-1,124	-289	-277	-257	-255	-142	-136	-	-	-1,812	-1,792
Net operating income	2,902	2,716	957	928	498	501	321	314	-	-	4,678	4,459
Central administration	-	-	-	-	-	-	-	-	-97	-87	-97	-87
Result from participations in joint ventures	-	-	-	-	-	-	-	-	-3	-3	-3	-3
Interest income	-	-	-	-	-	-	-	-	2	10	2	10
Interest expense	-	-	-	-	-	-	-	-	-1,167	-1,162	-1,167	-1,162
Profit before value changes and tax											3,413	3,217
Change in value of investment properties	6,325	8,472	1,067	2,106	20	924	561	554	-	-	7,973	12,056
Change in value of financial instruments	-	-	-	-	-	-	-	-	468	-764	468	-764
Divested/impaired goodwill	-	-13	-16	-4	-4	-1	-6	-	-	-	-26	-18
Profit before tax											11,828	14,491
Balance sheet	Stockholm		Gothenburg		Öresund		Uppsala		Group-wide		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Investment properties	82,978	74,299	23,688	22,147	12,667	12,605	7,542	6,871	-	-	126,875	115,922
of which, investments during the year	1,339	1,169	644	423	182	158	378	285	-	-	2,543	2,035
of which, acquisitions/sales during the year	1,016	-1,960	-170	0	-141	-50	-267	-53	-	-	438	-2,063
Goodwill	1,083	1,083	446	461	436	441	80	86	-	-	2,045	2,071
Other assets	-	-	-	-	-	-	-	-	3,363	4,063	3,363	4,063
Total assets	84,061	75,382	24,134	22,608	13,103	13,046	7,622	6,957	3,363	4,063	132,283	122,056

With the exception of development properties, no properties were entirely vacant in 2017 and 2016. Rental revenue also includes rental revenue from sold properties.

NOTE 5 Rental revenue**Change in the Group's rental revenue between 2016 and 2017**

Rental revenue as per income statement, 2016	6,251
Change in comparable property holdings	245
Plus development properties	-2
Plus acquired properties	4
Less sold properties	-8
Rental revenue as per income statement, 2017	6,490

Total rental revenue was SEK 6,490 million, of which SEK 46 million (36) comprised turnover rent.

Lease portfolio expiry structure

	No. of contracts	Annual rent, SEK m
Expires within 1 year ¹⁾	2,517	1,241
2019	958	1,167
2020	830	1,120
2021	394	734
2022	174	573
More than 5 years	578	1,803
Total	5,451	6,638

1) Of which, 1,168 residential leases with annual rents amounting to SEK 98 million.

At year end, the average term for the lease portfolio was 4.2 years (4.3). Of contracted rents, 95% (95) pertained to commercial leases and 5% (5) to leases for residential and parking facilities. There are some 4,300 commercial leases (4,200) allocated across tenants in a number of different industries, of which public sector tenants account for 24% (24) 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	
	2017	2016
Repairs and maintenance	-110	-105
Property tax	-544	-544
Ground rents	-165	-162
Other direct property expenses	-657	-677
Personnel costs	-391	-350
Depreciation	-16	-16
Other external expenses	-26	-25
Total	-1,909	-1,879

Recognised in profit or loss:

Property expenses	-1,812	-1,792
Central administration	-97	-87
Total	-1,909	-1,879

	Group	
	2017	2016
Ground rent agreements		
Expires < 1 year	4	11
> 1 year but < 5 years	6	44
> 5 years	1,104	774
Total	1,114	829

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

Expected outcomes have been forecast for ongoing negotiations.

NOTE 7 Administration

	Group	
	2017	2016
Personnel costs	-285	-257
Procured services	-49	-41
IT	-45	-41
Marketing	-14	-15
Depreciation, equipment	-11	-11
Other	-24	-22
Total	-428	-387

Recognised in profit or loss:

Property administration	-331	-300
Central administration	-97	-87
Total	-428	-387

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	
	2017	2016
<i>PwC</i>		
Audit engagement	1.1	1.4
Audit activities other than the audit engagement	0.1	0.1
Tax advice	0.1	0.2
Other services	-	0.4
<i>Ernst & Young</i>		
Audit engagement	-	0.0
Audit activities other than the audit engagement	-	0.1
Tax advice	-	0.0
Other services	-	0.0
Total	1.3	2.2

The costs 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

	2017		2016	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	345	41%	338	39%
Group	345		338	

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	
	2017	2016	2017	2016
Senior executives ¹⁾	29	28	29	28
Other employees	193	183	193	183
Total salaries and benefits	222	211	222	211
Pension costs	70	55	70	55
Social security costs	90	84	90	84
Total	382	350	382	350

2017 Senior executives, SEK 000	Basic salary/Board and committee fees ¹⁾	Other benefits ²⁾	Pension costs	Total
Chairman of the Board: Mats Wäppling	695	–	–	695
Board member: Jan-Olof Backman	260	–	–	260
Board Member: Ann-Sofi Danielsson ³⁾	130	–	–	130
Board member: Christel Kinning	260	–	–	260
Board member: Rolf Lydahl	320	–	–	320
Board Member: Per Uhlén ⁴⁾	125	–	–	125
Chief Executive Officer: Fredrik Wirdenius	6,130	57	1,800	7,987
Other senior executives (12)	21,494	367	9,352	31,213
Total	29,414	424	11,152	40,990

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

1) Remuneration to employees pertains to remuneration paid in 2017, 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.

3) Ann-Sofi Danielsson was elected to the Board at the May 2017 AGM. Board fees amount to SEK 260,000 per year and Audit Committee fees to SEK 25,000 per year.

4) Pertains to fees paid in 2017. Per Uhlén stepped down from the Board in conjunction with the May 2017 AGM.

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 75.

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 2017, 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 2018. Variable compensation for the 2016 financial year was distributed during the year and was also capped at two months' salary. The average outcome corresponded to 1.3 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 92. 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

	2017		2016	
	No. on balance-sheet date	Of whom, women	No. on balance-sheet date	Of whom, women
Board members	9	4	9	3
Senior executives	13	6	13	6

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, 12% (17) pertained to purchases from Group companies. Intra-Group costs mainly comprised rent.

Of the Parent Company's sales during the financial year, 97% (96) pertained to purchases from 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	
	2017	2016	2017	2016
Interest income	2	3	2	2
Other financial income	0	0	0	0
Interest income from Parent Company	-	7	-	7
Interest income from subsidiaries	-	-	55	61
Total	2	10	57	70

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 2017, the external valuations were conducted by Cushman & Wakefield or Forum Fastighetsekonomi.

The market values are assessed using a yield-based valuation method that utilises cash-flow statements with a horizon of at least ten years.

NOTE 12 Interest expense

	Group		Parent Company	
	2017	2016	2017	2016
Interest expense	-1,122	-1,135	-1,122	-1,134
Other financial expenses	-92	-84	-62	-55
Capitalised interest	47	57	-	-
Total	-1,167	-1,162	-1,184	-1,189

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 2017, the average interest rate was 1.89% (2.02).

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	
	2017	2016
Development properties	1,000	1,399
Transactions	346	461
Investment properties:		
Changed yield requirement	2,841	5,554
Change in market rents	5,425	6,714
Changed assumptions pertaining to investments and other value-impacting factors	-1,639	-2,072
Change in value of investment properties	7,973	12,056

The properties sold in 2017 are detailed on page 87. The total rental value for properties sold in 2017 was SEK 36 million. During the year, the Parent Company conducted no sales (SEK 1 million) of properties in a corporate wrapper.

For more information, please refer to the sensitivity analysis on page 80.

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	
	2017	2016
Group contributions received and paid	1,734	917
Dividends from participations in subsidiaries	1,124	9,148
Profit from participations in subsidiaries	661	730
Impairment and reversal of impairment in participations in subsidiaries	-19	1
Total	3,500	10,796

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	
	2017	2016	2017	2016
Interest-rate derivatives	824	-262	824	-262
Settlement of hedged borrowings	-	-1	-	-1
Dissolution of hedging reserve	-	-9	-	-9
Early settlement of derivatives	-359	-519	-359	-519
Valuation allowances for foreign currency loans	160	80	160	80
Valuation allowances for currency derivatives	-160	-80	-160	-80
Electricity derivatives	3	27	3	27
Total	468	-764	468	-764

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	
	2017	2016
Appropriations		
Provision to tax allocation reserve	-142	-
Total	-142	-
Untaxed reserves		
Tax allocation reserve, 2015 fiscal year	44	44
Tax allocation reserve, 2017 fiscal year	142	-
Total	186	44

NOTE 17 Tax

	Group		Parent Company	
	2017	2016	2017	2016
Recognised profit before tax	11,828	14,491	2,587	8,812
Tax on profit according to current tax rate, 22.0%	-2,602	-3,188	-569	-1,939
Tax attributable to previous fiscal years	0	1		0

Tax effect of:

Non-taxable sale of subsidiaries	52	175	-	0
Divested goodwill	-6	-4	-	-
Non-taxable dividend	-	-	247	2,013
Impairment of participations	-	-	-4	0
Other non-taxable income/non-deductible costs	-2	-2	0	0
Other adjustments	-1	-1	0	0
Tax expense recognised	-2,559	-3,019	-326	74
Effective tax rate, Group, %	21.6%	20.8%		

	Group		Parent Company	
	2017	2016	2017	2016
Tax on profit for the year				
Current tax	-95	0	-94	-1
Deferred tax	-2,464	-3,019	-232	75
Total tax on profit for the year	-2,559	-3,019	-326	74

Deferred tax recognised in profit or loss

	Group		Parent Company	
	2017	2016	2017	2016
Derivatives	-182	54	-182	54
Investment properties	-2,223	-3,093	-18	-11
Untaxed reserves	-22	-4	-	-
Tax losses	-36	26	-32	32
Other temporary differences	-1	-2	-	-
Total deferred tax recognised in profit or loss	-2,464	-3,019	-232	75

Deferred tax recognised in the balance sheet

	Group		Parent Company	
	2017	2016	2017	2016
Derivatives	-480	-662	-480	-662
Investment properties	17,247	15,024	234	216
Untaxed reserves	53	31	-	-
Tax losses	-1	-37	-	-32
Other temporary differences	5	6	-	-
Total deferred tax	16,824	14,362	-246	-478

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 5 million (167) at year end. All tax liabilities are expected to fall due after 12 months.

Current and deferred tax for 2017 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 2017, temporary differences on properties from asset acquisitions amounted to negative SEK 2,770 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 30% of the nominal tax rate of 22%, in other words 6.6%, which results in deferred tax of SEK 4,933 million. For more guidance, refer to the key metrics on page 133 and the definition for NNNAV on page 134.

Current and deferred tax for 2017 has been calculated based on a nominal tax rate of 22%.

Gross change in deferred tax

	Group		Parent Company	
	2017	2016	2017	2016
Opening balance	14,362	11,356	-478	-407
Deferred tax recognised in profit or loss	2,464	3,019	232	-75
Deferred tax recognised in equity	-2	-12	-	4
Deferred tax, other	-	-1	-	-
Closing balance	16,824	14,362	-246	-478

NOTE 18 Intangible assets

	Group	
	2017	2016
Goodwill		
Opening balance	2,071	2,088
Divested/impaired goodwill	-26	-18
Closing balance	2,045	2,071
Other intangible assets	Group	
	2017	2016
Opening balance	100	100
Closing balance	100	100
Closing balance intangible assets	2,145	2,171

The Group's goodwill mainly arose from business acquisitions performed by Vasakronan and is recognised in accordance with IFRS 3 Business Combinations. Goodwill is impairment tested each quarter to ensure the carrying amount allocated across the properties does not exceed the recoverable amount. Goodwill decreased SEK 11 million (15) in conjunction with the sale of properties and companies in 2017. The remaining SEK 15 million (3) pertained to the impairment of goodwill down to fair value, refer to Note 3.3. It is not possible to reverse a previously recognised impairment loss in a later period.

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	
	2017	2016
Fair value		
Opening balance	115,922	103,894
Investments	2,543	2,035
Acquisitions, consideration	1,049	58
Sales, consideration	-612	-2,121
Change in value	7,973	12,056
Closing balance	126,875	115,922
Fiscal values	45,708	45,347

Fair values correspond to the properties' market values. The external valuations conducted as of 31 December 2017 encompassed all of the properties. Page 97 includes a more detailed description of the valuation approach, and page 93 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	
	2017	2016
Fair value		
Capital expenditure investment properties	6,286	1,178
Acquisitions	-	78

NOTE 20 Equipment

	Group		Parent Company	
	2017	2016	2017	2016
Cost				
Opening balance	122	116	70	70
Acquisitions	10	14	7	6
Sales and disposals	-8	-8	-7	-6
Closing balance	124	122	70	70
Depreciation				
Opening depreciation	-68	-58	-45	-38
Depreciation for the year	-16	-16	-11	-11
Sales and disposals	6	6	5	4
Closing balance	-78	-68	-51	-45
Closing balance, equipment	46	54	19	25

Equipment comprises mainly vehicles and office equipment.

NOTE 21 Shares and participations in subsidiaries

	Parent Company	
	2017	2016
Opening balance	30,698	30,758
Shareholders' contributions	-	55
Settlement of earnings shares	-69	134
Sales	0	-250
Impairment	-19	-
Reversed impairment	-	1
Closing balance	30,610	30,698
Of which, assets	30,610	30,759
Of which, liabilities	-	-61

Companies in the Vasakronan AB Group	Corp. Reg. No.	Reg. office	Shares/ participations ¹⁾	Share of equity, % ²⁾	Carrying amount in Parent Company 2017	2016
Civitas Holding AB	556459-9164	Stockholm	2,750,000	100	24,685	24,685
Vasakronan Fastigheter AB	556474-0123	Stockholm	4,000,000	100	-	-
Vasakronan Holdingfastigheter AB	556611-6850	Stockholm	1,000	100	-	-
Vasakronan Inom Vallgraven 22:3 AB	556879-7012	Gothenburg	500	100	-	-
Vasakronan Malmöfastigheter AB	556376-7267	Stockholm	3,601,125	100	-	-
Handelsbolaget Gotic	969622-2844	Trelleborg	100	100	-	-
Fastighets AB Luxor	556059-7139	Stockholm	2,000	100	-	-
Vasakronan IC AB	556497-7279	Stockholm	100,050	100	-	-
Vasakronan Vattenled AB	556577-9088	Malmö	1,000	100	-	-
Vasakronan Lundafastigheter AB	556137-8562	Stockholm	1,000	100	-	-
Ankarspik 111 AB	559073-2151	Stockholm	500	100	-	-
Mabrabo AB	556339-0227	Stockholm	10,000	100	-	-
Vasakronan Kista Science Tower AB	556649-8043	Stockholm	1,000	100	-	-
Kymlinge Utvecklings AB	556647-7583	Stockholm	1,000	100	-	-
Vasakronan Kista Science Tower KB	969660-7820	Stockholm	100	100	-	-
Vasakronan Uppsalafastigheter AB	556651-1092	Stockholm	1,000	100	-	-
Kungspinnen I AB	556701-4278	Stockholm	1,000	100	-	-
Frösunda Hus I AB	556704-9183	Stockholm	1,000	100	-	-
Frösunda Hus II AB	556704-9175	Stockholm	1,000	100	-	-
Frösunda Hus III AB	556704-6213	Stockholm	1,000	100	-	-
Vasakronan Priorinnan AB	556675-2423	Stockholm	1,000	100	-	-
Vasakronan Ängen AB	556637-3550	Stockholm	1,000	100	-	-
Vasakronan Hakberget AB	556745-5695	Stockholm	1,000	100	-	-
Vasakronan Trähus AB	556715-4850	Stockholm	1,000	100	-	-
Vasakronan Regndroppen 1 AB	559010-6000	Stockholm	500	100	-	-
Vasakronan Hammarby Gärd 12 AB	556766-4007	Stockholm	1,000	100	-	-
Vasakronan Fastighetsutveckling AB	556532-9108	Stockholm	1,000	100	-	-
Järvatorget AB	556548-5546	Stockholm	1,000	100	-	-
Vasakronan Utvecklings AB	556611-6900	Stockholm	1,000	100	-	-
Vasakronan Ullevifastigheter Holding AB	556718-7884	Stockholm	1,000	100	-	-
Vasakronan Ullevifastigheter AB	556718-6704	Stockholm	1,000	100	-	-
Ullevi Park Holding 1 i Göteborg AB	556718-6688	Stockholm	1,000	100	-	-
Ullevi Park 1 i Göteborg AB	556718-6621	Stockholm	1,000	100	-	-
Vasakronan Skånegatan AB	556870-5791	Stockholm	500	100	-	-
Vasakronan Hekla AB	559088-2196	Stockholm	500	100	-	-
Vasakronan Hekla Fastigheter AB	559091-2340	Stockholm	500	100	-	-
Vasakronan Markholding AB	556675-1771	Stockholm	1,000	100	-	-
Fastighet 3 DPL 4 AB	556767-7520	Stockholm	1,000	100	-	-
Vasakronan Diktaren 1 AB	556943-7584	Stockholm	500	100	-	-
Ankarspik 41 AB	556761-8763	Stockholm	1,000	100	-	-
Ankarspik 91 AB	556991-2420	Stockholm	500	100	-	-

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

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

Companies in the Vasakronan AB Group	Corp. Reg. No.	Reg. office	Shares/ participations ¹⁾	Share of equity, % ²⁾	Carrying amount in Parent Company	
					2017	2016
Fastighets AB Gesimsen Grön	556011-7698	Stockholm	23,526,807	100	1,778	1,778
Fastighets AB Svava	556268-6658	Uppsala	500,000	100	-	-
Vasakronan Uppsala City AB	556057-0896	Uppsala	75,000	100	-	-
Aktiebolaget Nepos	556238-9105	Stockholm	10,000	100	-	-
Uppsala Science City AB	556250-5346	Uppsala	300,000	100	-	-
Uppsala Science Park KB	916512-8126	Uppsala	200	100	-	-
AP Fastigheter AB	556417-5858	Stockholm	100,000	100	593	593
Vasakronan Ankarspik 47 AB	556772-0676	Stockholm	1,000	100	-	-
Ankarspik 94 AB	559016-1245	Stockholm	500	100	-	-
Ankarspik 95 AB	559016-1120	Stockholm	500	100	-	-
Ankarspik 96 AB	559016-1476	Stockholm	500	100	-	-
Ankarspik 97 AB	559016-1351	Stockholm	500	100	-	-
Ankarspik 98 AB	559016-1559	Stockholm	500	100	-	-
Ankarspik 99 AB	559016-1450	Stockholm	500	100	-	-
Ankarspik 100 AB	559016-1427	Stockholm	500	100	-	-
Fastighets AB Skjutgossen nr 8 & Co KB	916502-7971	Stockholm	105	100	471	557
Fastighets Aktiebolaget Telefonfabriken	556577-4535	Stockholm	1,000	100	322	322
Nisseshus Nr 1 HB	916587-3424	Stockholm	-	100	315	388
KB Positionen 2	969666-7485	Stockholm	1,000	100	278	278
RTB Reval KB	969635-4886	Stockholm	200	100	-	-
Vasakronan Bassängkajen AB	556696-1362	Stockholm	1,000	100	214	214
Fastighets Aktiebolaget Bodega	556031-4246	Stockholm	3,000	100	213	213
Fastighets AB Gesimsen	556482-7318	Stockholm	1,000	100	-	-
KB Radio Östra	916625-7007	Stockholm	1,000	100	-	-
Vasakronan Inom Vallgraven 22:16 AB	556865-4163	Stockholm	500	100	180	180
Förvaltningsbolaget Alvikshus HB	916501-8004	Stockholm	-	100	173	165
Allmänna Pensionsfondens Fastighets nr 63 KB	969646-7522	Stockholm	200	100	172	173
Vasakronan Magasinet 1 AB	556692-9146	Stockholm	1,000	100	151	151
Position Stockholm AB	556577-3818	Stockholm	1,000	100	120	120
Vasakronan Värtan Exploatering AB	556984-3963	Stockholm	500	100	-	-
Vasakronan Heden 22:19 AB	556859-5291	Stockholm	500	100	113	113
Vasakronan Nordstaden 10:20 AB	556865-4205	Stockholm	500	100	99	99
Ankarskrub 1 AB	556339-0839	Stockholm	1,000	100	98	98
KB Inom Vallgraven 22:15 Göteborg	916445-7039	Stockholm	200	100	-	-
Agilia Förvaltnings AB	556651-1852	Stockholm	1,000	100	-	-
Arkaden Göteborg KB	969646-3448	Stockholm	200	100	-	-
Allmänna Pensionsfondens Fastighets nr 53 KB	969646-3836	Stockholm	200	100	-	-
Vasakronan Kaninen 32 AB	556740-3612	Stockholm	1,000	100	97	97
AB Studentskrapan	556611-6868	Stockholm	1,000	100	95	95
Vasakronan Stapelbädden 3 AB	556740-2614	Stockholm	500	100	75	75
Allmänna Pensionsfondens Fastighets nr 12 KB	969646-4016	Stockholm	200	100	64	53
Allmänna Pensionsfondens Fastighets AB	556355-6835	Stockholm	501,000	100	60	60
Vasakronan Inom Vallgraven 20:14 AB	556865-4361	Stockholm	500	100	59	59
Vasakronan Nordstaden 21:1 AB	556875-2918	Stockholm	500	100	52	52
Vasakronan Jungmannen 1 AB	556646-7089	Stockholm	1,000	100	50	50
Fastighetsbolaget Brödtorget & Co KB	989200-4418	Stockholm	100	100	49	50
Vasakronan Kaninen 30 AB	556740-3604	Stockholm	1,000	100	15	15
Vasakronan Gårda 18:23 Kommanditbolag	916635-8946	Stockholm	1,000	100	12	-61
Gotic AB	556708-2101	Stockholm	100,000	100	0	13
Vasakronan Nedo AB	556772-2805	Stockholm	1,000	100	0	7
Vasakronan Blåmannen AB	556825-9302	Stockholm	500	100	3	3
Nacka Strand Förvaltnings Aktiebolag	556034-9150	Stockholm	20,000	100	2	2
Vasakronan Starkströmmarna AB	556771-7920	Stockholm	1,000	100	2	1
Allmänna Pensionsfondens Fastighets nr 59 KB	969646-4032	Stockholm	200	100	-	-
Ankarspik 17 AB	556761-8961	Stockholm	1,000	100	0	0
Ankarspik 113 AB	556870-5783	Stockholm	500	100	0	0
Vasakronan Stockholmsstuten AB	556820-7798	Stockholm	500	100	0	0
TOTAL					30,610	30,698

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

NOTE 22 Shares and participations in joint ventures

	Group		Parent Company	
	2017	2016	2017	2016
Opening balance	372	381	1	0
Settlement of earnings shares	-4	-9	0	1
Contributed capital	0	0	0	0
Closing balance	368	372	1	1

Joint ventures	Corp. Reg. No.	Reg. office	Share of equity, %	Shares/ participations	Carrying amount
Järvastaden AB	556611-6884	Solna	50	500	287
Ursvik Exploaterings AB	556611-6892	Stockholm	50	5,000	80
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
Ideon AB	559033-2598	Lund	33	166	0
Total					368

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 Fabège. Ideon 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	
	2017	2016	2017	2016
Deposits, CSAs	255	-	255	-
Other non-current receivables	58	58	54	54
Total	313	58	309	54

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 2017, the Group has posted SEK 255 million (-) as collateral for such deficit positions. Deposits for surplus values are detailed in Note 28. At 31 December 2017, no deposits had been posted.

NOTE 24 Accounts receivable

	Group		Parent Company	
	2017	2016	2017	2016
Tenant receivables	48	71	0	0
Provision for doubtful receivables	-28	-40	0	0
Total	20	31	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 4 million (8) for the impairment of tenant receivables.

NOTE 25 Other current receivables, prepaid expenses and accrued income

	Group		Parent Company	
	2017	2016	2017	2016
Accrued interest income	107	73	107	73
Accrued rent discounts	126	118	-	-
Deposit account	231	193	231	193
Prepaid financing costs	84	111	-	-
VAT adjustment	20	26	-	-
Prepaid operating expenses	11	34	-	-
Other items	238	162	58	32
Total	817	717	396	298

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 1,423 million (2,147) 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 1,420 million (2,146).

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 45% at year end and an equity/assets ratio of 39%. 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 through 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 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 in 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 1.9 times.

Refer to the sensitivity analysis on page 80 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 cross currency swaps that secure the exchange rate for interest payments and loan repayments of foreign currency loans. At 31 December 2017, borrowing in foreign currency amounted to NOK 6,650 million (3,900).

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. Agreements for unsecured loans also include covenants stating that the LTV may not exceed 65%.

Refer also to the financing section on page 32.

MATURITY STRUCTURE

Year of maturity	Group				Parent Company			
	Loan-to-maturity structure		Fixed-interest maturity structure		Loan-to-maturity structure		Fixed-interest maturity structure	
	2017	2016	2017	2016	2017	2016	2017	2016
1	13,710	15,906	24,148	24,719	13,710	15,906	24,148	24,719
2	11,686	12,862	1,530	-35	11,686	12,862	1,530	-35
3	6,774	8,121	2,314	1,729	6,774	8,121	2,314	1,729
4	6,318	3,801	3,690	2,009	6,318	3,801	3,690	2,009
5	4,320	5,640	1,989	3,468	4,320	5,640	1,989	3,468
6	4,450	900	2,300	3,100	4,450	900	2,300	3,100
7	451	1,721	3,800	4,300	451	1,721	3,800	4,300
8	1,000	-	4,700	3,800	1,000	-	4,700	3,800
9	1,742	-	2,100	4,700	1,742	-	2,100	4,700
>9 years	7,970	6,289	11,850	7,450	7,970	6,289	11,850	7,450
Total	58,421	55,240	58,421	55,240	58,421	55,240	58,421	55,240
	2017	2016			2017	2016		
Interest-bearing liabilities with floating interest ¹⁾	25,349	20,123			25,349	20,123		
Interest-bearing liabilities with fixed-interest ¹⁾	33,072	35,117			33,072	35,117		
Total	58,421	55,240			58,421	55,240		

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 84.

FINANCIAL RISKS

Financing risk	Policy	Outcome 31 Dec 2017
Loan-to-maturity	min. 2 years	3.8 years
Loans maturing, 12 months	max. 40%	23%
Credit commitments and cash/loans maturing 12 months	min. 100%	152%
Interest-rate risk		
Interest coverage ratio	at least 1.9x	3.9x
Fixed-interest	1–6 years	4.5 years
Fixed-interest maturity within 12 months	max. 70%	41%
Credit risk		
Counterpart's rating	at least A–	met
Currency risk		
Currency exposure	not permitted	met

The outcomes at 31 December 2017 and 2016 were within the restrictions set by the financial policy.

NOTE 28 Other non-current liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Deposits, CSAs	–	44	–	44
Other non-current liabilities	55	154	54	114
Total	55	198	54	158

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 2017, the Group has not received any such deposits as no such surplus values exist. Deposits for deficit values are 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 relates 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. The obligation in Alecta has been agreed previously and no new premiums or fees were paid. At the end of the financial year, Alecta had a consolidation ratio of 154 (148).

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.

Pension costs in the income statement	Group		Parent Company	
	2017	2016	2017	2016
Pension costs, defined-contribution	54	39	32	18
Pension costs, defined-benefit	12	7	39	37
Separate payroll tax on pension costs	16	13	17	15
Total pension costs in the income statement	82	59	88	70
<i>Of which recognised as property administration</i>	66	48		
<i>Of which recognised as central administration</i>	16	11		
Pension costs in other comprehensive income, excl. tax				
Actuarial gains(-)/losses(+), incl. payroll tax	14	89		
Restriction for surplus in pension plan with asset cap, incl. payroll tax	-3	-16		
Total pension costs in other comprehensive income, excl. tax	11	73		

Net debt defined-benefit pensions, Group	Group			
	2017	2016	2017	2016
Change in the defined-benefit obligation				
Present value of the pension obligation, opening balance	401	333		
Pension rights vested through service ¹⁾	10	7		
Interest on pension obligation ¹⁾	10	11		
Pension disbursements	-20	-20		
Actuarial gains(-)/losses(+) on pension obligations ²⁾	18	70		
Present value of the obligation, closing balance³⁾	419	401	419	401
Change in plan assets				
Fair value of plan assets, opening balance	-359	-353		
Interest income ¹⁾	-9	-12		
Paid-in premiums	-16	-16		
Pension disbursements	20	20		
Return on plan assets excluding interest income ²⁾	-6	2		
Fair value of plan assets, closing balance	-370	-359	-370	-359
Restriction for surplus in pension plan with asset cap			17	19
Other pension obligations			3	3
Separate payroll tax on net pension debt			17	16
Net debt, defined-benefit pensions			86	80

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 2017 is 16.95 years (16.50).

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 6 million (2) and was recognised as the return on plan assets excluding interest income.

Net actuarial gains and losses after tax amounted to SEK 9 million (57) 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 21 million in 2018.

Actuarial and financial assumptions (%):

	Group	
	2017	2016
Discount rate	2.2	2.4
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 63 million change in the present value of the pension obligation.

NOTE 30 Other current liabilities, accrued expenses and deferred income

	Group		Parent Company	
	2017	2016	2017	2016
Prepaid rental revenue	1,140	1,204	-	-
Accrued interest expense	294	318	294	318
Accrued expenses for ongoing projects	290	194	-	-
VAT	181	220	10	8
Deposits	231	193	2	-
Accrued operating expenses	41	44	-	-
Property tax	45	57	-	-
Vacation pay, social security expenses and employee withholding taxes	45	42	45	42
Other items	330	272	103	158
Total	2,597	2,544	454	526

NOTE 31 pledged assets and contingent liabilities

	Group		Parent Company	
	2017	2016	2017	2016
Property deeds	15,455	16,830	None	None
Contingent liabilities	287	287	502	504

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

Vasakronan is a limited partner in Stora Ursvik KB and its responsibility for the company's undertakings is limited to an amount equivalent to the invested capital of SEK 46 million (46). The Parent Company's contingent liabilities of SEK 502 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 a negative SEK 255 million (positive: 44) at the end of 2017.

To reflect counterparty risk, Vasakronan adjusts derivatives to fair value through the CVA (Credit Value Adjustment) and DVA (Debt Value Adjustment) components. The CVA shows the Vasakronan's credit risk in the event of the counterparty defaulting while the DVA reflects the company's own risk of default. Calculation of the valuation adjustment is based on the expected exposure, probability of default and recovery rates for exposed credits.

Derivatives in the consolidated and Parent Company balance sheets

Recognised as financial assets	2017	2016
Interest-rate swaps	246	338
Currency swaps	23	117
Electricity derivatives	6	3
Total	275	458
Recognised as financial liabilities	2017	2016
Interest-rate swaps	-2,388	-3,305
Currency swaps	-311	-56
Swaptions	-3	-22
Total	-2,702	-3,383
<i>Net Derivatives</i>	<i>-2,427</i>	<i>-2,925</i>

Classification of financial instruments, Group

Financial assets	Derivatives, no hedge accounting		Loans and accounts receivable		Total carrying amount		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash and cash equivalents	-	-	1,423	2,147	1,423	2,147	1,423	2,147
Derivatives	275	458	-	-	275	458	275	458
Deposits, CSAs	-	-	255	-	255	-	255	-
Accounts receivable	-	-	20	31	20	31	20	31
Total	275	458	1,698	2,178	1,973	2,636	1,973	2,636

Financial liabilities	Derivatives, no hedge accounting		Financial liabilities		Total carrying amount		Fair value	
	2017	2016	2017	2016	2017	2016	2017	2016
Bonds	-	-	32,797	30,117	32,797	30,117	33,087	30,155
Bank loans	-	-	18,676	15,917	18,676	15,917	18,836	16,014
Commercial paper	-	-	6,948	9,206	6,948	9,206	6,948	9,207
Derivatives	2,702	3,383	-	-	2,702	3,383	2,702	3,383
Deposits, CSAs	-	-	-	44	-	44	-	44
Accounts payable	-	-	124	132	124	132	124	132
Total	2,702	3,383	58,545	55,416	61,247	58,799	61,697	58,935

Derivatives 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 currently

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 450 million and reduce equity by SEK 351 million. Surplus/deficit values for foreign currency loans are recognised against surplus/deficit values for derivatives.

Liquidity risk - maturity analysis

Group	2017				2016			
	0-1 year	1-2 years	2-5 years	>5 years	0-1 year	1-2 years	2-5 years	>5 years
Bonds	-6,035	-9,906	-14,331	-3,806	-7,095	-9,232	-13,609	-1,412
Bank loans	-1,105	-2,163	-4,989	-11,173	-84	-3,980	-4,513	-7,533
Commercial paper	-6,945	-	-	-	-9,205	-	-	-
Interest-rate derivatives	-508	-538	-1,587	-1,345	-637	-658	-2,025	-1,732
Currency derivatives - inflows	103	100	243	186	56	56	140	114
Currency derivatives - outflows	-22	-23	-61	-41	-11	-11	-34	-30
Accounts payable	-124	-	-	-	-132	-	-	-
Total	-14,636	-12,530	-20,725	-16,179	-17,108	-13,825	-20,041	-10,593

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.

Summary of liabilities arising from financing activities – Group

SEK m	Cash flows			Other non-cash adjustments	CB 2017
	CB 2016	Loan repayments	New borrowings	Exchange-rate differences	
Commercial paper	9,206	-2,258	-	-	6,948
MTN programme	26,007	-10,025	10,155	-	26,137
NOK MTNs	4,109	-	2,880	-329	6,660
Secured bank loans	15,473	-3,400	3,217	-	15,290
Unsecured bank loans	445	-	2,941	-	3,386
Total liabilities from financing activities	55,240	-15,684	19,193	-329	58,421

The exchange-rate difference on foreign currency loans is recognised at the closing exchange rate. This has no effect on cash flow and is eliminated through currency interest-rate derivatives.

NOTE 33 Adjustment for non-cash items

	Group		Parent Company	
	2017	2016	2017	2016
Depreciation, amortisation and impairment	15	16	30	10
Estimated defined-benefit pension costs	-5	-11	-1	1
Sales/discontinuation of Group companies	-	-	-	-1
Equipment sales	-2	-1	-2	-1
Result from participations in joint ventures	3	3	0	0
Total	11	7	27	9

NOTE 34 Related parties

Related parties	Transactions
Parent Company	An ordinary dividend of SEK 4,000 million was paid to the Parent Company.
Parent Company shareholders	The First and Third Swedish national pension funds lease 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 32. At the end of 2017, the Third Swedish National Pension Fund had bond holdings with Vasakronan of SEK 165 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 74.
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 are presented on page 75.
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 2017 for the previous year amounted to SEK 4,000 million (SEK 100.00 per share).

At the AGM on 3 May 2018, the Board will propose a dividend of SEK 4,000 million (4,000), corresponding to SEK 100.00 (100.00) 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 2018.

The following profit is at the disposal of the AGM:

Retained earnings	SEK 2,939,191,532
Profit for the year	SEK 2,260,694,868
Total	SEK 5,199,886,400

The Board proposes that the earnings be appropriated as follows:

Dividend to shareholders, SEK 100 per share	SEK 4,000,000,000
To be carried forward	SEK 1,199,886,400
Total	SEK 5,199,886,400

A dividend of SEK 4 billion has been proposed to the General Meeting. 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 21 March 2018

Mats Wäppling
Chairman of the Board

Jan-Olof Backman
Board Member

Ann-Sofi Danielsson
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

Fredrik Wirdenius
Chief Executive Officer

Our Auditors' Report was submitted on 21 March 2018
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant
Lead partner

Daniel Algotsson
Authorised Public Accountant

Auditors' 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 2017 except for the corporate governance statement on pages 68–75. The annual accounts and consolidated accounts of the company are included on pages 63–67 and 76–109 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 2017 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 2017 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 68–75. 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.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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 126.9 billion. The company's strategy is to manage and develop commercial investment properties in Stockholm, Gothenburg, Uppsala, 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 are audited centrally from a group perspective even though legally the investment properties are in several legal entities. As 96% of the group assets consist of investment properties that are valued at fair value, the audit's main focus is 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 judgements: 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

Our audit approach



Materiality

Overall group materiality: SEK 660 million, corresponding to 0.5% of the group's total assets.

Scope

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

Key audit matter

Valuation of investment properties.

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.

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.

Overall group materiality	SEK 660 million
How we determined this level	A threshold representing 0.5% of the Group's total assets.
Rational for the materiality benchmark applied	We chose total assets as the benchmark due to the fact that, in our view, this is the benchmark against which the performance of a group, over time, is most commonly measured. We have chosen 0.5% of total assets and this is a generally accepted benchmark and is in our view an acceptable overall materiality level.

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

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 for 2017. These matters were addressed in the 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, as well as referring to Note 13, Change in value of investment properties.

As at 31 December 2017, the value of the investment properties totaled SEK 126.9 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. Valuation objects incurring a major degree of uncertainty in terms of their market value assessment are comprised of ongoing development properties.

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 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 2017. 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 is 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 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 1-61, 114-125, 127-129, 131-137. The Board of Directors and the CEO 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 CEO

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 CEO 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 CEO 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 CEO 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 auditors' 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 the Swedish Inspectorate of Auditor's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditors' 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 CEO of Vasakronan AB (publ) for the year 2017 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 CEO 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 CEO

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 organisation 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 organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO 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 CEO in any material respect:

- has undertaken any action or been guilty of any omission which could 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 the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/

revisornsansvar. This description is part of the auditors' report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 68–75 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.

Öhrlings PricewaterhouseCoopers AB was elected auditor of Vasakronan AB by the general meeting of the shareholders on the 3 May 2017 and has been the company's auditor since the 28 April 2016.

Stockholm 21 March 2018

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg

Authorised Public Accountant
Lead partner

Daniel Algotsson

Authorised Public
Accountant

About Vasakronan's sustainability report 2017

Vasakronan's sustainability report follows the Global Reporting Initiative (GRI) guidelines and, as of 2017, is prepared in accordance with the GRI Standards: Core option. Vasakronan's ambition is to run its entire business in a sustainable manner. Consequently, reporting of our sustainability agenda has been integrated into the company's annual report. The GRI index contains references to where the information can be found in the annual report. In individual cases, all of the information the GRI framework requires could not be reported. These exceptions are presented in the GRI index on page 115.

Information on boundaries, responsibility, monitoring and governance for each material sustainability topic is available (or can be found) in the sustainability notes on pages 117–125. The information is described in accordance with Standard 103, and all standards used were published in 2016.

A transition from the fourth edition (GRI G4) to GRI Standards took place in 2017. In addition to GRI Standards, Vasakronan has chosen to recognise the sector-specific indicators that were previously recognised in accordance with GRI G4.

Part of the information submitted pursuant to Chapter 6, Section 11 of the Annual Accounts Act is described in other sections of the annual report. A description of the company's business model can be found on page 10, and information on Vasakronan's risk management can be found on pages 64–67.

The sustainability report is produced once per year, and 2017 was its ninth year of publication. The report is reviewed in summary by Öhrlings PricewaterhouseCoopers AB, and their limited assurance report can be found on page 126.

The sustainability report covers the Parent Company and all wholly owned subsidiaries. Joint venture companies co-owned by Vasakronan are not covered, and are not considered to constitute a significant part of operations. Nor does the sustainability report cover operations controlled by individual tenants or suppliers.

Surveying and analysing the expectations of our stakeholders is a prerequisite for attaining our goals and creating sustainable value. That is why we are in continual dialogue with our most important stakeholders. Additionally, a workshop was conducted in 2017 in which some 30 representatives distributed among the various stakeholder categories took part. The purpose of the workshop was to identify which sustainability topics stakeholders expect Vasakronan to report on. The results of the dialogue with our stakeholders formed the basis for the materiality analysis conducted during the year. In total, twelve sustainability topics – three of which were new for 2017 – were deemed significant enough to report on. For more information on the stakeholder dialogue and the materiality analysis, see pages 8–9 and 11.

Planning, governance and monitoring of sustainability efforts follow the organisational structure, with a clear delegation of responsibilities and authorisations through a management system consisting of policies, guidelines, general measurable targets and detailed action plans. In addition, there is also a number of external laws, guidelines and regulations including the UN's Sustainable Development Goals. Work on implementing them in strategies, objectives and action plans is under way.

The UN's Sustainable Development Goals



The images in color show those UN Sustainable Development Goals considered to be significant in Vasakronan's operations.

GRI Standard number	Disclosure name	Page reference	UN goals	Comments
102-1	Name of the organisation.	Front cover of the Annual Report		
102-2	Primary brands, products, and services.	Page 1		
102-3	Location of the organisation's headquarters.	Note 1, page 90		
102-4	Number of countries where the organisation operates.			Vasakronan conducts operations only in Sweden.
102-5	Nature of ownership and legal form.	Inside front cover; Note 1, page 90		
102-6	Markets served by the organisation.	Inside front cover		
102-7	Scale of the organisation.	Pages 32–34, 41; Note 8, page 95		
102-8	Total number of employees by employment contract (permanent and temporary), and by gender.	Page 123		
102-9	A description of the organisation's supply chain.	Page 122		
102-10	Significant changes to the organisation's size, structure, ownership, or supply chain.			No significant changes during the year.
102-11	Whether and how the organisation applies the Precautionary Principle or approach.			The precautionary principle forms the basis of how environmental work is designed.
102-12	A list of external guidelines endorsed by the organisation.	Page 68		
102-13	Membership of associations.	Page 23		
102-14	Statement from senior decision-maker.	Pages 4–7		
102-16	A description of the organisation's values, principles, standards, and norms of behaviour.	Pages 10 and 23		
102-18	Report on the governance structure of the organisation.	Pages 68–75		
102-40	List of stakeholder groups.	Pages 9 and 11		
102-41	Percentage of total employees covered by collective bargaining agreements.	Page 123		
102-42	Identifying and selecting stakeholders.	Page 8		
102-43	Approach to stakeholder engagement.	Page 9		
102-44	Key topics and concerns that have been raised through stakeholder engagement.	Pages 8–9 and 11		
102-45	Organisation structure, entities, business areas, subsidiaries and joint ventures.	Note 21, page 101		
102-46	The process for defining the materiality analysis.	Pages 8–9		
102-47	List of material topics.	Pages 8–9 and 116		
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements.			No corrections have been made to previous reports.
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries.			Employee's health and safety, access to public transportation and local services, and safety and security are new material areas as of 2017.
102-50	Reporting period.	Cover; Note 2, page 90		
102-51	Date of most recent report.			The report for 2016 was published in March 2017.
102-52	Reporting cycle.			Published annually in connection with the release of the Annual Report.
102-53	The contact point for questions regarding the report or its contents.			Anna Denell, Head of Sustainability
102-54	The reporting level pursuant to the GRI Standards.	Page 114		
102-55	A table, which specifies each of the GRI Standards used and lists all disclosures included in the report.	Page 115		
102-56	A description of the organisation's policy and current practice with regard to seeking external assurance for the report.	Page 114		
103-1	Explanation of the material topic and its Boundary	Pages 117–125		
103-2	The management approach and its contents	Pages 117–125		
103-3	Evaluation of the management approach	Pages 117–125		

Material topic	Indicator	Page reference	UN goals	Comments
Economic topics				
Economic performance	201-1, Direct economic value generated and distributed	Page 117	17	
Fiscal management ¹⁾	–	Page 117		
Anti-corruption	205-3, Number of confirmed incidents of corruption and actions taken	Pages 22–23 and 117	16	
Environment				
Materials	301-1, Materials used by weight.	Pages 12, 26 and 118	3, 6, 8, 12	The amount of material in new construction is based on actual measurements. Information on the amount of material in major renovation projects is not available, and are therefore estimated. Work is under way on being able to gather this information over the long term.
Energy	302-1, Energy consumption within the organisation. CRE1, Building energy intensity.	Pages 12, 18 and 118	7	
Water ¹	303-1, Water withdrawal by source. CRE2, Building water intensity.	Page 119		
Emissions	305-1, Direct (Scope 1) GHG emissions. 305-2, Energy indirect (Scope 2) GHG emissions. 305-3, Other indirect (Scope 3) GHG emissions. CRE3, Greenhouse gas emissions intensity from buildings.	Pages 12, 20 and 119	11, 12, 13	
Effluents and waste	306-2, Waste by type and disposal method.	Pages 12, 26 and 121	11, 12	The amount of waste from tenants is based partly on estimations owing to absence of data. Work is under way on being able to gather this information over the long term.
Product labeling, environment ¹⁾	CRE8, Type and number of sustainability certification	Pages 12, 18 and 122	7, 12	
Supplier environmental assessment	308-1, New suppliers that were screened using environmental criteria.	Pages 22 and 122	12	
Social				
Occupational health and safety	403-2, Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	Pages 12, 23 and 124	3, 8	Owing to few accidents, injury rates are not reported; neither are details concerning the cases in question in consideration of the employees' personal integrity.
Diversity and equal opportunity	405-1, Composition of the Board of Directors, management and other employees according to age and gender.	Pages 74–75; Note 8, page 95 and page 123	5, 8, 10	
Supplier social assessment	414-1, Percentage of new suppliers that were screened using social criteria.	Pages 22 and 124	8	
Customer health and safety	416-A, Measures taken to maintain a high level of safety and security in and around properties.	Pages 22, 24, 26 and 125	5, 11, 16	
Public transportation and local services	Measures taken to create opportunities for public transportation to and from our properties and proximity to local services.	Pages 20 and 125	9, 11	
Customer satisfaction	Results of customer surveys.	Pages 22 and 125		

1) Areas that have not been prioritised in the materiality analysis but are still deemed important to report on based on stakeholder wishes.

Financial responsibility

201-1 Direct economic value generated and distributed

Taking financial responsibility for our operations and having stable, sound finances are fundamental conditions for succeeding in the assignment from our owners regarding long-term, stable returns. This is also important so that we can act with a long-term horizon and be able to meet the financial expectations of our other stakeholders.

Boundaries

The reporting covers only the economic value created at Vasakronan. The value is impacted partly by factors under Vasakronan's control but also by external factors such as market conditions and interest rates, as well as our owners' decisions about the dividend.

Responsibility and monitoring

Vasakronan's CEO and Management Group have overall responsibility for steering operations toward the financial targets. The outcome is monitored on a quarterly basis in connection with interim reports and through internal steering parameters established for the operations.

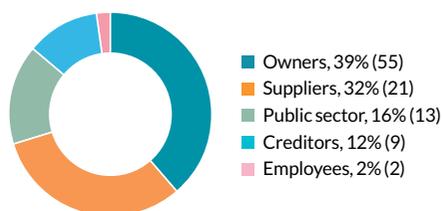
Governance and objectives

The overall financial objective is a return that, in relation to risk, is greater than the return our owners could obtain from other comparable investment alternatives. The overall financial objective is a total yield of at least 6.5% per year. In addition, the total yield must be at least 0.5 percentage points higher than the outcome for the rest of the industry, measured as the average according to the IPD Swedish Property Index (excluding Vasakronan). The average outcome is evaluated over rolling ten-year periods, together with monitoring and analysis of the outcome for each individual year. In addition, a number of key financial indicators are set for the coming year. These are monitored on a quarterly basis in connection with internal review and in the quarterly reports to the Board of Directors. For more information, see pages 12–13.

Outcomes

Detailed information on Vasakronan's financial position can be found in the company's financial reports on pages 78–89. The economic value created totaled SEK 17.5 billion (19.6) in 2017 and comprises rental revenue, investments and changes in the values of properties. The remaining value totaled SEK 7.1 billion (6.4). The value distributed to the owners pertains to the dividend presented to the owners, which is also to be regarded as a value to the public. The "Public sector" item includes property tax, ground rent and VAT. In 2017, property tax was an expense of SEK 544 million (expense: 544), of which SEK 497 million (487) was invoiced to tenants.

Economic value distributed



Taxes

Tax is a statutory expense in our operations that affects the return, and at the same time it is also a responsibility issue that can impact the company's reputation and standing. Tax is defined as income tax, VAT, property tax, stamp duty, advertising tax and withholding tax. The Board of Directors has overall responsibility for managing taxes. The Board of Directors has established a tax policy to ensure tax issues are managed in alignment with fulfilling the requirement of achieving a high return, and of the company meeting the requirements set for being a responsible societal actor. For more information on the company's tax policy, visit www.vasakronan.se.

Vasakronan's operations are conducted only in Sweden. Country-by-country reporting of taxes paid is therefore not applicable. Vasakronan is not currently the subject of any tax cases. More information about recorded taxes can be found in Note 17 on Page 99.

Donations and sponsorship

During the year, voluntary contributions and investments in the community in the form of gifts and donations were presented to various organisations. The two largest contributions in 2017 totaled SEK 750,000.

205-3 Number of confirmed incidents of corruption and actions taken

Corruption in the Swedish property and construction industries, in which a large amount of products and services is sold every year, is regarded as being widespread and extensive. We must therefore have a working method that eliminates the risk of corruption in all situations.

Boundaries

Anti-corruption efforts pertain firstly to the work we are carrying out to prevent corruption within the company, but we also place demands on our suppliers having a systematic working method to counteract corruption.

Responsibility and monitoring

The efforts toward counteracting corruption and bribery are being led by the company's General Counsel in the capacity of Compliance Officer. Violations are not acceptable and may result in disciplinary measures, termination or legal proceedings. There is also a whistle-blower function to make it easier for employees and those outside the company to report suspicions of corruption or other impropriety.

Governance and objectives

Internally, operating activities are governed by policies and guidelines for purchasing, communication, equal treatment and the environment, among other factors. Our policies, routines, and training work together with our Code of Conduct to counteract all forms of corruption and improprieties, and all of Vasakronan's employees and suppliers are expected to comply with internal regulations as well as with the laws in force. All policies are available on the intranet, and the organisation is monitored continually to ensure compliance.

Outcomes

No suspicions of corruption were reported in 2017.

Environmental responsibility

301-1 Materials used by weight.

Large amounts of materials are used in new construction, major renovations and leasehold improvements of properties. The material used in our projects give rise to major environmental impact when they are produced, and in addition they generate considerable transportation needs. That is why it is important to reduce the amount of material used and to use renewable raw materials, and recycled or reused material to much greater extents. In addition, we need to ensure that the materials used do not contain hazardous substances that are spread into indoor environments or into ecosystems outside our buildings. That is why all the material built into our buildings is always evaluated and documented. The Byggsvarubedömningen criteria are applied in this work.

Boundaries

The reporting covers only the material used in new construction and major renovation projects, as well as leasehold improvements.

The impact lies primarily with our suppliers, since they are the ones purchasing and using the materials when they perform services for us. The materials Vasakronan purchases and uses internally — office and consumables, as well as construction material for operational and maintenance work, for example — have been deemed non material.

Responsibility and monitoring

The Regional SVPs are responsible for the materials used in project development. This responsibility covers how much, and what type, of material is used and for using the Byggsvarubedömning criteria in all projects.

Used materials are monitored in connection with the project being completed. Used material per square meter, the proportion of renewable and non-renewable raw materials, and the proportion of recycled material are then all compiled. The proportion of reused material is also monitored. This monitoring is performed on a quarterly basis by the respective regions.

Governance and objectives

The environmental intensity of the project is governed by the environmental certification chosen, and the "Miljöprogram för stora respektive små projekt" (Environmental Program for Large and Small Projects) internal steering document. All planners and contractors are to comply with the Environmental Program, which indicates that we are to economise on materials, use materials that are possible to reuse or recycle, and construct for preventive purposes so that great flexibility can be achieved and the need for future redevelopment thereby decreases. Environmental certification of the project also steers towards reduced use of materials and a larger proportion of reused and recycled material. The Environmental Program also prescribes using the Byggsvarubedömningen criteria for selecting and documenting construction goods, which are checked both during internal audits and during supplier audits. The requirement for using the Byggsvarubedömningen criteria is also found in the majority of lease agreements, which is important since tenants sometimes renovate under their own management. Prior to 2017, a goal was set for all new build and redevelopment projects begun during the year to report their use of materials. A similar goal is in place for 2018.

Outcomes

A total of three projects were completed during the year: one new build and two redevelopments. The use of materials in the new build was based on actual measurements over the course of the entire project. Reporting was done using a web-based tool that all contractors and subcontractors had access to. The use, for example, of concrete, reinforcement, steel and wood are based on the actual amounts reported. For more complex material — fixtures and distribution boards, for example — estimations were made and an extra increment for waste was included in the estimate.

Used material in new construction during the year totaled 17,819 tons, equivalent to 1,018 kg/sq. m., where the surface area is based on the gross area of the project. Of the material used, 2% consisted of renewable raw material and the remaining 98% consisted of non-renewable raw material. Of the non-renewable material, 8% consisted of recyclable material. 2017 was the first year that the use of material was based on actual measurement; comparable figures for previous years are therefore absent.

The use of material in the redevelopment projects completed during the year was based on an estimation from total investment. The estimation shows that in 2017, Vasakronan purchased construction material for approximately SEK 706 million (475). The increase compared with previous years is explained by a larger number of projects completed during the year.

The use of material in leasehold improvements is also based on an estimate, and during the year totaled SEK 387 million (370).

The audits conducted during the year show that the Byggsvarubedömningen criteria were used in all major projects.

302-1 Energy consumption within the organisation CRE 1 Building energy intensity

Nearly 40% of society's energy consumption is attributable to the property sector. The work on decreasing our energy consumption and only using renewable energy sources is therefore an important environmental question. Low energy consumption is also a precondition for environmentally certifying buildings with high ratings, something that is in demand by many tenants and is a prerequisite for financing with green bonds.

Boundaries

As a property owner, Vasakronan has an opportunity to impact energy consumption in properties, for example through the investments made in technical systems and in the climate shells of the properties. Another part of the impact comes from tenants, and is determined by what type of operations they conduct and what preferences they have as regards indoor climate, for example.

The reporting covers energy consumption in all properties in the holdings, and fuel used in vehicles owned by Vasakronan. Only building-related energy consumption is reported (i.e. energy that goes to heating, air conditioning and the building's electrical needs). Tenants' own electricity consumption is not reported, but an annual estimate is made in order to report emissions in Scope 3 attributable to this energy consumption as well.

Responsibility and monitoring

The technical organisation is responsible for the energy consumption of the existing properties and the choice of energy type. The regions are responsible for energy consumption in project operations.

Energy consumption is monitored on a monthly basis at the property, regional, and company level via an energy monitoring system in which all the values measured are recorded and processed. Energy consumption for new build and redevelopment is monitored against planned values in connection with a project being completed.

Governance and objectives

The energy efforts are governed by the company's energy strategy and environmental policy. For major new construction projects, the objective is to come in at least 25% under the BBR requirements (Boverket regulations for new construction). For major renovations not covered by the BBR requirements, the objective is to halve energy consumption compared with prior to the redevelopment.

Reducing energy consumption in existing buildings also requires close collaboration with our tenants. In green leases, which Vasakronan developed in 2010, there is a clause on collaboration around reduced energy consumption. Since 2017, this clause and a few additional clauses from the green lease, have been worked into our standard agreements.

The company's business plan contains annual goals for how much energy consumption is to be reduced. For 2017, the goal was that energy performance would decrease 3% over the year; see further information on page 12.

Vasakronan purchases electricity only from renewable resources (water and wind power), and in all our agreements with suppliers of district heating and district cooling there are requirements for the supply of renewable and/or climate neutral energy.

Outcomes

Energy consumption

GWh	2017	2016
Cooling	38	49
Property electricity	86	99
Heating	159	164
Vehicle fuel consumption	0	0

Energy intensity



In 2017, energy intensity totaled on average 100 kWh/m² per year (110). This is an improvement of nearly 9% compared with the previous year. The decrease is explainable by additional energy investments and milder weather during the year. The fuel used during the year consists primarily of gasoline and diesel, and pertains to fuel in company-owned vehicles. Fuel consumption is not included in energy intensity data, but in the climate calculations (Scope 1). For definitions of energy intensity and temperate area, refer to page 134.

In 2017, an additional 12 solar photovoltaic systems were put into operation in property portfolio; in total, 2,060 MWh (940) of electrical energy was produced in our solar photovoltaic systems. A total of 49 solar photovoltaic systems (37) were in operation at year end and these are estimated to generate a total of 3,200 MWh each year. The installations are located throughout the entire property portfolio; Stockholm has the most with 23 installations followed by Uppsala with 13, Öresund with 8 and Gothenburg with 5.

303-1 Water withdrawal by source CRE 2 Building water intensity

Water consumption is an important issue from a global perspective. Over the last few years, access to drinking water has been restricted even in certain parts of Sweden. Vasakronan uses water from municipal systems, and even though no shortages have yet arisen in the locations where we operate, we are working continually on monitoring and on cost-efficient measures to reduce consumption. Low water use is a precondition for environmentally certifying buildings with high ratings.

Boundaries

As a property owner, we have a great opportunity to impact the amount of water used in our buildings, since we are the ones who decide and make investments in technical systems. The overall impact however is determined by our tenants, the type of operations they conduct and how they choose to act.

The reporting covers water use in all properties. It does not cover any water use where the tenant appears as the subscriber.

Responsibility and monitoring

The technical organisation has primary responsibility for the water use of the existing properties. The regions are responsible for designing all new construction and redevelopment so that their water use is low. Water-saving equipment is selected during planning – low flush lavatories and low flow fixtures, for example – and any landscaping adjacent to the buildings are planned so that they do not need to be irrigated. Water use is monitored on a monthly basis at the property, regional, and company level via an operations monitoring system in which all the values measured are recorded and processed.

Governance and objectives

Water use is governed by the company's environmental policy, and is included as a requirement in environmental certification.

Outcomes

The total amount of water consumed during 2017 totaled 1,211,187 cubic meters (1,159,000), equivalent to a water intensity of 0.5 m³/m² per year (0.5).

305-1 – 305-3 and CRE 3 Direct and indirect emissions

Buildings use a great deal of energy in the management phase, which can give rise to greenhouse gas emissions. In addition, operations generate emissions from own vehicles, business travel and commuting. Operations also generate large amounts of indirect emissions in the form of use of materials, waste and transportation in connection with project development.

Boundaries

Climate impact within our own organisation is marginal, since we do not have our own central heating boilers in the properties and since the majority of vehicles we own are electric cars. What we can largely impact is energy consumption in the properties as well as what type of energy we choose to supply our buildings with. Owing to low average energy consumption and agreements on renewable and/or climate-neutral energy, the emissions we can affect ourselves have already been decreased drastically. We have therefore chosen to focus our work on emissions that occur outside our own organisation. The emissions outside the organisation we are primarily trying to reduce are emissions arising from tenants' own electricity contracts, the consumption of materials in new construction and major renovations, and transportation to and from our construction projects.

Reporting covers emissions attributable to the aspects regarded as material based on size and the possibility of having an influence.

Responsibility and monitoring

The responsibility for energy consumption, waste and use of materials forms the basis for the responsibility for emissions. In addition, company management is responsible for creating the conditions and guidelines for reducing emissions from employees' business travel and commutes.

Monitoring of greenhouse gas emissions under the GHG protocol is conducted annually, and in 2017 the calculations were performed by the consultants 2050 AB.

Governance and objectives

Prior to 2017, the company had an operating goal of reducing emissions from commuting and business travel by 10%. For more information, refer to page 12.

Outcomes

Compilation of total greenhouse gas emissions, 2006 and 2013–2017

Vasakronan has been calculating its climate emissions since 2006, which is therefore used as the base year for the calculations. For purposes of comparison, the emissions for 2006 have been adjusted so that AP Fastigheter's emissions are also included. Since the base year, emissions have decreased by approximately 97% (comparable emissions, i.e. Scope 1, Scope 2 and emissions from air travel). The tremendous decrease is due to reduced energy consumption and a transition to renewable or climate-neutral energy sources. Over the past few years, a gradual improvement of input data — as well as amended accounting principles — have led to an increase in the scope of which emissions are included in the calculations. Since 2012, the calculations relate not only to emissions of carbon dioxide but to all gases that impact the climate. All amounts in the table below refer to tons, if not otherwise stated.

During the year Scope 1 and Scope 2 emissions decreased 24%. The largest decreases took place in the categories of district cooling and electricity, and are due to such factors as reduced energy consumption. Another explanation is that one of the suppliers of district cooling has switched over to green electricity in its produc-

tion, and that the proportion of property electricity not purchased via Vasakronan has decreased.

In Scope 3, part of the report is based on actual data and part on standard values. Emissions from the production and distribution of energy fuel decreased during the year. These emissions are based on actual data, and the decrease is explained by the fact that as of 2017, Vasakronan purchases electricity only from wind and water power. Of the emissions in Scope 3 that are largely built on standard values, emissions from project activities have increased. This is mainly due to increased project volume (transportation in construction projects excepted, where the basis for calculation has changed). The reason that emissions from tenants' own use of electricity has decreased is that the assumption of how much electricity the tenants consume has changed.

Vasakronan performs climate compensation for the remaining direct emissions — as well as certain indirect emissions — by purchasing shares in compensation projects.

	Base year 2006 ¹⁾	2013	2014	2015	2016	2017
Scope 1						
Oil	3,335	19	14	0	0	0
Own vehicles	67	13	19	11	21	20
Private vehicles used for business and service vehicles	236	23	21	2	16	11
Refrigerants	–	944	555	371	280 ⁸⁾	256
Total	3,638	999	609	384	317	287
Scope 2						
District heating	25,740	183	267	187	189	182
District cooling	606	232	229	179	121	4
Electricity ²⁾	30	863	2,404	626	415	314
Total	26,376	1,278	2,900	992	725	500
Climate compensated Scope 3 emissions						
Air travel	303	120	92	201	118	130
Rail travel	–	0	0	0	0	0
Taxis	–	8	6	0	6	6
Hotels	–	3	4	4	7	2
Commutes	–	221	232	181	157	159
Production and distribution of vehicle fuels (in Scope 1)	–	9	12	3	9	7
Production and distribution of energy fuels (in Scope 1 and 2) ³⁾	–	1,261	1,282	1,131	1,451	862
Total	303	1,622	1,629	1,521	1,748	1,166
Other Scope 3 emissions⁴⁾						
Waste from tenants	–	–	880	2,523	1,727	1,840
Waste in construction projects ⁵⁾	–	–	670	598	1,157	1,795
Transportation in construction projects ⁵⁾	–	–	1,279	1,853	1,013	596
Materials in construction projects ^{5,7)}	–	–	40,321	59,031	30,175	37,602
Electricity consumed by tenants ⁶⁾	–	–	–	85,576	54,621	36,600
Total	–	–	43,150	149,581	88,693	78,433
Sum total of compensated emissions	–	3,898	5,137	2,896	2,791	1,954
Sum total of emissions (Scope 1, 2 and 3)	30,318	3,898	48,287	152,477	91,484	80,387
Emissions intensity, Scope 1 and 2 (kg per lettable sq. m.)	8.14	0.89	1.4	0.55	0.38	0.32
Emissions intensity, Scope 1 and 2 (after climate compensation)	8.14	0	0	0	0	0

1) Including AP Fastigheter's emissions before the merger with Vasakronan. Only Scope 1, 2 and air travel, and only CO₂.

2) As of 2012, temporary agreements without certificate of origin are included.

3) This category includes emissions that occur upstream of production of water power, wind power, biopower, other power, district heating and district cooling and the extraction, refinement and distribution of oil.

4) New categories since 2014 for waste, materials and transportation and since 2015 for tenants' electricity use.

5) Emissions for entire construction projects, for projects concluded during the reporting year.

6) Electricity procured by tenants themselves.

7) As of 2016, new methods are applied for calculating emissions from leasehold improvements. The equivalent emissions for 2015 have been re-calculated using the same method.

8) However, corrections further back in time have not been made.

8) The figures have been corrected compared to the report for 2016.

306-2 Waste by type and disposal method

Large amounts of waste arise in new construction and major renovation projects, and a large portion of that waste currently goes to incineration or landfill. In addition, there is a national target that by 2020, 70% of all construction and demolition waste is to be reused or the material is to be recycled.

We also take care of large amounts of waste from our tenants' operations, and often we are the ones who determine how well the waste is sorted since we are responsible for the space and equipment used for sorting waste at the property.

Boundaries

Most of our influence is exercised outside the organisation at our construction contractors, who do the work in our construction projects, and at our tenants when they conduct operations at our properties. The waste that arises owing to our own administrative operations is not deemed to be material in relation to the waste from project development and tenant waste.

Reporting covers the tenant waste that we help our tenants take care of, but not any waste for which the tenant is responsible for removal – certain types of hazardous waste, for example. Since we are tenants at our own properties, this also covers our own waste from operations. Project waste includes the waste that arises in direct connection with construction production at the construction work site.

Responsibility and monitoring

In administration, the technical organisation is responsible for meeting waste targets. In project operations, the regional SVPs are responsible for meeting our targets.

Tenant waste and project waste are monitored annually in connection with preparing the sustainability and impact reports. The project waste monitored pertains to projects that were concluded during the current year.

Governance and objectives

The EU waste hierarchy governs our working method as regards waste. The goal is to minimise landfill and incineration and to increase the proportion that is recycled or reused. Vasakronan's long-term goal is that neither our own nor our tenants' operations will generate waste that cannot be recycled or reused.

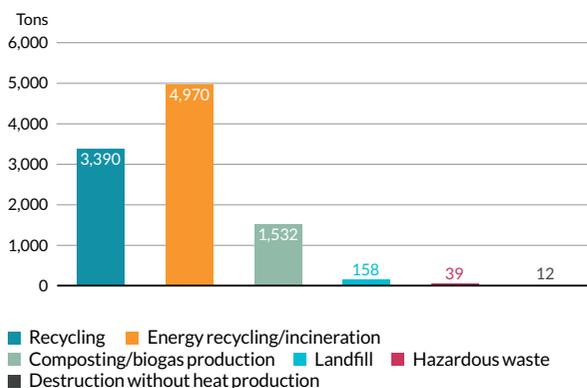
To reach this long-term goal, Vasakronan will collaborate with customers and suppliers to:

1. Reduce the amount of waste through good resource management.
2. Create conditions for reuse of waste.
3. Manage waste so that it goes from being waste to being a new resource.
4. Hazardous waste that arises will be properly taken care of.

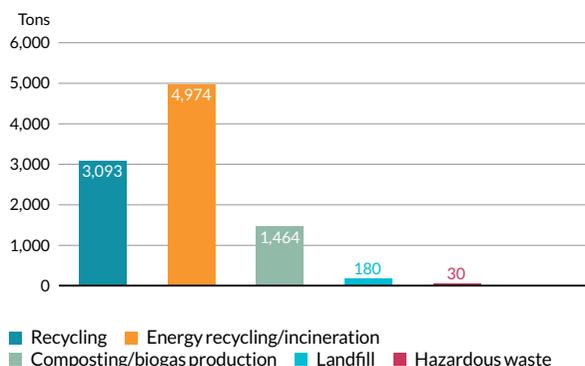
All new construction and major renovation projects will have waste minimising workshops for the purpose of decreasing the amount of waste and setting a tangible efficiency enhancement goal for the project. Prior to 2017, the company was set a goal to increase the amount of reused material in project development, and to reduce waste generated by projects by 5%. For more information on objectives and target fulfilment, refer to page 12.

Outcomes

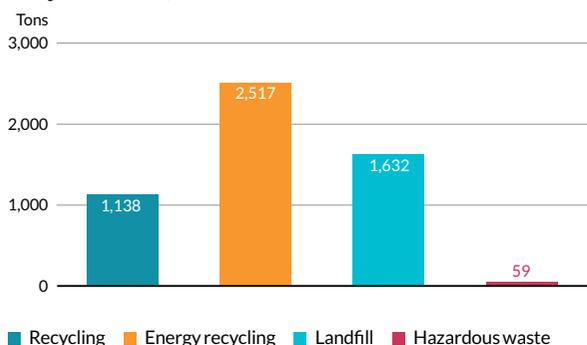
Tenant waste, 2017



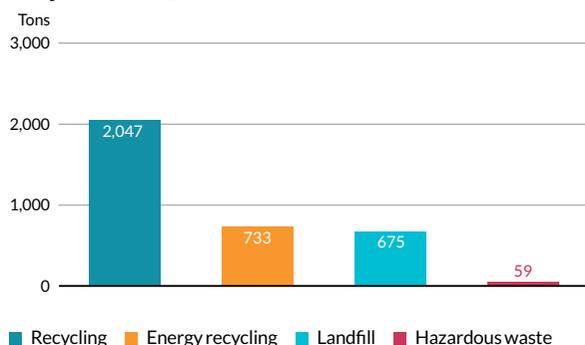
Tenant waste, 2016



Project waste, 2017



Project waste, 2016



Reporting the amount of waste generated by us and our tenants is built partly on estimates. Part of the waste in the category of tenant waste ('household' waste or comparable thereto) may only be collected by contractors appointed by the respective municipalities. It is often difficult, and sometimes even impossible, to get information from the municipalities on how much waste is collected in the respective properties. Portions of the waste have therefore been estimated, based on key metrics per square metre from the actual information that could be obtained.

In project waste, there are detailed statistics from the major projects. Information about how much waste arises in smaller projects – the "fit outs" – is most often nonexistent. The waste originating from this type of project has therefore been estimated by calculating a key metric per krona expended, based on a smaller number of reference projects with actual information.

CRE8 Number of sustainability certified buildings

Environmental certification of both existing buildings and new construction projects is important from several perspectives. It is proof from a third party that our properties have low environmental impact, which means we can meet our tenants' growing environmental requirements. Environmental certification for our buildings is also a prerequisite for our financing with green bonds.

Boundaries

Many aspects are assessed when environmentally certifying buildings, and we do not always have a complete right of disposition over some of them. We in the organisation, however, are always the ones taking decisions on which buildings will be certified, which certification will be chosen and which rating we will have as an objective. Reporting covers all properties.

Responsibility and monitoring

Responsibility for environmentally certifying our new construction and major renovation projects lies with the regional SVPs; responsibility for existing buildings lies with the Technical Operations & Development Unit.

Governance and objectives

The environmental intensity of the project is governed by the environmental certification chosen, and the "Miljöprogram för stora respektive små projekt" (Environmental Program for Large and Small Projects) internal policy document.

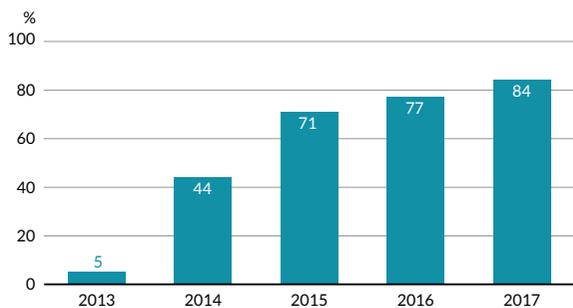
Vasakronan's long-term goal is that all our properties will be environmentally certified, which is why plans are produced annually for which existing properties will be certified or, where necessary, recertified. The environmental program for the project indicates that all projects are to be certified under LEED, with the goal of reaching Platinum certification. Information on the choice of certification and the level set as a goal must also be indicated in the memoranda of decision produced for the respective projects.

For 2017, the goal was to further increase the proportion of environmental certifications.

Outcomes

At the end of 2017, 84% (77) of our property portfolio was environmentally certified. Vasakronan counts only BREEAM, LEED and Miljöbyggnad as approved (or valid) certifications.

Environmental certifications



Share of total area.

	Area, thousand sq. m.	Share, %
BREEAM Excellent	28	1
LEED Platinum	114	6
LEED Gold	1,503	74
LEED Silver	275	13
LEED Certified	103	5
Miljöbyggnad Bronze	12	1
	2,036	100

To the extent the property is environmentally certified under several systems, it has been counted as LEED certified in the table above.

102-9 A description of the organisation's supply chain
308-1 Percentage of new suppliers that were screened using social criteria

In order to successfully conduct our operations, we need to engage suppliers of various types. Each purchase must be conducted with professional correctness, objectivity and honesty while observing good business practice. Additionally, purchasing must take place through competitive procurements where suppliers and tenders are assessed and prioritised based on how well they meet the requirements set, taking into consideration competence and efforts toward quality, sustainability, and health and safety as well as risk function, performance, design and price. Since a large part of our environmental impact arises in the supply chain, assessing suppliers based on how they conduct their environmental work is of great importance.

Boundaries

We ourselves are the ones who determine which demands we will place on our suppliers. Whether the demands are met is determined by our suppliers. Reporting covers the supplier agreements signed by the purchasing department.

Responsibility and monitoring

The work on signing agreements with our suppliers is managed by a central purchasing division. The Purchasing Director reports to the SVP for Technical Operations & Development. The purchasing division is responsible for purchases meeting strict requirements for quality and sustainability and that they take place at the lowest possible cost, and for procurement of new suppliers. Prior to every tender, an evaluation of potential suppliers is conducted based on several criteria. The purchasing division continually monitors the proportion of new suppliers who have signed the Code of Conduct for suppliers. Vasakronan works continually to reduce the number of suppliers engaged and to have all supplier agreements managed directly by the purchasing division.

Governance and objectives

Environmental requirements for our suppliers – environmental programs for large and small projects, for example – are placed in specific appendices to the agreement. General environmental requirements are summarised in our environmental policy and in our Code of Conduct for suppliers. The agreements with new suppliers always include the Code of Conduct for Vasakronan's suppliers; as of 2017, all new framework and service agreement suppliers will be evaluated as regards the environment, working conditions and human rights.

Audits are conducted to check that our suppliers are living up to their commitments in the Code and additional specifications, if any. Selection for audit takes into consideration how much we buy from the supplier, as well as particular risks and focus areas.

Outcomes

The total number of suppliers engaged directly by Vasakronan totals approximately 2,600. In turn, these suppliers often have subcontractors. The number of subcontractors is difficult to estimate, since the number of subcontractors per supplier varies drastically.

The suppliers that are primarily engaged are:

- Contractors (mainly construction contractors)
- Consultants (technical consultants and architects, for example)
- Energy suppliers (electricity, district heating and district cooling)
- Service suppliers

Since Vasakronan conducts operations exclusively in Sweden, our suppliers most often are also based in Sweden.

Vasakronan's Code of Conduct for suppliers is applied to all new supplier agreements, and is now included in 100% of the supplier agreements signed by the purchasing division.

In 2017, a total of three major supplier audits (ten) were conducted. In addition to these, nine smaller supplier audits (seven) were conducted in connection with contract meetings and personnel checks at office cleaning suppliers. The outcomes of these audits show that our suppliers satisfy our environmental requirements.

Societal responsibility

102-8 Total number of employees by employment contract (permanent and temporary), and by gender
405-1 Composition of the Board of Directors, management and other employees according to age and gender

We want to be a company that reflects the society we operate in, and we believe we will be more successful if we avoid entirely too homogeneous groups, since groups with a more heterogeneous composition are often more innovative, solving problems more efficiently.

Boundaries

The impact occurs only within our own organisation in connection with recruitment of new employees. Reporting covers only individuals employed at Vasakronan, and not individuals who perform work under conditions similar to employment.

Responsibility and monitoring

The work on diversity and equal treatment is managed by the company's HR Director, but responsibility for creating groups marked by diversity and for no employees being discriminated against lies with the respective directors.

Any cases of discrimination are captured via any of the following channels: employee surveys, immediate supervisors, the HR division, union parties, the company's Compliance Officer or our external whistle-blower function.

To ensure that no unreasonable differences in pay occur at Vasakronan, wage surveys are conducted annually, in collaboration with an external party so as to achieve the greatest objectivity possible.

Governance and objectives

All employees and job applicants will be treated equally, and no discrimination is permissible. Women and men must be given equal opportunities for development and advancement, as well as equal pay for equal work. The purpose and goal of efforts

around equal treatment are summarised in an equal treatment policy that clearly explains that all the company's operations must be free from discrimination and harassment. In addition, there is an internal Code of Conduct for employees and board members.

Prior to 2017, a target was set for the entire operation that all employees should know how to prevent discrimination and harassment. Targets for increasing the number of employees with non-Swedish backgrounds were also set. See more information on objectives and target fulfilment on page 12.

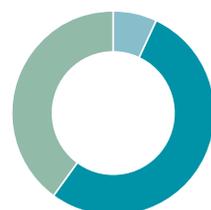
Outcomes

At 31 December 2017, the number of employees was 349 (339), of which 343 (334) were permanent employees and the remainder on time-limited contracts. One employee in the organisation had a part-time contract. All employees are covered by collective agreements. Of these employees, 274 (262) were salaried employees and 75 (77) were employed under a collective agreement.

At the end of the year, 157 consultants were employed in operations. Of these, the equivalent of 70% were hired in as external project managers in new construction and major renovation projects. Other consultants were hired primarily as replacements for existing personnel, for example in connection with parental leave or sick leave. In addition to the consultants hired in, contractors are engaged for project operations. As the extent of these contractors varies markedly over time, no estimates have been made of their proportions.

From the latest wage survey, it emerged that there was a 2.0% (0.6) difference in salaries that favored men. This will be taken into consideration and adjusted during the 2018 salary review.

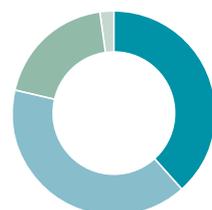
Age distribution



■ <29, 7% (7)
 ■ 30-49, 53% (54)
 ■ >50, 40% (39)

Age distribution among all employees.

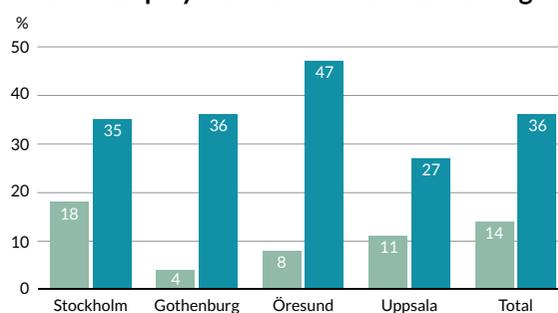
Form of employment



■ Salaried employees, men, 39% (40)
 ■ Salaried employees, women, 40% (37)
 ■ Collective agreements, men, 19% (21)
 ■ Collective agreements, women, 2% (2)

All employees.

Share of employees with a non-Swedish background, 2017



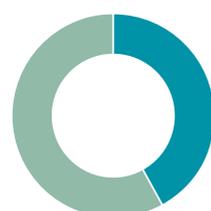
■ Vasakronan 2017 ■ Population, aged 20-67

Share of employees with a foreign background in Vasakronan 2017 compared with non-Swedish background in the population (20-67) in the same locations.

Source: SCB

Distribution, women and men

All employees



■ Women, 42% (40)
 ■ Men, 58% (60)

Management Group



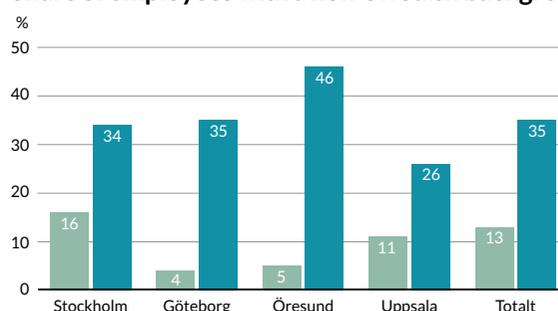
■ Women, 46% (46)
 ■ Men, 54% (54)

Board



■ Women, 44% (33)
 ■ Men, 56% (67)

Share of employees with a non-Swedish background, 2016



■ Vasakronan 2016 ■ Population, aged 20-67

Share of employees with a foreign background in Vasakronan 2016 compared with non-Swedish background in the population (20-67) in the same locations.

Source: SCB

414-1 Percentage of new suppliers that were screened using social criteria

In order to successfully conduct our operations, we need to engage suppliers of various types. Each purchase must be conducted with professional correctness, objectivity and honesty while observing good business practice. Additionally, purchasing must take place through competitive procurements where suppliers and tenders are assessed and prioritised based on how well they meet the requirements set, taking into consideration competence and efforts toward quality, sustainability, and health and safety as well as risk function, performance, design and price.

Boundaries

We ourselves are the ones who determine which demands we will place on our suppliers. Whether the demands are met is determined by our suppliers.

Reporting covers the supplier agreements signed by the purchasing department.

Responsibility and monitoring

The work on signing agreements with our suppliers is managed by a central purchasing division, Technical Operations & Development. The purchasing division is responsible for purchases meeting strict requirements for quality and sustainability and that they take place at the lowest possible cost, and for procurement of new suppliers. Prior to every tender, an evaluation of potential suppliers is conducted based on several criteria.

The purchasing division continually monitors the proportion of new suppliers who have signed the Code of Conduct for suppliers. A number of agreements are not signed by the purchasing division, however, which is why it is difficult to estimate how many agreements and suppliers have the relevant societal requirements in their contracts. Vasakronan works continually to reduce the number of suppliers engaged and to have all supplier agreements managed directly by the purchasing division.

Governance and objectives

Through its Code of Conduct for suppliers, Vasakronan places demands on its suppliers regarding such aspects as working conditions and human rights. The agreements with new suppliers always include the "Code of Conduct for Vasakronan's suppliers;" as of 2017, all new framework and service agreement suppliers will be evaluated as regards the environment, working conditions and human rights. To reinforce the opportunity for employees or external parties to anonymously report suspicions of breaches of laws and regulations regarding working conditions or human rights, there is a whistle-blower function. Vasakronan's Compliance Officer (who is also the General Counsel) receives and investigates the reports that come in. Since 2015, there has also been an external whistle-blower function to provide the opportunity for reporting suspicions of any impropriety to an external party.

Audits are conducted to check that our suppliers are living up to their commitments in the Code and additional specifications, if any. Selection for audit takes into consideration how much we buy from the supplier, as well as particular risks and focus areas.

Outcomes

Vasakronan's Code of Conduct for suppliers is applied to all new supplier agreements, and is now included in 100% of the supplier agreements signed by the purchasing division.

In 2017, a total of three major supplier audits (ten) were conducted. In addition to these, nine smaller supplier audits (seven) were conducted in connection with contract meetings and personnel checks at office cleaning suppliers. The outcomes of these audits show that our suppliers satisfy our societal requirements.

No suspicions of deviations from laws or regulations regarding working conditions or human rights were reported in 2017.

403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

The health and safety of our employees is of the greatest importance, since sick leave leads both to direct costs in the form of sick pay and to indirect costs in the form of loss of output.

Boundaries

The impact on employees' health occurs within the organisation owing to the fact that it is the employers' responsibility to ensure a good working environment and offer activities promoting health. The greatest impact from the perspective of accidents occurs at the construction work sites in our project activities.

Reporting covers sick leave and accidents concerning persons employed at Vasakronan. There is also an ambition to report accidents at our construction work sites. A uniform system for this reporting currently does not exist, but will be introduced.

Responsibility and monitoring

The HR Director is responsible for providing access to measures that promote health and the opportunity for rehabilitation. The respective directors are responsible for reviewing employees' work situations, since a portion of sick leave is related to burnout syndrome.

The regional SVPs are responsible for the company's project development, and thereby for the working environment for the contractors operating at our construction work sites. The equivalent responsibility for operation and maintenance contracts lies with Technical Operations & Development.

Monitoring of sick leave and long term illness absence is conducted monthly, over a rolling twelve months. The number of workplace accidents is monitored on a yearly basis.

Governance and objectives

Great emphasis is placed on activities that promote health, such as preventing workplace accidents and rehabilitating people on long-term sick leave. Vasakronan offers health insurance to all its employees.

Incidents and accidents are reported in the "Kris och incidenter" (Crisis and incident) tool, which currently covers only Vasakronan's employees.

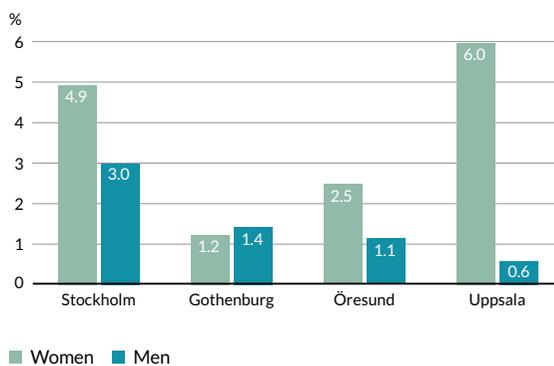
As regards the contractors operating on our construction work sites, requirements for work environment and safety are set in our contractor agreements.

In addition, work is in progress on improving the routine for reporting accidents; for 2018, it is part of a company-wide goal. Refer to page 13.

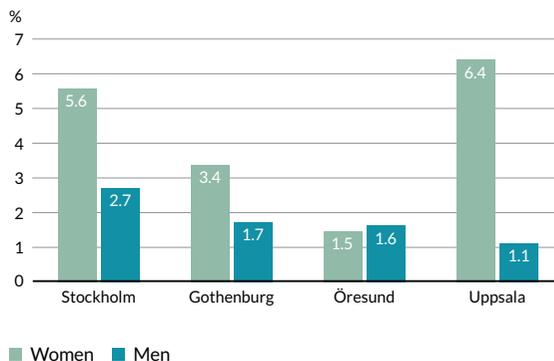
Outcomes

Total sick leave in 2017 amounted to 3.1% (3.3); the distribution by region and gender is shown in the diagram below. In 2017, a total of four accidents were reported, of which two resulted in absentee days. The number of absentee days as a consequence of accidents totaled 15. The accidents reported pertain only to the company's employees. Contractor accidents are not included in the outcome.

Sick leave 2017



Sick leave 2016



416-A Measures taken to maintain a high level of safety and security in and around properties

It is important for everyone to feel safe and secure in their local surroundings. As employers, our tenants want to ensure that their employees have a safe workplace and a safe commute.

Boundaries

Impact occurs within the organisation as a result of the fact that this indicator pertains to measures we ourselves have taken.

Reporting covers only the measures Vasakronan takes.

Responsibility and monitoring

The responsibility for ensuring that routine safety in and around the properties is maintained lies with Technical Operations & Development.

In connection with project development, responsibility lies with the respective regions for taking action at the start, during the planning of new build and redevelopment projects.

Governance and objectives

Vasakronan continually takes measures to create a safe, secure environment in and around our properties. An important part of this work is creating a mix of offices, retail and leisure, thereby creating a more lively environment during the evenings as well. In addition, measures are taken to increase lighting in darker areas such as parking lots or garages, or in the area around our development sites. Other measures include pruning trees and bushes to create better visibility, maintaining alarms and introducing passageway systems.

Vasakronan's long-term objective is for the design of our properties to contribute to the safety, security and health of our tenants. For 2018, the goal is to carry out at least 50 measures to create security in our properties and our new development projects.

Outcomes

In its redevelopment of Sergelhuset, which began during the year, Vasakronan focused right from the design phase on having the area perceived as being secure and safe. Malmskillnadsgatan will transform from what was a dark back street that people avoided at night to a central inner-city street with a dynamic and vibrant city life.

Part of this work included planning restaurants, outdoor dining and shops at street level, and residences higher up in the buildings that are felt to create movement and security around the clock. Another part was removing unsafe alleys, dark sections and narrow staircases in the area.

In 2017, Vasakronan joined forces with the Swedish Property Federation to initiate certification of three areas in Gothenburg in accordance with the Purple Flag standard. Purple Flag is an accreditation process that identifies places that have successfully worked to improve safety and access, and that offer a diverse selection also at night. The areas chosen for certification are Fredstan, Nordstan and Lilla Bommen.

In Kista, we focused during the year on improving existing lighting in the area and supplementing it with new lighting in dark areas and parking lots. In partnership with the City of Stockholm, we have also reviewed lighting in Grönlandsparken and pruned trees and bushes to provide better visibility and thus better security in the park.

Measures taken to increase accessibility to public transportation and local services

As a property owner, being able to offer premises with good connections to public transportation and proximity to various types of societal services is important. It facilitates daily life for our tenants and contributes to reduced climate impact.

Boundaries

Impact occurs within the organisation as a result of the fact that this indicator pertains to measures we ourselves have taken.

Reporting covers only the measures Vasakronan takes.

Responsibility and monitoring

The organisations for project development in the respective regions are responsible for creating conditions during the planning phase for a mix of different operations in the property. The transaction division is responsible for including access to public transportation and local services as a part of the due diligence performed in connection with a potential acquisition. The regions are responsible for ongoing dialogue with municipalities and public transportation companies regarding factors such as frequency and locations of stops.

Monitoring of the effect of the measures occurs in continual dialogue with our tenants.

Governance and objectives

We work continually on ensuring that the properties we own are located so that public transportation is already good, or where there are plans to expand it. We are also working actively on trying to improve public transportation with regard to frequency and locations of stops.

Many of our properties are located in city centres where the level of local services is already high. We also own properties in more peripheral locations, where we work actively on ensuring that there is a varied offering of restaurants and cafés, gyms, hairdressers and other types of services that our customers demand in proximity to their workplaces. We also offer access to dry cleaners and shoemakers in many of our properties.

Outcomes

In Gothenburg, Vasakronan — in partnership with a number of other property owners — initiated a dialogue with Västtrafik during the year on improving public transportation.

An additional restaurant and a conference section opened in Uppsala Science Park during the year, to increase the service offering for the approximately 140 companies and government agencies operating in the area. In Gothenburg, a restaurant has opened up on the bottom floor of the Bohusgatan property, which had previously been closed to the street. A gym opened up in the Mobile Height Center in Lund during the year.

Customer satisfaction

To succeed at the task of a high level of return over the long term, a high level of customer satisfaction is a must. The more satisfied the customers, the greater their loyalty towards us.

Boundaries

The results of customer surveys pertain to our own evaluation of our tenants' satisfaction.

Responsibility and monitoring

Customer initiatives are managed by the company's four regions, and the regional SVPs have overall responsibility for customer satisfaction. Customer surveys are conducted regularly to monitor how well customer initiatives are working and to identify areas for improvement. This occurs primarily through Vasakronan's own customer survey, Tyck om Vasakronan, which is conducted at the beginning of every year, and also using event-governed customer surveys.

Governance and objectives

To have satisfied customers, good customer relations are needed. This work includes routines for communication, meetings and surveys for monitoring.

Outcomes

The latest survey was conducted at the beginning of 2018, where the outcome was a score of 76 (77) for offices and 75 (75) for retail. The scale of the survey is from 1 to 100, where a score of at least 80 corresponds to a grade of Very good.

Auditor's limited assurance report on Vasakronan's Sustainability Report and statement regarding the statutory Sustainability Report

To Vasakronan AB, Corp. ID. 556061-4603

Introduction

We have been engaged by the Board of Directors and CEO of Vasakronan AB ("Vasakronan") to undertake a limited assurance engagement of Vasakronan's Sustainability Report for the year 2017. The scope of the Sustainability Report, which also constitutes the company's statutory sustainability report, is defined on page 114 in the Annual Report.

Responsibilities of the Board of Directors and the CEO for the Sustainability Report

The Board of Directors and the CEO are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act. The criteria are defined on page 114 in the Annual Report and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12 *The auditor's opinion regarding the statutory sustainability report*. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Vasakronan in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, the conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the CEO as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

Conclusions

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the CEO.

A statutory sustainability report has been prepared.

Stockholm, 21 March 2018

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant

Fredrik Ljungdahl
Expert member of FAR

Impact Report, Green Bonds

Vasakronan issued the world's first green bond in November 2013, and remains the largest issuer of green bonds in Sweden. In 2017, Vasakronan launched a new framework that tightens requirements for new construction and major renovation projects financed with green bonds and opens up opportunities for investments in existing properties. The framework has been reviewed by the Center for International Climate Research (CICERO) and has received the highest rating, Dark Green.

Vasakronan's total investments approved for financing with green bonds totaled SEK 14.2 billion (6.2) at the end of 2017. Of these, SEK 13.8 billion (-) comprised investments in existing properties, of which SEK 5.1 billion (4.0) consisted of properties that had previously undergone new construction or redevelopment. Investment in ongoing projects totaled SEK 0.4 billion (1.2).

In 2017, Vasakronan increased the volume of green bonds outstanding by SEK 2.8 billion, and the total amount outstanding at year end was SEK 8.0 billion (5.2), equivalent to 14% (9) of the total liabilities.

Properties account for nearly 40% of energy consumption in Sweden. Continuing the work on reducing energy consumption in our properties is therefore self-evident to us. Through investments and close collaboration with our tenants, we have man-

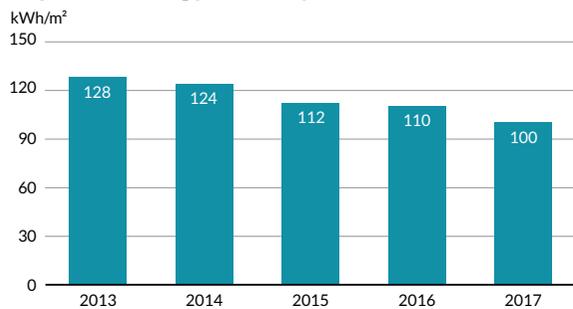
aged to halve our energy consumption since 2009, and by supplying our properties with renewable or climate-neutral energy we have reduced our carbon dioxide emissions in Scope 1 and 2 by 97% since 2006.

Large amounts of waste arise in new construction and major renovation projects, and a large portion of that waste currently goes to incineration or landfill. We also take care of large amounts of waste from our tenants' operations, and often we are the ones who determine how well the waste is sorted since we are responsible for the space and equipment used for sorting waste at the property. The EU waste hierarchy governs our work with both types of waste, and the goal is to minimise landfill and incineration and to increase the proportion that is recycled or reused.

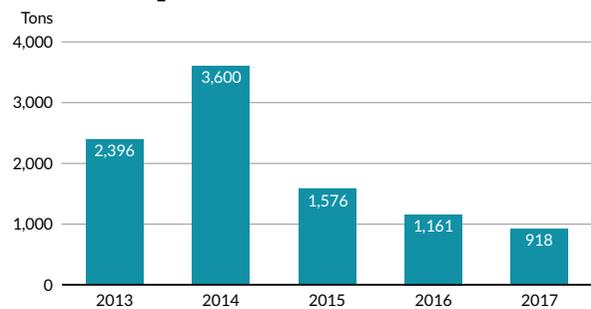
Water consumption is an important issue from a global and a local perspective. Vasakronan uses water from municipal systems, and even though no shortages have yet arisen in the locations where we operate, we are working continually on monitoring and on cost-efficient measures to reduce consumption. Low water use is also a precondition for environmentally certifying buildings with high ratings.

Every year, business planning is carried out around the company that focuses on areas for development and improvement in our operations. Financial, environmental, and societal goals are set based on these business plans. For more information on our environmental goals for 2017 and how well we achieved them, refer to page 12.

Improved energy intensity

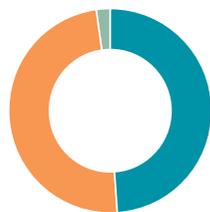


Reduced CO₂-emissions



Pertains to Scope 1 and 2

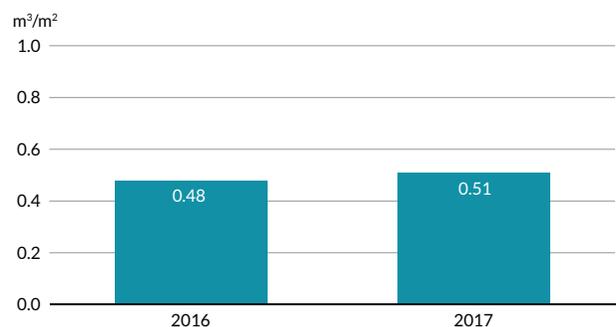
Larger share of waste recycling



- Recycling, 49%
- Energy recapture through incineration, 49%
- Landfill and hazardous waste, 2%

Tenant waste, 2017

Greater focus on water use



Water intensity

Criteria under the framework

As a basis for the selection of assets that can be financed with green bonds, there is a framework that has been reviewed by the Center for International Climate Research (CICERO), a Norwegian climate research fund. In 2017, Vasakronan launched a new framework that also facilitates investments in existing properties. The criteria to be met for financing an existing property is that the building must be certified according to LEED for existing buildings on a Gold level or higher and have an energy intensity below 100 kWh/m² per year.

As a result of the new framework, the level for financing new construction and major renovation projects was also raised. These must be certified according to LEED for new construction on a Platinum level, or BREEAM-SE on an Outstanding level, and have an energy performance 25% below the National Board of Housing, Building and Planning's guidelines (BBR requirements). The framework and CICE-RO's report can be found at www.vasakronan.se.

Vasakronan has a special account for transactions attributable to the issue of green bonds. If the approved investment amount is less than the outstanding amount of green bonds, Vasakronan has undertaken to place a corresponding amount in this special account. At year end, the approved investment amount exceeded the outstanding amount of green bonds, and the account balance was therefore zero.

Approved investment amount green bonds, 31 Dec 2017, SEK m

Accrued investments in ongoing projects	407
Existing properties	13,824
- of which previously new construction and major renovation	5,102
Total approved investment amount	14,231
Volume outstanding, green bonds	8,035
Remaining approved investment amounts	6,196

Ongoing new construction and major renovation forming basis for investment

Property	Location	Certification	Energy performance (F), kWh/m ²	Energy intensity BBR ²⁾ , kWh/m ²	Waste, kg/m ²	Materials, kg/m ²
Kronåsen 1:1 (Hubben) ¹⁾	Uppsala	LEED Platinum (F)	30	115	38	1,018
Hilton 7 ¹⁾	Stockholm	LEED Platinum (F)	50	80	-	-
Kronåsen 1:1 (Celsius)	Uppsala	LEED Platinum (F)	51	96	-	-

1) The project is financed in part by green bank loans via the NIB. See page 33 for more information.

2) Maximum permitted energy intensity under National Board of Housing, Building and Planning guidelines.

(F) = Forecast

Waste and materials are not reported for the Hilton 7 and Kronåsen 1:1 projects, as these were not complete as of 31 December 2017.

Existing properties forming basis for investment

Property	Location	Certification	Energy performance, kWh/m ²	Water intensity, m ³ /m ²	Emissions, kg/m ²
Heden 22:19	Gothenburg	LEED Gold	64	0.2	0.0
Heden 42:4	Gothenburg	LEED Gold	69	0.8	0.0
In Vallgraven 11:6	Gothenburg	LEED Gold	67	0.6	0.0
Gullbergsvass 1:16	Gothenburg	LEED Gold	60	0.3	0.0
Magnus Stenbock 4	Malmö	LEED Gold	86	0.2	0.7
Nereus 1	Malmö	LEED Platinum	72	0.2	0.6
Riga 2	Stockholm	LEED Gold	46	0.3	0.0
Hekla 1	Stockholm	LEED Gold	53	0.3	0.0
Albydal 3	Stockholm	LEED Gold	65	0.2	0.0
Tre Vapen	Stockholm	LEED Gold	85	0.3	0.0
Dragarbrunn 24:5	Uppsala	LEED Gold	86	0.5	0.0
Modemet 1, Hus 8 ¹⁾	Stockholm	LEED Platinum	29	0.4	0.0
Rosenborg 3 ¹⁾	Stockholm	LEED Platinum	48	0.3	0.0
Uggleborg 12 ¹⁾	Stockholm	LEED Platinum	63	0.4	0.0

1) Properties that underwent new construction or redevelopment, and were financed over the course of the project in accordance with the criteria for new build and redevelopment projects. After the project was finished, the property was reclassified to the existing properties category. As of 31 December 2017, these properties comprised SEK 5.1 billion out of a total SEK 13.8 billion. For further information, see Other information.

Other information

The Impact Report has been prepared in accordance with the guidelines in the framework for green bonds. The framework was produced in accordance with the Green Bond Principles, and has been reviewed by CICERO, the independent climate and environmental research institute. The framework is available at www.vasakronan.se. The environmental data reported was produced in accordance with the same principles and methods as the Sustainability Report and is shown on page 114.

Investments in new construction and major renovation projects corresponded to the amount that as of the balance-sheet date had been invested in the property. Existing properties are recognised at market value. The market value is updated mid-year and at the end of the year in connection with external evaluations being performed. Reporting of market value and amount invested follows the accounting policies indicated in Note 13 on page 97.

The emissions reported for existing properties pertains to emissions attributable to energy consumption in buildings with the type of purchased energy taken into consideration. "Tenant electricity" is not included in energy intensity and the emission calculations. The Existing properties category includes properties that previously underwent new construction or redevelopment, and were financed over the course of the project in accordance with the criteria for new construction and major renovation projects. In connection with the completion of new construction and major renovation, an evaluation was conducted against the criteria set for investment in existing properties. Reclassifying a property from new construction and major renovation projects to the category for existing properties requires that the new construction and major renovation is reported to the Board of Directors, that final certification has been obtained and that energy intensity has been measured over at least a rolling twelve-month period.



HUBBEN
New build

Hubben, designed by White Arkitekter, is approximately 13,000 sq. m. and is located in Uppsala Science Park. The building contains a restaurant, offices, laboratories and conference rooms, and the tenants moved in during November 2017.

A few examples of environmental measures taken during the project:

- Major focus on reducing the amount of construction waste. When the project was completed, we could verify that waste per square metre produced amounted to 38 kg, of which none went to landfill.
- Solar photovoltaic cells on the roof
- Energy efficient installations
- All construction material assessed according to Byggarbetebedömningen criteria

Klara C is an office building with conference facilities and several restaurants in central Stockholm. The property is approximately 35,000 sq. m. and was built in 1931. From 2014 to 2017, the building underwent a major redevelopment. This included replacing windows and modernising technical installations, which led to a drastic reduction in energy consumption.

KLARAC
Redevelopment

To reduce the amount of construction waste, a number of the interior fixtures and fittings were reused in other buildings. When the project was completed, we could verify that waste per square metre redeveloped amounted to 33 kg, of which around 1% went to landfill.

The project attained Platinum-level LEED certification, the highest certification level, in 2017.



LÄPPSTIFTET
Existing property

Läppstiftet is an office building in Gothenburg covering approximately 32,000 sq. m. The building was constructed between 1986 and 1989, and has been owned by Vasakronan since 2001.

Over the years, a number of measures were taken to reduce the building's energy consumption, and at the end of 2017 the property had an energy intensity of 60 kWh/sq. m. per year.

Läppstiftet was one of Vasakronan's first existing properties to be certified under LEED (Existing Buildings: Operations and Maintenance).

Independent Auditor's Limited Assurance Report on Vasakronan's Green Bond Impact Report

To Vasakronan AB, Corp. ID 556061-4603

Introduction

We have been engaged by the Board of Directors and CEO of Vasakronan AB ("Vasakronan") to undertake a limited assurance engagement of Vasakronan's Green Bond Impact Report ("the Impact Report") for the year 2017. The Impact Report is comprised of pages 127-129 in the Annual Report.

Responsibilities of the Board of Directors and the CEO for the Impact Report

The Board of Directors and the CEO are responsible for the preparation of the Impact Report in accordance with the applicable criteria, as explained on page 128 of the Annual Report and consists of the parts of Vasakronan's Green Bond Framework which are applicable to the Impact Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of an Impact Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Impact Report based on the limited assurance procedures we have performed.

We have conducted our limited assurance engagement in accordance with ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Impact Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with ISA, and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control

including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Vasakronan in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed do not enable us to obtain such a level of assurance that we would become aware of all significant matters that might be identified in an audit. Consequently, the conclusion based on a limited assurance engagement does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and the CEO as described above. We consider these criteria suitable for the preparation of the Impact Report.

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

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Impact Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the CEO.

Stockholm, 21 March 2018

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant

Fredrik Ljungdahl
Expert member of FAR

Quarterly overview

Amounts in SEK million	Q4 2017	Q3 2017	Q2 2017	Q1 2017
INCOME STATEMENTS				
Net sales	1,654	1,590	1,629	1,617
Operating expenses and property administration	-269	-218	-239	-267
Maintenance costs	-28	-23	-30	-29
Property tax	-134	-139	-135	-136
Ground rents	-44	-42	-39	-40
Net operating income	1,179	1,168	1,186	1,145
Central administration	-28	-23	-24	-22
Result from participations in joint ventures	-1	0	-1	-1
Net interest	-291	-295	-296	-283
Profit before value changes and tax	859	850	865	839
Change in value of investment properties	2,311	957	3,887	818
Change in value of financial instruments	-67	132	283	120
Divested/impaired goodwill	-20	-	-6	-
Profit before tax	3,083	1,939	5,029	1,777
Tax	-647	-427	-1,094	-391
Profit for the period	2,436	1,512	3,935	1,386
BALANCE SHEETS				
Investment properties	126,875	122,999	121,403	117,037
Equity	51,377	48,950	47,438	47,503
Interest-bearing liabilities	58,421	59,058	58,956	55,181
Total assets	132,283	130,195	128,394	123,960
KEY METRICS				
Property-related information				
Closing area, thousand sq. m.	2,430	2,420	2,420	2,427
Closing number of properties	179	178	178	179
Closing market value of property, SEK m	126,875	122,999	121,403	117,037
Net investments, SEK m	1,566	639	478	297
Closing economic occupancy rate, %	93.1	92.7	94.1	93.9
Surplus ratio, %	71.3	73.5	72.8	70.8
Financial metrics				
Closing average interest rate, %	1.7	1.8	1.9	1.9
Closing remaining average fixed-interest tenor, years	4.5	3.9	4.1	4.2
Interest coverage ratio for the period, multiple	4.0	3.9	3.9	4.0
Closing equity/assets ratio, %	39	38	37	38
Other metrics				
Closing number of employees	349	348	343	338

Five-year overview

Amounts in SEK million	2017	2016	2015	2014	2013
INCOME STATEMENT					
Rental revenue	6,490	6,251	6,009	5,899	6,032
Operating expenses and property administration	-993	-981	-998	-982	-1,017
Maintenance costs	-110	-105	-106	-112	-113
Property tax	-544	-544	-474	-492	-492
Ground rents	-165	-162	-157	-141	-131
Net operating income	4,678	4,459	4,274	4,172	4,279
Central administration	-97	-87	-88	-93	-87
Result from participations in joint ventures	-3	-3	-1	-1	0
Net interest	-1,165	-1,152	-1,121	-1,256	-1,503
Profit before value changes and tax	3,413	3,217	3,064	2,822	2,689
Change in value of investment properties	7,973	12,056	10,212	3,519	1,952
Unrealised change in value of financial instruments	468	-764	598	-2,956	1,151
Divested/impaired goodwill	-26	-18	-71	-21	-51
Profit before tax	11,828	14,491	13,803	3,364	5,741
Tax	-2,559	-3,019	-2,859	-642	-923
Profit for the year	9,269	11,472	10,944	2,722	4,818
BALANCE SHEETS					
Investment properties	126,875	115,922	103,894	91,889	87,145
Equity	51,377	46,117	41,245	35,094	36,357
Interest-bearing liabilities	58,421	55,240	50,750	46,839	45,274
Total assets	132,283	122,056	109,786	97,184	93,242
KEY METRICS					
Property-related information					
Closing area, thousand sq. m.	2,430	2,426	2,509	2,509	2,562
Closing number of properties	179	179	180	185	192
Closing number of apartments	1,168	1,161	1,164	1,163	1,168
Closing market value of property, SEK m	126,875	115,922	103,894	91,889	87,145
Closing market value, SEK/sq. m	52,212	47,783	41,409	36,624	34,014
Net investments, SEK m	-2,980	-28	1,753	1,243	1,119
Acquisitions, SEK m	1,049	58	916	4	1,690
Divestments, SEK m	-612	-2,121	-1,387	-1,574	-2,988
Investments in projects, SEK m	2,543	2,035	2,224	2,813	2,417
Closing rental value, SEK m	7,190	6,949	6,783	6,621	6,557
Closing economic occupancy rate, %	93.1	94.2	92.6	92.0	93.4
Closing surplus ratio, %	72.1	71.3	71.1	70.7	70.9
Environmental certification of properties, share of total area, %	84	77	71	44	5
Energy intensity on closing date, kWh/m ² ¹⁾	100	110	112	124	128
Yield, total holdings, %	3.9	4.1	4.5	4.7	5.1
Value change in the total portfolio, % ¹⁾	6.9	11.7	11.1	4.2	2.5
Total yield, total holdings, %	11.0	16.3	16.0	9.1	7.7

1) Outcome in accordance with IPD Swedish Property Index.

Amounts in SEK million	2017	2016	2015	2014	2013
Financial metrics					
Closing average interest rate, %	1.7	2.0	2.1	3.3	3.0
Closing remaining average fixed-interest tenor, years	4.5	4.3	4.3	5.1	4.2
Closing interest coverage ratio, multiple	3.9	3.8	3.7	3.2	2.8
Closing equity/assets ratio, %	39	38	38	36	39
Closing NAV, SEK m ¹⁾	68,581	61,333	53,416	44,852	42,502
Closing NNNAV, SEK m ²⁾	60,872	55,083	47,927	39,225	39,640
Closing debt/equity ratio, multiple	1.1	1.2	1.2	1.3	1.2
Return on equity, %	19.0	26.3	28.7	7.6	14.0
Cash flow metrics					
Cash flow from operating activities before changes in working capital, SEK m	3,383	3,137	2,855	2,789	2,600
Cash flow from operating activities, SEK m	3,111	3,439	3,210	2,902	2,802
Cash flow from investing activities, SEK m	-2,985	23	-1,775	-1,273	-1,146
Cash flow from financing activities, SEK m	-850	-3,616	-891	-2,442	-702
Cash flow for the year, SEK m	-724	-154	544	-813	954
Other metrics					
Average number of employees	345	338	348	356	345
Closing number of employees	349	339	346	353	353
Basis for key metrics					
1) NAV, SEK m					
Equity	51,377	46,117	41,245	35,094	36,357
Add back goodwill	-2,045	-2,071	-2,088	-2,159	-2,180
Add back derivatives	2,426	2,925	2,903	3,385	466
Add back recognised deferred tax	16,824	14,362	11,356	8,532	7,859
	68,581	61,333	53,416	44,852	42,502
2) NNNAV, SEK m					
Equity	51,377	46,117	41,245	35,094	36,357
Add back goodwill	-2,045	-2,071	-2,088	-2,159	-2,180
Add back recognised deferred tax	16,824	14,362	11,356	8,532	7,859
Deferred tax at fair value	-4,933 ³⁾	-3,219 ⁴⁾	-2,533 ⁴⁾	-1,672 ⁴⁾	-1,997 ⁴⁾
Adjustment of interest-bearing liabilities to fair value	-351	-106	-53	-570	-399
	60,872	55,083	47,927	39,225	39,640

3) Calculated on the basis of a 30% current tax rate, i.e. 6.6%

4) Calculated on the basis of a 25% current tax rate, i.e. 5.5%

Definitions

Area, sq. m.

Lettable area, not including garages and parking spaces on the closing date.

Return on equity, %

Earnings after tax divided by the average of opening and closing equity. Intended as an indication of the return on equity.

Loan-to-value (LTV) ratio, %

Net interest-bearing liabilities divided by investment properties on the closing date. Intended as an indication of the company's financial risk.

Central administration, SEK m

Costs at the Group level that are not directly related to property management, such as costs associated with the Group management team, property investments, financing and central marketing.

Yield, total holdings, %

Net operating income as a percentage of the sum of the properties' opening market value, plus half of the year's investments and less half of net operating income during the year. Calculated according to the same method as the IPD Swedish Property Index and pertains to the entire property portfolio including projects and transactions. Intended as an indication of the return on current earnings from the properties.

Net operating income, SEK m

Rental revenue less operating expenses, repairs and maintenance, property administration, property tax and ground rent. Intended as an indication of the current earnings in property management activities.

Energy performance, kWh/sq. m.

The annual total for energy consumption, adjusted to the level of a normal year, from heating, comfort cooling and property electricity, divided by the temperate area. Reported energy performance also includes some tenant electricity and process cooling which, for technical reasons, is not possible to remove from the calculation.

Property category

The primary use of the property based on rental revenue.

FFO/net debt, %

Cash flow from operating activities before change in working capital for the last 12 months divided by average interest-bearing liabilities, net. It measures the portion of the company's net liabilities that can be paid by its cash flow from operating activities.

Average loan-to-maturity, years

The volume-weighted remaining maturity on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

Average interest rate, %

The volume-weighted interest rate on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's cost of capital.

Average fixed-interest tenor, years

The volume-weighted remaining maturity on fixed-interest rates on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's interest-rate risk.

Average remaining term to maturity, years

The total contract value of commercial facilities divided by contracted rent for commercial facilities.

Rental value, SEK m

Contracted rent plus the assessed market rent for vacant premises.

Investments in existing projects, SEK m

Investments in ongoing projects. Intended as an indication of the company's investment volume.

Comparable property holdings

Properties included in holdings during the entire reporting period, and during the entire comparison period. Properties that were classified as development properties, or that were acquired or sold during the reporting period or comparison period are not included.

Contracted rent, SEK m

Total annual rent from contracts in effect as of the closing date.

Cash and cash equivalents, SEK m

Cash and bank balances, along with current investments with maturities of less than three months. Intended as an indication of the company's liquidity.

Environmental certification, %

Total area of properties that have obtained certification in accordance with BREEAM, LEED or Miljöbyggnad, divided by the area for the entire property portfolio, on the closing date.

NAV (Net asset value), SEK m

Equity, adding back goodwill, derivatives and deferred tax. Intended as an alternative calculation of equity; see derivation on page 133.

NNNAV (Triple net asset value), SEK m

Equity adding back goodwill, adjustment of interest-bearing liabilities to fair value and adjustment of recognised deferred tax to fair value, on the basis of a 25% current tax rate. Recognised equity adding back goodwill and the fair value of loans, and adjusted for estimated actual deferred tax. Calculated on the basis of a 25% current tax rate. Intended as an alternative calculation of equity; see derivation on page 133.

Net investments, SEK m

The purchase price for acquisition of property, along with investments in property projects, less the consideration received from property divestment. Intended as an indication of capital invested in properties.

Net lettings, SEK m

Contracted rent for new lettings during the period less contracted rent for leases where notice of termination for move-out was received during the period.

Profit before value changes and tax, SEK m

Net operating income less central administration, profit (loss) from participations in joint ventures and net interest. Intended as an indication of current earnings in the operations.

Net interest-bearing liabilities, SEK m

Interest-bearing liabilities less cash and cash equivalents. Intended as an indication of the company's financial risk.

Net interest, SEK m

Interest income less interest expenses.

Interest coverage ratio, multiple

Net operating income plus central administration and profit (loss) from participations in joint ventures divided by net interest. Intended as an indication of the company's sensitivity to fluctuations in interest rates.

Debt/equity ratio, multiple

Interest-bearing liabilities divided by equity. Intended as an indication of the company's financial risk.

Equity/assets ratio, %

Equity divided by total assets on the closing date. Intended as an indication of the company's financial stability.

Capital employed, SEK m

Total assets less non-interest-bearing liabilities.

Temperate area, sq. m.

Indoor area for all floors of a building that are heated to more than 10°C.

Total yield, total holdings, %

Sum total of yield and change in value, including projects and transactions. Calculated according to the same method as the IPD Swedish Property Index. Intended as an indication of the return on total assets.

Total contract value, SEK m

Contracted rent multiplied by the period of maturity of the leases.

Economic occupancy rate, %

Contracted rent divided by the rental value on the balance-sheet date.

Value change in the total portfolio, %

Value change in SEK, divided by market value for the entire property portfolio (i.e. including projects and transactions at the start of the period). In the five-year overview, the value change is reported according to the same method as the IPD Swedish Property Index. Intended as an indication of the value change in the property portfolio.

Annual rent, SEK m

Base annual rent plus indexation and supplements.

Surplus ratio, %

Net operating income divided by rental revenue. Intended as an indication of the current earnings in property management activities.



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Financial Calendar

REPORTS

Interim report Jan–Mar 2018	3 May 2018
Mid-year report Jan–Jun 2018	11 July 2018
Interim report Jan–Sep 2018	8 November 2018
Year-end report 2018	31 January 2019
Annual Report 2018	March 2019

ANNUAL GENERAL MEETING

Annual General Meeting	3 May 2018
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Production

Vasakronan and Intellecta Corporate.

Photo: Linus Flodin, Anders Fredriksen, Åke Gunnarsson, Mikael Gustavsen, Gustav Kaiser, Patrick Miller, Choke Nygren, Martin Olson and Peter Westrup.

Vision images: EGA, Marge, TMWR and White

Printing: BrandFactory AB 2018.

In July 2017, Vasakronan acquired the newly built office building Sthlm Seaside in Hammarby Sjöstad – a strategic acquisition in an expansive area that will soon be considered part of central Stockholm. The total area is 12,500 sq. m. of office space and it is on Hammarby kaj.

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