

Year-end report 2018

- Rental revenue increased to SEK 6,718 million (6,490). For comparable property holdings, the increase was 5% and was mainly attributable to positive effects from new lettings and renegotiated leases.
- The occupancy rate was 93.1% (93.1) at year end. Of total vacancies, 2.5 percentage points (2.8) were attributable to ongoing projects and development properties.
- Property expenses amounted to a total of SEK 1,849 million (expense: 1,812). For comparable property holdings, the increase was 4% and was mainly due to higher costs for electricity and district cooling.
- Net operating income increased in total to SEK 4,869 million (4,678). For comparable property holdings, the increase was 6% and was due to higher rental revenue.
- Profit before value changes and tax rose to SEK 3,884 million (3,413), corresponding an increase of 14%.
- The change in the property value amounted to SEK 10,651 million (7,973), corresponding to an 8.5% (6.9) increase in value mainly due to rising market rents in Stockholm. At the end of the period the portfolio value amounted to SEK 138,934 million (126,875).
- Profit after tax amounted to SEK 12,902 million (9,269).
- The share of environmentally certified buildings amounted to 85% (84) at the end of the period.
- The energy intensity was 103 kWh/sq. m (100).
- A dividend of SEK 4 000 million (4,000), has been proposed to the Annual General Meeting.

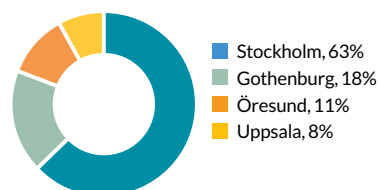
| Amounts in SEK million | Jan-Dec 2018 | Jan-Dec 2017 | Oct-Dec 2018 | Oct-Dec 2017 |
|---|--------------|--------------|--------------|--------------|
| Rental revenue | 6,718 | 6,490 | 1,712 | 1,654 |
| Net operating income | 4,869 | 4,678 | 1,253 | 1,179 |
| Profit before value changes and tax | 3,884 | 3,413 | 1,153 | 859 |
| Profit after tax | 12,902 | 9,269 | 4,000 | 2,436 |
| Cash flow from operating activities before changes in working capital | 3,567 | 3,383 | 875 | 807 |
| Market value of properties, SEK m | 138,934 | 126,875 | 138,934 | 126,875 |
| Occupancy rate, % | 93.1 | 93.1 | 93.1 | 93.1 |
| Surplus ratio, % | 73 | 72 | 73 | 71 |
| Interest coverage ratio, multiple | 4.7 | 3.9 | 6.0 | 4.0 |
| Loan-to-value (LTV) ratio, % | 41 | 43 | 41 | 43 |
| Closing NAV, SEK m | 78,542 | 68,581 | 78,542 | 68,581 |
| Closing NNNNAV, SEK m | 70,823 | 60,872 | 70,823 | 60,872 |
| Environmental certification, share of total area, % | 85 | 84 | 85 | 84 |
| Energy intensity on closing date, kWh/m ² | 103 | 100 | 103 | 100 |

Vasakronan in brief

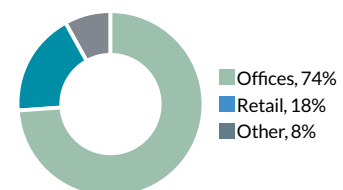
Vasakronan is Sweden's largest property company. The portfolio comprises 174 properties with a total area of about 2.4 million square metres and a market value of SEK 139 billion. The properties encompass centrally located office and retail properties in Stockholm, Gothenburg, Malmö, Lund and Uppsala.

Vasakronan is owned in equal shares by the First, Second, Third and Fourth Swedish National Pension Funds, and thus contributes to financing the Swedish pension system. The company's operations embrace the management and development of commercial properties in growth areas of Sweden. Our vision is to create "future-proof cities for everyone, where people and companies thrive."

Contracted rent by geographic market



Contracted rent by property type



Best annual results ever for Vasakronan

Vasakronan fourth quarter

Strong figures for new lettings in the last quarter of the year

The last quarter of the year closed strongly with continued rising rents and high demand for prime office and retail premises. In total, new lettings corresponding to 48,000 square metres (47,000) and an annual rent of SEK 171 million (206) were signed.

At Triangeln in Malmö, the sport and leisure chain XXL signed a seven-year lease for 3,200 square metres. For a number of years, Vasakronan has worked with boosting city retail in Malmö and this has resulted, inter alia, in a broader range of stores and more generous opening hours. The letting to XXL means that the occupancy rate for Triangeln is just over 95%.

Furthermore, a seven-year lease has been signed in Malmö with the architect firm Sydark Konstruera in the ongoing property project Priorn. The property encompasses a total of 13,000 square metres allocated over seven floors and will be ready for occupancy in the second quarter of 2020. The agreement with Sydark Konstruera means that lettings at Priorn are slightly more than 50%.

In Stockholm, a six-year lease was signed for 6,600 square metres with the Swedish Council for Higher Education (UHR) at the Nöten 5 property which is part of the STRAND office development in Solna. The redevelopment and modernisation of Nöten 5, which comprises four buildings, is being conducted in several phases. Phase one, which encompasses 4,400 square metres, was completed in autumn 2017 and is fully let. The agreement with UHR means that the scope of phase 2 is being extended to encompass an additional 13,000 square metres and an increase in investment equivalent to SEK 420 million. In phase 2, a building to link the four existing buildings will be constructed at an investment cost of slightly more than SEK 200 million.

In Uppsala, a five-year lease was signed with the sports organisation Friskis och Svettis for 2,100 square metres. The facility will open in August 2019.


In addition to new lettings, renegotiations and lease extensions during the quarter corresponded to 108,000 square metres (112,000) and annual rent of SEK 345 million (318), resulting in an increase on the previous rent payable of 14.6% (9.0). In Kista, renegotiations included a lease with Ericsson for around 20,000 square metres and in Värtahamnen the lease with TV4 for just over 13,000 square metres was renegotiated.

“Årets framtidsföretag” (Future company of the year)

Vasakronan has developed a digital property language together with a number of business partners, known as RealEstateCore, which facilitates control over all data generated in buildings. It entails increased possibilities for optimizing and streamlining operation, but it also enables the development of new services for suppliers and tenants. In December, RealEstateCore was named “Årets framtidsföretag 2018” by EnergiEffektiviseringsFöretagen (EEF). RealEstateCore is one of a number of initiatives involving Vasakronan that aim to make buildings smarter and more energy efficient.

Reduced climate impact

Efforts to reduce the company's climate impact are continuously ongoing at Vasakronan. Part of these efforts is reducing energy consumption in combination with increasing the share of renewable energy by using more solar photovoltaic systems. Recognition that Vasakronan is on the right path came during the quarter, when the company's long-term climate targets were approved by the Science Based Targets Initiative, a collaboration between the World Wide Fund for Nature (WWF), the United Nations Global Compact, CDP and the World Resources Institute (WRI). Science Based Targets comprises a scientific method to ensure that a company's objectives are aligned with what is needed to reach the Paris Agreement target of limiting global warming to 2°C. Average energy consumption in the portfolio rose as a consequence of the extreme weather conditions in 2018, with a very cold winter and an extremely warm summer. Therefore, efforts are ongoing at Vasakronan to adapt operations to more extreme weather conditions. Moving forward, conducting operations sustainably and with a reduced climate impact is also a prerequisite for securing the company's long-term funding. At year end, green funding accounted for 35% of total funding. Vasakronan's ambition is to eventually have 100% green financing.



Successful lettings at Triangeln's shopping centre

Change in holdings

During the quarter, Vasakronan sold and divested three properties in Lund: Apotekaren 12; Galten 25; and Repslagaren 31 to Stena Fastigheter at a property value of SEK 370 million. Moreover, the Telefonfabriken 7 property at Telefonplan in Stockholm was sold for SEK 210 million. The sale pertained to development rights for housing and the buyer, Einar Mattsson, will take possession when the demolition of the existing building has been completed in 2019.

Fourth quarter results

Profit before value changes and tax rose to SEK 1,153 million (859) and was mainly due to higher rental revenue. The change in the value of property during the quarter was 3.0% (1.9), corresponding to SEK 3,959 million (2,311). Profit after tax was SEK 4,000 million (2,436). Cash flow after investing activities increased to SEK 229 million (outflow: 603) during the quarter and was mainly attributable to fewer acquisitions compared with the corresponding year-earlier period.

Significant events after the end of the financial year

After the end of the financial year, Vasakronan signed a ten-year lease with the Swedish Tax Agency for 42,000 square metres at the Nya Kronan property in Sundbyberg. The agreement encompasses two newly constructed buildings and one existing building undergoing renovation with occupancy scheduled for the end of 2021. The agreement with the Swedish Tax Agency means the property is now fully let.

Rising rents across all of Vasakronan's regions

Our macro environment

Global concern exists regarding the effects of an escalating trade war with increased import duties, the risk of an economic downturn and uncertainty concerning the effects of Brexit. However, the US economy remains strong with high private consumption, willingness to invest and a strong labour market, whereas euro area growth is weaker.

Sweden is trending slightly better than the EU average and the assessment of the National Institute of Economic Research is that the economic boom in Sweden will continue, but a slowdown is approaching. In their latest forecast, GDP growth was estimated at 2.2% for 2018 and 1.3% for 2019. The forecast for 2019 was considerably lower than their previous assessment. For several years, the economy has been driven by investments in housing, which have decreased in the last quarter and are expected to continue to decline moving forward.

At the December meeting of the Riksbank, Sweden's central bank, a decision was taken to raise the repo rate to -0.25% and an indication given that the next hike would likely take place in the second half of 2019.

The labour market in Sweden remains strong even if employment is expected to increase more slowly going forward. For 2018, the growth of employment amounted to around 1.8% and in 2019 it is expected to grow 0.9%, with all growth expected from the service sector. According to Statistics Sweden and Evidens, office employment in metropolitan regions will rise by almost 2% in 2019.

The latest report from HUI Research expects overall retail sector growth of 2.5% in 2018. Physical retail stores continued to lose market shares to e-commerce, which accounted for most of the growth, which was primarily in online sales of durable consumer goods. The report is in line with Vasakronan's city retail index, which also shows a decline, mainly for clothes and footwear. The city retail index is based on the sales turnover from stores in Vasakronan's portfolio, and is a tool that the company uses to measure and meet city retail trends.

Property market

The property market in Sweden has performed well over the last few years as was the case in 2018 due to the economic boom, low interest rates and good access to capital. According to data provided by Cushman & Wakefield, transactions were completed in the Swedish property market for almost SEK 50 billion (51) in the fourth quarter of the year. Accordingly, the transaction volume amounted to a total of SEK 165 billion (157) for the year. As with the previous years, residential property was the single largest segment of the transaction volume, and most of the transaction volume was attributable to sales in Stockholm.

Stockholm

The Stockholm lettings market remains positive and CBD market rents have risen every quarter since the start of the year. Rents are primarily being driven up by high demand in combination with historically low supply. Vacancy rates for office and retail premises in Stockholm's CBD were essentially unchanged over the year and amounted to around 3% and 2%, respectively. In central Stockholm, outside the CBD, and in the Stockholm suburbs, market rents have also risen since the start of the year. In central Stockholm, vacancy rates were 8% and rates in the suburbs amounted to 13%, which was down slightly compared with the start of the year. Vacancy levels vary between different areas and objects. The market's yield requirement has stabilised in the CBD and the rest of the inner city at 3.5% and 3.9%, respectively. The yield for the inner suburbs has decreased since year end to a level around 4.3%.

Gothenburg

The dominant aspect in the office rental market in Gothenburg was the lack of newly produced office premises in the CBD, which resulted in higher rent levels over the year. Vacancy rates are at historic lows and amounted to just over 4% for office premises in Gothenburg's CBD and around 2% for retail premises. Since the turn of the year, the yield requirement for prime office objects in Gothenburg's CBD has declined and amounted to 3.7% at the end of the year.

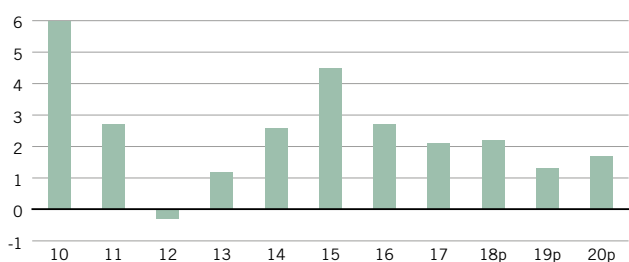
Öresund

Demand for office premises remains strong in Öresund, which has led to rent levels for offices in Malmö's CBD increasing slightly since the year end. Vacancy levels were unchanged at 9% for office premises and just over 4% for retail premises. Vacancy rates for prime location properties in Lund were also unchanged, and amounted to 5% for offices and 3% for retail premises. The yield requirements for the best objects in Malmö's CBD and prime locations in Lund were assessed at 4.3% and 4.9%, respectively, in line with the previous year end.

Uppsala

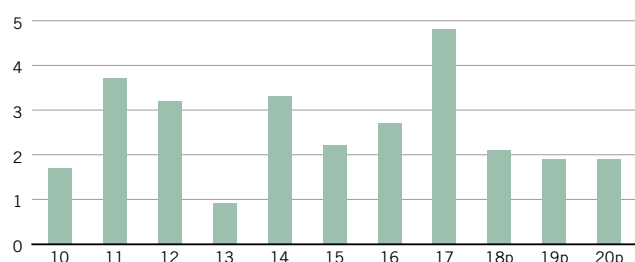
Central Uppsala rent levels for office premises are also assessed as having risen slightly since the previous year end. Vacancies remained at the same level and amounted to 5% for offices and 3% for retail premises. The yield requirement for centrally located office and retail properties was 4.8% and 4.9%, respectively, which was down slightly since the previous year end.

Stable growth



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

Positive office employment



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

Consolidated income statement

| Amounts in SEK million | Jan-Dec 2018 | Jan-Dec 2017 | Oct-Dec 2018 | Oct-Dec 2017 |
|---|-----------------|-----------------|-----------------|-----------------|
| Rental revenue | 6,718 | 6,490 | 1,712 | 1,654 |
| Operating expenses | -711 | -662 | -177 | -169 |
| Repairs and maintenance | -108 | -110 | -26 | -28 |
| Property administration | -357 | -331 | -100 | -100 |
| Property tax | -527 | -544 | -127 | -134 |
| Ground rents | -146 | -165 | -29 | -44 |
| Total property expenses | -1,849 | -1,812 | -459 | -475 |
| Net operating income | 4,869 | 4,678 | 1,253 | 1,179 |
| Earnings from services | 0 | - | 0 | - |
| Central administration | -101 | -97 | -31 | -28 |
| Result from participations in joint ventures | 159 | -3 | 161 | -1 |
| Interest income | 3 | 2 | 1 | 1 |
| Interest expense | -1,046 | -1,167 | -231 | -292 |
| Profit before value changes and tax | 3,884 | 3,413 | 1,153 | 859 |
| Change in value of investment properties | 10,651 | 7,973 | 3,959 | 2,311 |
| Change in value of financial instruments | 13 | 468 | -157 | -67 |
| Divested/impaired goodwill | -62 | -26 | -16 | -20 |
| Profit before tax | 14,486 | 11,828 | 4,939 | 3,083 |
| Current tax | -120 | -95 | 56 | 80 |
| Deferred tax | -1,464 | -2,464 | -995 | -727 |
| Profit for the period | 12,902 | 9,269 | 4,000 | 2,436 |
| Other comprehensive income | | | | |
| <i>Items that may not be reclassified¹⁾</i> | | | | |
| Pensions, revaluation | -18 | -14 | -18 | -14 |
| Restriction for surplus in pension plan with asset cap | 8 | 3 | 8 | 3 |
| Income tax on pensions | 2 | 2 | 2 | 2 |
| Other comprehensive income for the period, net of tax | -8 | -9 | -8 | -9 |
| Total comprehensive income for the period²⁾ | 12,894 | 9,260 | 3,992 | 2,427 |
| Key metrics | | | | |
| Surplus ratio, % | 73 | 72 | 73 | 71 |
| Interest coverage ratio, multiple | 4.7 | 3.9 | 6.0 | 4.0 |

1) Items that may not be reclassified to profit or loss.

2) 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 6,718 million (6,490). In comparable property holdings, the increase was 5% and was mainly attributable to higher gross rents from new lettings contracted and from renegotiated leases as well as from rent adjustment for inflation. New lettings corresponding to 146,000 sq. m. (167,000) and annual rent of SEK 510 million (613) were contracted, of which 20% (18) impacted on revenue in 2018. Notice of termination was received during the year (tenant will be vacating) corresponding to annual rent of SEK 491 million (446), whereby net lettings amounted to SEK 19 million (167).

Renegotiations and lease extensions during the year encompassed 324,000 sq. m. (369,000) and corresponded to annual rent of SEK 990 million (1,036), resulting in an increase on the previous rent payable of 12% (10). Of all the contracts up for renegotiation over the last 12 months, 69% (64) of the tenants decided to extend their contracts.

Contracted rent at the end of the year amounted to SEK 6,854 million (6,638) and the average remaining maturity was 4.2 years (4.2). The closing occupancy rate was 93.1% (93.1). Of total vacancies, 2.0 percentage points (2.5) were attributable to ongoing projects and 0.5 percentage points (0.3) to vacant development properties.

Property expenses

Property expenses amounted to SEK 1,849 million (expense: 1,812) for the year. For comparable property holdings, the increase in property expenses was 4% (4).

The increase was primarily due to higher costs for electricity and district cooling, but also due to increased property administration costs. The portfolio's energy intensity increased to 103 kWh/sq. m. (100) at the end of the period, mainly due to the cold winter and extremely warm summer.

Net operating income

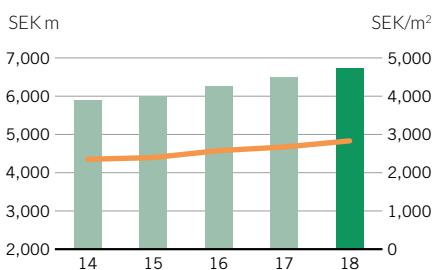
Net operating income increased during the period to SEK 4,869 million (4,678) due to rising market rents. For comparable property holdings, the increase in net operating income was almost 6% (6). The surplus ratio increased to 73% (72) due to higher rental revenue.

Administration

Property administration costs were SEK 357 million (expense: 331) and central administration costs were SEK 101 million (expense: 97). The increase was attributable to the number of employees whose salaries were charged to administration during the year and which averaged 241 (230).

Year-on-year, the total number of employees declined to 309 (349) at the end of the period. The decrease was due to the restructure completed in February whereby a number of employees in Vasakronan's technical organisation transferred employer to Coor. The cost of these personnel is recognised as an operating expense, both prior to and after the restructure.

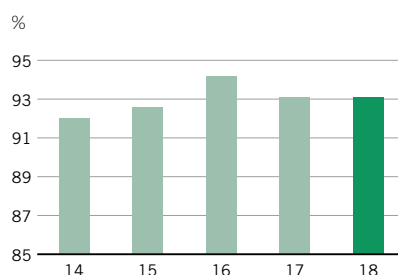
Rising rental revenue SEK/m²



January–December

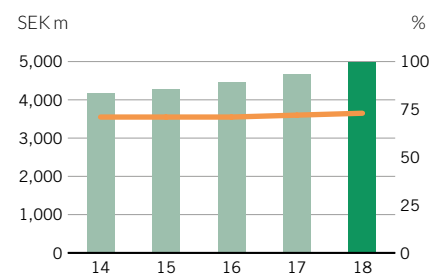
■ Rental revenue SEK — Rental revenue SEK/sq. m.

Stable occupancy rate



At 31 December

High surplus ratio



January–December

■ Net operating income, SEK m — Surplus ratio, %

Widely distributed over many tenants

| | Share in % |
|---|------------|
| Swedish Police Authority | 3 |
| Ericsson | 3 |
| H&M | 3 |
| Swedish Prison and Probation Service | 2 |
| Försäkringskassan (Social Insurance Agency) | 2 |
| Swedish National Courts Administration | 1 |
| Ähléns | 1 |
| KPMG | 1 |
| Region Uppsala | 1 |
| NetEnt | 1 |
| Total | 18 |

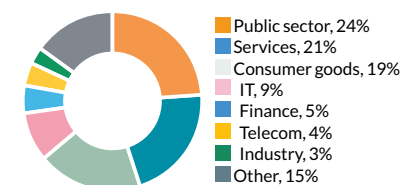
Largest tenants, share of contracted rent

Even distribution of rents to maturity

| | No. of contracts | Annual rent, SEK m | % of total |
|--------------|------------------|--------------------|------------|
| 2019 | 1,402 | 1,118 | 16 |
| 2020 | 932 | 1,116 | 16 |
| 2021 | 759 | 1,171 | 17 |
| ≥2022 | 1,138 | 3,141 | 46 |
| Total | 4,231 | 6,547 | |
| Residential | 1,169 | 99 | 1 |
| Garage | - | 209 | 3 |
| Total | 5,400 | 6,854 | |

Maturity structure for contracted rent

Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

Comments on the consolidated income statement (Cont.)

Net interest

Net interest expense improved to SEK 1,043 million (expense: 1,165) due to lower interest rates and credit margins over the year. The average interest rate for loans and derivatives decreased to 1.6% (1.7) at the end of the period.

The average fixed-interest tenor increased to 4.7 years (4.5). The proportion of loans with interest maturities within one year increased to 43% (41) and loans with fixed-interest maturities of five years or more increased to 47% (43) of interest-bearing liabilities.

The LTM interest coverage ratio increased to a multiple of 4.7 (3.9) as a result of an improved net operating income and lower net interest expense. The policy for the interest coverage ratio does not permit it falling below a multiple of 2.0 over a rolling 12-month period.

Profit before value changes and tax

Profit before value changes and tax amounted to SEK 3,884 million (3,413), corresponding an increase of 14%.

Change in value of investment properties

At 31 December 2018, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighetsekonomi.

Altogether, the change in the property value amounted to SEK 10,651 million (7,973), which corresponded to an 8.5% (6.9) increase in value. The increase was primarily attributable to rising market rents, particularly in the Stockholm portfolio, but was also due to lower yield requirements, mainly in Gothenburg.

On average, the yield requirement for the portfolio was 4.4%, compared to 4.5% for corresponding properties at the end of 2017.

Change in value by region

| | Change in value, % | Contribution to change in value, percentage points |
|--------------|--------------------|--|
| Stockholm | 9.3 | 6.1 |
| Gothenburg | 9.7 | 1.8 |
| Öresund | 3.2 | 0.3 |
| Uppsala | 5.5 | 0.3 |
| Total | | 8.5 |

Change in value, by category

| | Change in value, % | Contribution to change in value, percentage points |
|------------------------|--------------------|--|
| Investment properties | 8.4 | 7.6 |
| Development properties | 8.7 | 0.6 |
| Transactions | - | 0.3 |
| Total | | 8.5 |

Factors impacting value¹⁾

| | Value impact, % |
|-------------------|-----------------|
| Yield requirement | 1.9 |
| Market rents | 6.6 |
| Total | 8.5 |

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.

Comments on the consolidated income statement (Cont.)

Change in value of financial instruments

Derivatives are primarily used to adjust the maturity structure in the loan portfolio and to hedge borrowings in foreign currencies. The nominal value of the derivative portfolio at the end of the period was SEK 62,088 million (63,727).

The value change in derivatives was SEK 14 million (468). Vasakronan opted for early settlement of interest-rate derivatives for a nominal value of SEK 5,650 million (3,200) during the year. With that, a previously recognised loss of SEK 484 million (loss: 359) was realised. At the same time, new interest-rate derivatives were entered into with longer maturities and at current interest rates.

Tax

The Group reported a total tax expense of SEK 1,584 million (expense: 2,559). Of the tax expense, SEK 120 million (expense: 95) was current tax and SEK 1,464 million (expense: 2,464) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments. The change in deferred tax between the years was due to the restatement of the deferred tax liability at the tax rate of 20.6% in accordance with the government's decision to change the corporate tax rate from 1 January 2019. The restatement entails a positive nonrecurring impact of SEK 1.1 billion on deferred tax. After adjustment for the nonrecurring effect, the effective tax rate amounted to 18.3% (21.6). The lower tax rate is an effect arising from completed sales of companies.

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.

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

The average fixed-interest tenor rose to 4.7 years (4.5) and the loan-to-maturity was unchanged at 3.9 years (3.8).

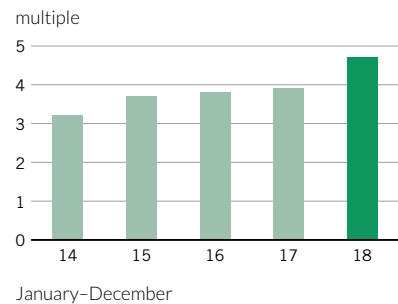
| Maturity date | Fixed-interest | | Loan-to-maturity | |
|-----------------|----------------|------------|----------------------|------------|
| | SEK m | Share, % | SEK m | Share, % |
| 0-1 year | 26,565 | 43 | 15,131 ¹⁾ | 25 |
| 1-2 years | 964 | 2 | 7,597 | 13 |
| 2-3 years | 1,652 | 3 | 9,975 | 16 |
| 3-4 years | 1,501 | 2 | 5,061 | 8 |
| 4-5 years | 1,800 | 3 | 6,722 | 11 |
| 5 years or more | 28,605 | 47 | 16,601 | 27 |
| Total | 61,087 | 100 | 61,087 | 100 |

1) The credit commitment from owners of SEK 18,000 million and cash and cash equivalents of SEK 2 215 million corresponded to a total of 134% of loans maturing in the next 12 months, see page 10 for more information.

Financial risks

| | Financial policy in brief | Outcome 31 Dec 2018 |
|--|----------------------------|---------------------|
| Financing risk | | |
| Loan-to-maturity | min. 2 years | 3.9 |
| Loans maturing, 12 months | max. 40% | 25% |
| Credit commitments and cash/loans maturing 12 months | min. 100% | 134% |
| Interest-rate risk | | |
| Interest coverage ratio | min. 2.0x (LTM) | 4.7 |
| Fixed-interest period | min. 2 years | 4.7 |
| Fixed-interest maturity within 12 months | max. 55% | 43% |
| Credit risk | | |
| Counterpart's rating | min. A-, or BBB+ with CSAs | Met |
| Currency risk | | |
| Currency exposure | No exposure | Met |

Improved interest coverage ratio



During the third quarter, Vasakronan's Board adopted a new financial policy that, inter alia, imposes further limits on interest risk.

Consolidated balance sheet

| Amounts in SEK million | 31 Dec 2018 | 31 Dec 2017 | 30 Sep 2018 | 30 Sep 2017 |
|---|----------------|----------------|----------------|----------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Intangible assets | 2,089 | 2,145 | 2,098 | 2,165 |
| Property, plant and equipment (PPE) | | | | |
| Investment properties | 138,934 | 126,875 | 134,303 | 122,999 |
| Equipment | 44 | 46 | 45 | 49 |
| | 138,978 | 126,921 | 134,348 | 123,048 |
| Financial assets | | | | |
| Shares and participations in joint ventures | 365 | 368 | 203 | 369 |
| Receivables from associated companies | 165 | - | - | - |
| Derivatives | 214 | 242 | 537 | 338 |
| Other non-current receivables | 270 | 313 | 58 | 157 |
| | 1,014 | 923 | 798 | 864 |
| Total non-current assets | 142,081 | 129,989 | 137,244 | 126,077 |
| Current assets | | | | |
| Accounts receivable | 29 | 20 | 23 | 36 |
| Receivables from joint ventures | 0 | 1 | 26 | 141 |
| Derivatives | 39 | 33 | 51 | 28 |
| Other current receivables, prepaid expenses and accrued income | 837 | 817 | 973 | 950 |
| Cash and cash equivalents | 2,215 | 1,423 | 2,152 | 2,963 |
| Total current assets | 3,120 | 2,294 | 3,225 | 4,118 |
| TOTAL ASSETS | 145,201 | 132,283 | 140,469 | 130,195 |
| EQUITY AND LIABILITIES | | | | |
| Equity | 60,271 | 51,377 | 56,279 | 48,950 |
| Non-current liabilities | | | | |
| Non-current interest-bearing liabilities | 45,956 | 44,711 | 45,719 | 46,095 |
| Deferred tax liability | 18,286 | 16,824 | 17,293 | 16,099 |
| Derivatives | 2,200 | 2,699 | 2,076 | 2,915 |
| Other non-current liabilities | 76 | 55 | 342 | 154 |
| Provision for pensions | 91 | 86 | 80 | 75 |
| Total non-current liabilities | 66,609 | 64,375 | 65,510 | 65,338 |
| Current liabilities | | | | |
| Current interest-bearing liabilities | 15,131 | 13,710 | 15,525 | 12,963 |
| Accounts payable | 118 | 124 | 129 | 109 |
| Liabilities joint ventures | 151 | 17 | 12 | - |
| Current tax liabilities | 42 | 80 | 149 | 149 |
| Derivatives | 20 | 3 | - | 10 |
| Other current liabilities, accrued expenses and deferred income | 2,859 | 2,597 | 2,865 | 2,676 |
| Total current liabilities | 18,321 | 16,531 | 18,680 | 15,907 |
| TOTAL EQUITY AND LIABILITIES | 145,201 | 132,283 | 140,469 | 130,195 |

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, goodwill was SEK 1,982 million (2,045), and the decline was primarily due to the sale of properties.

The remaining portion of intangible assets comprised the value of the Vasakronan brand, which amounted to SEK 100 million (100). The SEK 7 million invested in a new technical platform to develop the digital property language Real Estate Core was also recognised as an intangible asset.

Investment properties

At 31 December 2018, based on external appraisals the estimated market value of Vasakronan's property portfolio was SEK 138,934 million compared with SEK 126,875 million at year-end 2017. The change in value during the period was SEK 10,651 million (7,973) and the remaining change in the market value comprised net investments. A change in the yield requirement of +/- 0.25 percentage points would have an impact of 5.2 (negative)/5.9% on the value of the current property portfolio.

The valuations were performed pursuant to the RICS Red Book and apply the same methodology as previous valuations. Market value is influenced by property-specific events, such as new and

renegotiated leases, properties being vacated and investments.

Consideration has also been taken for any assessed changes in market rents and yield requirements. A more comprehensive description of Vasakronan's property valuation methodology is available on page 97 of Vasakronan's 2017 Annual Report.

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 year end, 85% (84) of the portfolio had environmental certification.

During the quarter, Vasakronan sold and transferred three properties in Lund: Apotekaren 12; Galten 25; and Repslagaren 31 to Stena Fastigheter at a property value of SEK 370 million. Moreover, the Telefonfabriken 7 property at Telefonplan in Stockholm was sold for SEK 210 million. The sale pertained to development rights for housing and the buyer, Einar Mattsson, will take possession of the property when the demolition of the existing building has been completed.

Property projects

Ongoing property projects have a total investment volume of SEK 10,619 million (9,397), of which SEK 3,909 million (2,663) had been capitalised as of 31 December. The occupancy rate for major projects was 41% (44) at the end of the period.

During the quarter, a six-year lease was signed for 6,600 square metres with the Swedish Council for Higher Education (UHR) at the Nöten 5 property which is part of the STRAND office development in Solna Strand. The redevelopment and modernisation of Nöten 5, which comprises four buildings, is being conducted in several stages. Phase one, which encompasses 4,400 square metres, was completed in autumn 2017 and is fully let to tenants including Cowi.

The agreement with UHR means that the scope of phase 2 is being extended to encompass an additional 13,000 square metres and an increase in investment to SEK 420 million. In phase 2, a building to link the four existing buildings will be constructed at an investment cost of slightly more than SEK 200 million.

Higher property values

| SEK m | 2018 | 2017 |
|-----------------------------------|----------------|----------------|
| Opening value, 1 January | 126,875 | 115,922 |
| Investments | 3,335 | 2,543 |
| Acquisitions, consideration | 594 | 1,049 |
| Sales, consideration | -2,521 | -612 |
| Change in value | 10,651 | 7,973 |
| Closing value, 31 December | 138,934 | 126,875 |

Large investments in property projects

| Location | Property | Total investments, SEK m | Capitalised, SEK m | Share capitalised, % | Area of premises, sq. m. | Estimated completion date | Occupancy rate, % ¹⁾ | Environmental certification |
|--------------------------------------|----------------------|--------------------------|--------------------|----------------------|--------------------------|---------------------------|---------------------------------|-----------------------------|
| Stockholm | Sergelhuset | 3,700 | 1,495 | 40 | 56,500 | Dec 2021 | 4 | LEED |
| Gothenburg | Platinan | 2,600 | 536 | 21 | 52,900 | Dec 2021 | 47 | LEED |
| Stockholm | Nattugglan, block 2 | 800 | 71 | 9 | 15,000 | Jun 2021 | 80 | LEED |
| Stockholm, Solna Strand | Nöten 5 phase 2 | 635 | 148 | 23 | 13,000 | Sep 2020 | 51 | LEED |
| Malmö | Priorn 5 | 580 | 323 | 56 | 13,200 | Apr 2020 | 55 | LEED |
| Uppsala | Kronåsen 1:1 Celsius | 420 | 93 | 22 | 10,200 | Dec 2020 | 82 | LEED |
| Stockholm, Frösunda | Hilton 7 | 390 | 342 | 88 | 11,000 | Sep 2019 | 26 | LEED |
| Stockholm | Styrpinnen 15 | 190 | 95 | 50 | 3,650 | Dec 2019 | 0 | LEED |
| Stockholm, Solna | Diktaren | 115 | 2 | 2 | 6,400 | Aug 2021 | 100 | LEED |
| Gothenburg | Bohusgatan | 94 | 83 | 88 | 5,400 | Dec 2018 | 100 | LEED |
| Total major property projects | | 9,524 | 3,188 | 33 | | | 41 | |
| Other projects | | 1,095 | 721 | | | | | |
| Total | | 10,619 | 3,909 | | | | | |

1) Calculated based on area.

Comments on the consolidated balance sheet (Cont.)

Deferred tax

From and including mid-2018, deferred tax is calculated using a nominal rate of 20.6% on differences between the carrying amount and tax base of assets and liabilities. At 31 December 2018, the deferred tax liability was SEK 18,286 million (16,824) and pertained primarily to investment properties. The main reason for the change was the higher market value of the properties. In parallel, the tax liability has declined SEK 1.1 billion now that the tax is calculated at 20.6% rather than 22%.

Liabilities, and cash and cash equivalents

Interest-bearing liabilities, net of cash and cash equivalents, increased to SEK 58,872 million (56,998). The average loan-to-maturity increased to 3.9 years (3.8) and the average loan-to-maturity taking into consideration unutilised credit commitments amounted to 4.4 years (4.4). The proportion of loans maturing within the next 12 months increased to 25% (23), and the share of loans maturing in five years or more was 27% (27) of interest-bearing liabilities.

Vasakronan strives to diversify borrowing by allocating across several different sources of funding and markets. All borrowing in the capital markets is unsecured. At the end of the period, the share of capital market financing was 71% (68) and the share of bank financing was 29% (32).

To further diversify borrowing, Vasakronan established an Euro Medium Term Note program (EMTN program) in the last quarter. Under the program, Vasakronan issued an initial EUR 30 million bond with a tenor of six years in December. During the year, the company issued bonds for SEK 8.0 billion (10.3) in the Swedish capital market and for NOK 3.3 billion (2.8) in the Norwegian capital market. It also raised secured bank loans of SEK 2 billion (3.2). At the end of the year, total bank loans outstanding secured against mortgage deeds declined to 9% (12) of the Group's total assets. Total property deeds pledged as collateral for the Group's interest-bearing liabilities amounted to SEK 13,049 million (15,455) at year end.

To secure its access to capital, the company has a credit facility with the First, Second, Third and Fourth Swedish National Pension Funds that amounts to SEK 18 billion. The agreement extends until further notice with a notice period of two years. Cash and cash equivalents of SEK 2,215 million (1,423) and the unutilised credit facility together correspond to 134% (152) of loans maturing over the next 12 months or all loan maturities through the next 21 months.

Green funding

Vasakronan updated its framework for green funding during the year. The new framework enables raising funds from all funding sources where the funds raised are earmarked for investments that help lower energy consumption and reduce environmental impact. Vasakronan was the first in the world to issue green corporate bonds. With the new framework, Vasakronan has now issued the world's first green commercial paper. The commercial paper is listed on Nasdaq Stockholm's green commercial paper list. During the year, the company has issued green bonds totalling SEK 6,890 million (3,840) and NOK 550 million (0), which makes Vasakronan the Nordic region's largest issuer of green corporate bonds.

Green funding under the framework

| | Amounts in SEK million |
|--|------------------------|
| Green commercial paper | 1,971 |
| Green bonds | 14,302 |
| Green bonds, NOK | 563 |
| Total volume of green financial instruments | 16,836 |
| Total volume of green assets – green pool | 24,444 |
| Remaining approved borrowing capacity | 7,608 |

In addition to commercial paper and bond funding operations under this framework, Vasakronan has green unsecured loans with the Nordic Investment Bank and the European Investment Bank that total SEK 4,827 million (3,386).

The percentage of green funding consisting of green bonds, green commercial paper and green loans increased during the period to 35% (20) of the total loan portfolio.

Equity

Equity increased during the period to SEK 60,271 million (51,377) due to positive comprehensive income of SEK 12,902 million (9,269). The equity/assets ratio was 42% (39) and the loan-to-value ratio was 41% (43).

Breakdown of funding sources

| SEK m | Loan limit | Amount utilised | Share, % |
|-----------------------------|------------|-----------------|------------|
| Commercial paper | 25,000 | 6,157 | 10 |
| Bonds, SEK ¹⁾ | 60,919 | 26,729 | 44 |
| Bonds, NOK ²⁾ | | 10,162 | 16 |
| Bonds, EUR ³⁾ | | 305 | 1 |
| Secured bank loans | 12,907 | 12,907 | 21 |
| NIB and EIB | 4,827 | 4,827 | 8 |
| Credit facility from owners | 18,000 | 0 | 0 |
| Total | | 61,087 | 100 |

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

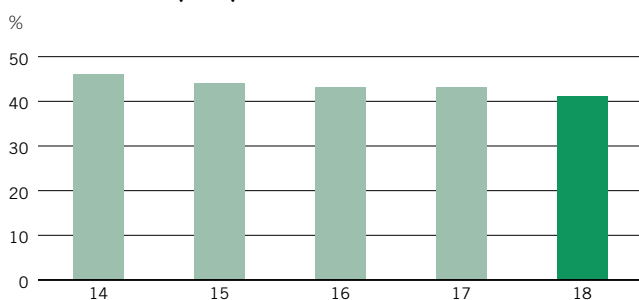
2) The amount corresponds to NOK 9,700 million and is fully hedged.

3) The amount corresponds to EUR 30 million and is fully hedged.

Consolidated statement of changes in equity

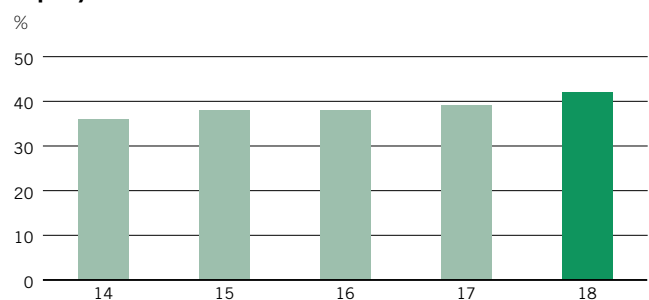
| Amounts in SEK million | Share capital | Other contributed capital | Retained earnings | Total equity |
|---|---------------|---------------------------|-------------------|---------------|
| Equity, opening balance at 1 Jan 2017 | 4,000 | 4,227 | 37,890 | 46,117 |
| Profit for the year | - | - | 9,269 | 9,269 |
| Other comprehensive income | - | - | -9 | -9 |
| <i>Comprehensive income for the year</i> | - | - | 9,260 | 9,260 |
| Dividend | - | - | -4,000 | -4,000 |
| Equity, closing balance at 31 Dec 2017 | 4,000 | 4,227 | 43,150 | 51,377 |
| Equity, opening balance at 1 Jan 2018 | 4,000 | 4,227 | 43,150 | 51,377 |
| Profit for the period | - | - | 12,902 | 12,902 |
| Other comprehensive income | - | - | -8 | -8 |
| <i>Comprehensive income for the period</i> | - | - | 12,894 | 12,894 |
| Dividend | - | - | -4,000 | -4,000 |
| Equity, closing balance at 31 Dec 2018 | 4,000 | 4,227 | 52,044 | 60,271 |

Loan-to-value (LTV) ratio



At 31 December

Equity/assets ratio



At 31 December

Consolidated cash-flow statement

| Amounts in SEK million | Jan-Dec 2018 | Jan-Dec 2017 | Oct-Dec 2018 | Oct-Dec 2017 |
|--|-----------------|-----------------|-----------------|-----------------|
| Operating activities | | | | |
| Net operating income | 4,869 | 4,678 | 1,253 | 1,179 |
| Central administration | -101 | -97 | -31 | -28 |
| Add back amortisation and depreciation | 12 | 15 | 3 | 4 |
| Adjustment for other non-cash items | -9 | -7 | -3 | -1 |
| Cash flow from operating activities before interest and tax | 4,771 | 4,589 | 1,222 | 1,154 |
| Interest paid | -1,069 | -1,193 | -293 | -345 |
| Interest received | 3 | 2 | 1 | 1 |
| Taxes paid | -138 | -15 | -55 | -3 |
| Cash flow before changes in working capital | 3,567 | 3,383 | 875 | 807 |
| Increase (-)/decrease (+) in operating receivables | -190 | 22 | -8 | 287 |
| Increase (+)/decrease (-) in operating liabilities | 258 | 63 | 78 | -131 |
| Cash flow from operating activities | 3,635 | 3,468 | 945 | 963 |
| Investing activities | | | | |
| Investments in existing property | -3,335 | -2,543 | -952 | -814 |
| Property acquisitions | -634 | -1,049 | -100 | -1,049 |
| Property divestments | 2,526 | 612 | 345 | 297 |
| Other PPE, net | -9 | -5 | -2 | 0 |
| Acquisition of intangible assets | -7 | - | -7 | - |
| Dividends from joint ventures | 162 | - | - | - |
| Cash flow from investing activities | -1,297 | -2,985 | -716 | -1,566 |
| Cash flow after investing activities | 2,338 | 483 | 229 | -603 |
| Financing activities | | | | |
| Dividends and Group contributions | -4,000 | -4,000 | 0 | 0 |
| Raised debt: interest-bearing liabilities ¹⁾ | 34,908 | 40,853 | 7,597 | 7,220 |
| Repayment of debt: interest-bearing liabilities ¹⁾ | -32,223 | -37,344 | -7,143 | -7,697 |
| Change in collateral ²⁾ | 253 | -357 | -328 | -101 |
| Redemption of financial instruments | -484 | -359 | -292 | -359 |
| Cash flow from financing activities | -1,546 | -1,207 | -166 | -937 |
| Cash flow for the period | 792 | -724 | 63 | -1,540 |
| Opening balance, cash and cash equivalents | 1,423 | 2,147 | 2,152 | 2,963 |
| Cash flow for the period | 792 | -724 | 63 | -1,540 |
| Closing balance, cash and cash equivalents | 2,215 | 1,423 | 2,215 | 1,423 |

1) From Q1 2018, commercial paper issued or redeemed is recognised gross.
The comparative figures have been restated.

2) From Q2 2018, credit support annexes (CSAs) have been reclassified from working capital to financing activities.
The comparative figures have been restated.

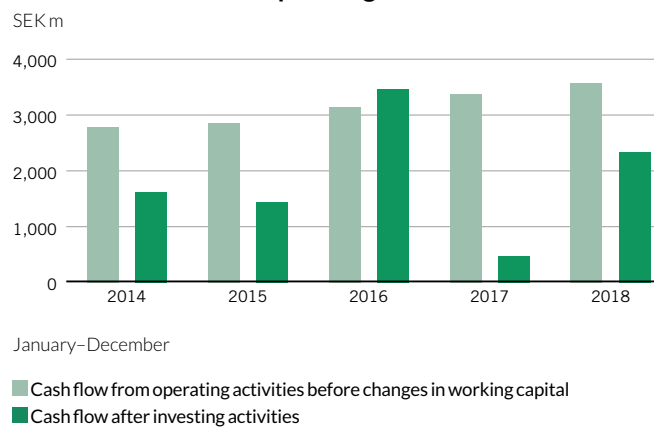
Comments to the consolidated cash-flow statement

Cash flow from operating activities before interest and taxes increased SEK 184 million to SEK 4,771 million (4,589). The increase was primarily attributable to higher net operating income. Cash flow from operating activities after changes in working capital increased to SEK 3,635 million (3,468).

Investments in existing properties rose during the period to SEK 3,335 million (2,543) due to increased investments in projects. Cash flow from the purchase and sale of properties posted a net improvement of SEK 1,892 million (outflow: 437) due to increased property sales. During the quarter, SEK 40 million was disbursed to NCC and pertained to the remainder of the purchase consideration for the Bärnstenen property in Gothenburg that was acquired in 2015. Cash flow after investing activities thus amounted to SEK 2,338 million (483).

In total, net borrowing for the year amounted to SEK 2,685 million (3,509). The redemption of financial instruments had a negative impact on cash flow from financing activities of SEK 484 million (outflow: 359). In total, cash and cash equivalents increased SEK 792 million (decreased: 724) and totalled SEK 2,215 million (1,423) at the end of the period.

Stable cash flow from operating activities



Property divestments

| Property | City | Buyer | Purchase price, SEK m | Transfer date |
|--|------------|---------------------------------------|-----------------------|---------------|
| Primus 1 | Stockholm | Oscar Properties/ Starwood Capital | 931 | Mar 2018 |
| Solna Järva 2:28, 2:35, 2:36 | Solna | JM | 129 | Mar 2018 |
| Solna Järva 2:29, 2:37, 2:38 | Solna | JM | 126 | Jul 2018 |
| Gårda 18:23 and Gårda 18:24 | Gothenburg | Platzer | 1,068 | Sep 2018 |
| Apotekaren 12, Repslagaren 31 and Galten 25 | Lund | Stena Fastigheter | 370 | Nov 2018 |
| Total property value | | | 2,624 | |
| Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax | | | -103 | |
| Total purchase price | | | 2,521 | |

Agreed divestments to be completed

| | | | | |
|-----------------------------|-----------|-----------------------|------------|--|
| Smedjan 13 and 15 | Lund | Trianon | 88 | Dependent on detailed development plan |
| Stockholm Telefonfabriken 7 | Stockholm | Einar Matsson Projekt | 210 | Dependent on demolition |
| Total purchase price | | | 298 | |

Property acquisitions

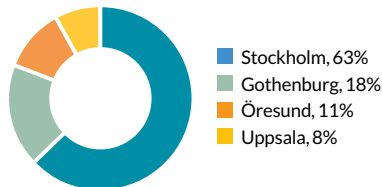
| Property | City | Seller | Purchase price, SEK m | Occupancy |
|--|-----------|-------------------------|-----------------------|-----------|
| Priorn 5 | Malmö | The City of Malmö | 78 | Feb 2018 |
| Part of Midsommarkransen 1:1 | Stockholm | The City of Stockholm | 31 | Apr 2018 |
| Solna Järva 2:29, 2:37, 2:38 | Solna | Järvastaden | 137 | Jun 2018 |
| Dragarbrunn 18:3 | Uppsala | SEB Trygg Liv | 285 | Aug 2018 |
| Boländerna 7:4 | Uppsala | Bil-Trean i Uppsala | 45 | Oct 2018 |
| Kungsängen 14:1 | Uppsala | Municipality of Uppsala | 17 | Dec 2018 |
| Total property value | | | 592 | |
| Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax | | | 2 | |
| Total purchase price | | | 594 | |

Vasakronan – in total and by region

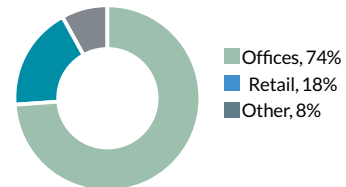
VASAKRONAN, TOTAL, Jan-Dec

| | 2018 | 2017 |
|--------------------------------|---------|---------|
| Market value, SEK m | 138,934 | 126,875 |
| Rental revenue, SEK m | 6,718 | 6,490 |
| Net operating income, SEK m | 4,869 | 4,678 |
| Surplus ratio, % | 73 | 72 |
| Occupancy rate, % | 93 | 93 |
| Number of properties | 174 | 179 |
| Area, thousand sq. m. | 2,372 | 2,430 |
| Environmental certification, % | 85 | 84 |

Contracted rent by geographic market



Contracted rent by property type



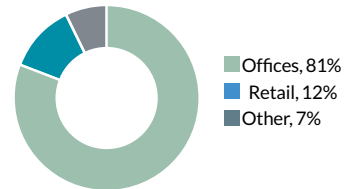
STOCKHOLM Jan-Dec

| | 2018 | 2017 |
|--------------------------------|--------|--------|
| Market value, SEK m | 91,617 | 82,978 |
| Rental revenue, SEK m | 4,156 | 4,026 |
| Net operating income, SEK m | 3,030 | 2,902 |
| Surplus ratio, % | 73 | 72 |
| Occupancy rate, % | 93 | 92 |
| Number of properties | 79 | 82 |
| Area, thousand sq. m. | 1,395 | 1,425 |
| Environmental certification, % | 81 | 79 |

Stockholm's share of the total



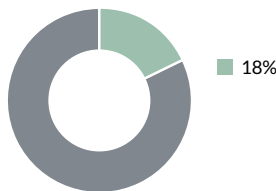
Stockholm by property type



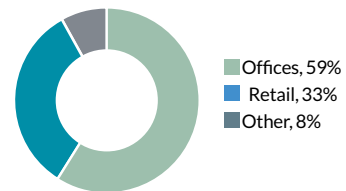
GOTHENBURG Jan-Dec

| | 2018 | 2017 |
|--------------------------------|--------|--------|
| Market value, SEK m | 25,630 | 23,689 |
| Rental revenue, SEK m | 1,280 | 1,246 |
| Net operating income, SEK m | 974 | 957 |
| Surplus ratio, % | 76 | 77 |
| Occupancy rate, % | 95 | 96 |
| Number of properties | 34 | 36 |
| Area, thousand sq. m. | 402 | 423 |
| Environmental certification, % | 94 | 94 |

Gothenburg's share of the total



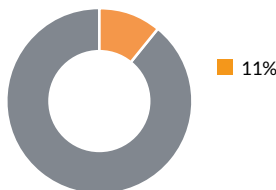
Gothenburg by property type



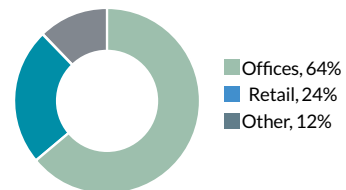
ÖRESUND Jan-Dec

| | 2018 | 2017 |
|--------------------------------|--------|--------|
| Market value, SEK m | 13,196 | 12,666 |
| Rental revenue, SEK m | 761 | 755 |
| Net operating income, SEK m | 494 | 498 |
| Surplus ratio, % | 65 | 66 |
| Occupancy rate, % | 90 | 90 |
| Number of properties | 35 | 37 |
| Area, thousand sq. m. | 339 | 353 |
| Environmental certification, % | 97 | 97 |

Öresund's share of the total



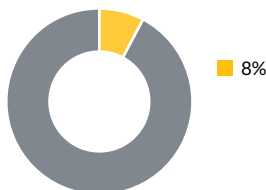
Öresund by property type



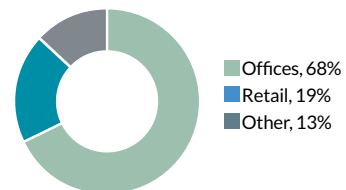
UPPSALA Jan-Dec

| | 2018 | 2017 |
|--------------------------------|-------|-------|
| Market value, SEK m | 8,491 | 7,542 |
| Rental revenue, SEK m | 521 | 463 |
| Net operating income, SEK m | 371 | 321 |
| Surplus ratio, % | 71 | 69 |
| Occupancy rate, % | 97 | 96 |
| Number of properties | 26 | 24 |
| Area, thousand sq. m. | 236 | 229 |
| Environmental certification, % | 77 | 79 |

Uppsala's share of the total



Uppsala by property type



Pertains to share of contracted rent

Pertains to share of contracted rent

Vasakronan AB – Parent Company in summary

Income statement

| Amounts in SEK million | Jan-Dec 2018 | Jan-Dec 2017 |
|--|--------------|--------------|
| Net sales | 484 | 453 |
| Operating expenses | -605 | -565 |
| Capital gain on sales | 341 | - |
| EBIT | 220 | -112 |
| Financial items | | |
| Profit from participations in subsidiaries | 7,192 | 3,500 |
| Net interest | -1,040 | -1,127 |
| Change in value of financial instruments | 13 | 468 |
| Appropriations | - | -142 |
| Profit before tax | 6,385 | 2,587 |
| Tax | -109 | -326 |
| Profit for the period | 6,276 | 2,261 |

Statement of comprehensive income

| | | |
|--|--------------|--------------|
| Profit for the period recognised in profit or loss | 6,276 | 2,261 |
| Other comprehensive income | - | - |
| Total comprehensive income for the period | 6,276 | 2,261 |

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 484 million (453), 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 13 million (468). Profit before tax was SEK 6,385 million (2,587) and was attributable to increased dividends from subsidiaries. Closing cash and cash equivalents amounted to SEK 2,212 million (1,420).

Balance sheet

| Amounts in SEK million | 31 Dec 2018 | 31 Dec 2017 |
|---|---------------|---------------|
| ASSETS | | |
| Non-current assets | | |
| Equipment | 11 | 19 |
| Shares and participations in subsidiaries | 30,660 | 30,610 |
| Receivables from subsidiaries | 9,820 | 9,196 |
| Shares and participations in joint ventures | 1 | 1 |
| Deferred tax assets | 137 | 246 |
| Derivatives | 214 | 242 |
| Non-current receivables | 432 | 309 |
| Total non-current assets | 41,275 | 40,623 |
| Current assets | | |
| Receivables from subsidiaries | 32,448 | 29,897 |
| Derivatives | 39 | 33 |
| Current receivables | 548 | 546 |
| Cash and cash equivalents | 2,212 | 1,420 |
| Total current assets | 35,247 | 31,896 |
| TOTAL ASSETS | 76,522 | 72,519 |
| EQUITY AND LIABILITIES | | |
| Equity | 11,476 | 9,200 |
| Untaxed reserves | 186 | 186 |
| Liabilities | | |
| Interest-bearing liabilities | 61,087 | 58,421 |
| Derivatives | 2,220 | 2,699 |
| Non-interest-bearing liabilities | 763 | 598 |
| Liabilities to subsidiaries | 790 | 1,415 |
| Total liabilities | 64,860 | 63,133 |
| TOTAL EQUITY AND LIABILITIES | 76,522 | 72,519 |

Other information

Personnel

The number of employees at the end of the year was 309 (348). The decrease was due to a number of employees in the technical organisation transferring on 1 February 2018 to Coor, which will assume more responsibility for certain services.

Risks and uncertainties

The Board of Directors and the CEO continuously strive to achieve the desired risk profile, based on the policy established by the Board. The policy contains uniform methods for identifying, valuing, taking responsibility for, managing and reporting risks. Vasakronan's risks are described in the 2017 Annual Report on pages 64–67. Thereafter, no material changes have occurred that affect the Board's and the CEO's assessment.

On 13 June, the new tax rules for the business sector was adopted. The act entails, inter alia, the introduction of a limit for interest deductions, meaning that legal entities may only make tax deductions for net interest expenses of up to 30% of taxable profit before depreciation, net interest income and tax. The act also means that corporate tax will be lowered in two stages from 22% to 21.4% in 2019 and to 20.6% in 2021. The restatement of Vasakronan's deferred tax liability at 30 June 2018 resulted in a positive earnings impact of SEK 1.1 billion.

Estimates and assessments

The preparation of financial statements in accordance with generally accepted accounting principles requires that the management makes assessments and assumptions that affect the amounts recognised in the accounts for assets, liabilities, income and expenses, as well as other information disclosed. The actual results may deviate from these assessments. The financial statements are particularly sensitive to assessments that provide the basis for the valuation of the investment properties. Refer to page 93 of Vasakronan's 2017 Annual Report for the sensitivity analysis.

Related-party transactions

Information pertaining to Vasakronan's related-party transactions is provided in Note 34 of Vasakronan's 2017 Annual Report. At the end of the period, the Third Swedish National Pension Fund held bonds issued by Vasakronan to a value of SEK 90 million as well as SEK 300 million in commercial paper.

There were no significant related-party transactions during the year.

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Comparative figures in parentheses pertain to the corresponding amounts for the same period last year. The same accounting policies, valuation principles and calculation methods as the ones used in the most recently issued annual report have been applied. Refer to Vasakronan's 2017 Annual Report, pages 90–93. From 1 January 2018, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are applied. However, none of these standards had any impact on the Group's opening balances as of 1 January 2018. Vasakronan's activities have been organised according to the geographic regions of Stockholm, Gothenburg, Öresund and Uppsala. These regions thus represent the four operating segments used for reporting purposes. Refer to page 94 of Vasa-

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

Derivatives are valued in accordance with level 2 in the fair value hierarchy. For all derivatives, ISDA agreements are in place that allow offsetting of payables and receivables from the same counterparty in the event of insolvency.

Investment properties are recognised at fair value in accordance with level 3 in the fair value hierarchy.

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

New standards that have not yet entered into force or been adopted

IFRS 16 Leases enters force from 1 January 2019 and replaces IAS 17. Under the new standard, assets and liabilities must be recognised for all leases unless the lease term is 12 months or less or the underlying asset has a low value. From 1 January 2019, Vasakronan will recognise ground rent and land lease agreements of around SEK 5 billion as assets with a corresponding liability. Ground rent and land lease expenses linked to these agreements, which were previously recognised in net operating income, will be recognised as financial expenses under net financial items. Expenses for 2019 are estimated at around SEK 180 million.

Alternative performance measures

Vasakronan applies the ESMA guidelines for Alternative Performance Measures (APMs). APMs are financial metrics that are not defined in IFRS or the Annual Accounts Act. All APMs must be explained, together with the underlying reason why they are used. A breakdown on how the performance measure is calculated must also be given when information (not provided in the balance sheet or income statement) is required for the calculation.

The APMs used in Vasakronan's interim report are defined and motivated on page 18. Page 17 also includes a breakdown of specific performance measures where this is required.

Significant events after the end of the financial year

After the end of the financial year, Vasakronan signed a ten-year lease with the Swedish Tax Agency for 42,000 square metres at the Nya Kronan property in Sundbyberg. The agreement encompasses two newly constructed buildings and one existing building undergoing renovation with occupancy scheduled for the end of 2021. The agreement with the Swedish Tax Agency means the property is now fully let.

Stockholm, 31 January 2019

Fredrik Wirdenius
Chief Executive Officer

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

For more information about this interim report, please contact:

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This information is of such a kind that Vasakronan AB (publ) is legally required to disclose pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication through the agency of the above contact person on 31 January 2019, at 12:00 p.m. CET.

Key metrics

| | Jan-Dec 2018 | Jan-Dec 2017 | Oct-Dec 2018 | Oct-Dec 2017 |
|--|-----------------|-----------------|-----------------|-----------------|
| Property-related information | | | | |
| Closing economic occupancy rate, % | 93.1 | 93.1 | 93.1 | 93.1 |
| Surplus ratio, % | 73 | 72 | 73 | 71 |
| Investments in existing projects, SEK m | 3,335 | 2,543 | 952 | 814 |
| Property acquisitions, SEK m | 594 | 1,049 | 100 | 1,049 |
| Property divestments, SEK m | -2,521 | -612 | -345 | -297 |
| Net investments, SEK m | 1,407 | 2,980 | 707 | 1,566 |
| Closing market value of property, SEK m | 138,934 | 126,875 | 138,934 | 126,875 |
| Closing area, thousand sq. m. | 2,372 | 2,430 | 2,372 | 2,430 |
| Closing number of properties | 174 | 179 | 174 | 179 |
| Environmental certification at closing date, % | 85 | 84 | 85 | 84 |
| Energy intensity on closing date, kWh/m ² | 103 | 100 | 103 | 100 |
| Financial metrics | | | | |
| Interest coverage ratio, multiple | 4.7 | 3.9 | 6.0 | 4.0 |
| Closing equity/assets ratio, % | 42 | 39 | 42 | 39 |
| Closing loan-to-value ratio, % | 41 | 43 | 41 | 43 |
| Average fixed-interest tenor, years | 4.7 | 4.5 | 4.7 | 4.5 |
| Average loan-to-maturity ³⁾ , years | 3.9 | 3.8 | 3.9 | 3.8 |
| Closing NAV, SEK m ¹⁾ | 78,542 | 68,581 | 78,542 | 68,581 |
| Closing NNNAV, SEK m ²⁾ | 70,823 | 60,872 | 70,823 | 60,872 |
| Closing average interest rate, % | 1.6 | 1.7 | 1.6 | 1.7 |
| Closing net interest-bearing liabilities, SEK m | 58,872 | 56,998 | 58,872 | 56,998 |
| Cash flow before changes in working capital, SEK m | 3,567 | 3,383 | 875 | 807 |
| FFO/net debt, % | 6.2 | 6.1 | 6.2 | 6.1 |
| Other | | | | |
| Closing number of employees | 309 | 349 | 309 | 349 |
| Basis for key metrics | | | | |
| 1) NAV, SEK m | | | | |
| Equity | 60,271 | 51,377 | 60,271 | 51,377 |
| Add back goodwill | -1,982 | -2,045 | -1,982 | -2,045 |
| Add back derivatives | 1,967 | 2,426 | 1,967 | 2,426 |
| Add back recognised deferred tax | 18,286 | 16,824 | 18,286 | 16,824 |
| | 78,542 | 68,581 | 78,542 | 68,581 |
| 2) NNNAV, SEK m | | | | |
| Equity | 60,271 | 51,377 | 60,271 | 51,377 |
| Add back goodwill | -1,982 | -2,045 | -1,982 | -2,045 |
| Add back recognised deferred tax | 18,286 | 16,824 | 18,286 | 16,824 |
| Deferred tax at fair value ⁴⁾ | -5,465 | -4,933 | -5,465 | -4,933 |
| Adjustment of interest-bearing liabilities to fair value | -287 | -351 | -287 | -351 |
| | 70,823 | 60,872 | 70,823 | 60,872 |

3) Excluding unutilised credit commitments.

4) Calculated on the basis of a 30% current tax rate, i.e. 6.2%.

Definitions

Area, sq. m.

Lettable area, not including garages and parking spaces on the closing date.

Loan-to-value (LTV) ratio, %

Net interest-bearing liabilities divided by total assets 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.

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 (indoor area for all floors of a building that are heated to more than 10°C). Reported energy performance also includes some tenant electricity and process cooling which, for technical reasons, is not possible to remove from the calculation.

Property acquisitions, SEK m

Acquisition of investment properties. Intended as an indication of the company's acquisitions during the period.

Property divestments, SEK m

Divestment of investment properties. Intended as an indication of the company's divestments during the period.

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 financial risk.

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 financial 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.

Contracted rent by property type

Contracted rent categorised according to the assigned premises use, for each lease, broken down as offices, retail and other. The category "other" includes residential space, parking and hotels.

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

Recognised equity, adding back goodwill, derivatives and deferred tax. The metric shows the company's EPRA NAV, refer to the calculation on page 17.

NNNAV (Triple net asset value), SEK m

Recognised equity adding back goodwill and the fair value of loans, and adjusted for estimated actual deferred tax. Calculated on the basis of a 30% current tax rate. The metric shows the company's actual NAV, refer to the calculation on page 17.

Net investments, SEK m

The purchase price for property acquisitions, 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.

Equity/assets ratio, %

Equity divided by total assets on the closing date. Intended as an indication of the company's financial stability.

Occupancy rate, %

Contracted rent divided by the rental value on the closing date.

Surplus ratio, %

Net operating income divided by rental revenue. Intended as an indication of the current earnings in property management activities.

Financial Calendar

Reports

Annual Report 2018

Annual General Meeting

Interim report Jan–Mar 2019

Mar 2019

May 2019

7 May 2019

Further information about the company is available on Vasakronan's website www.vasakronan.se