

Public ratings

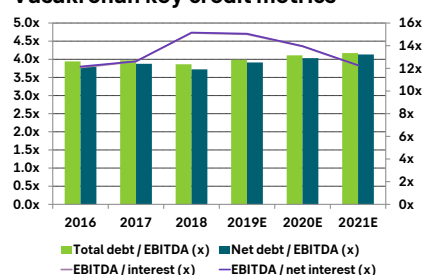
Moody's: A3/Stable

S&P: N.R.

Fitch: N.R.

Market cap (SEKm) Not listed

Vasakronan key credit metrics



Source: SEB

Strong operating performance

Vasakronan reported somewhat better credit metrics than we had expected, and in line with Moody's requirements for its A3 level rating. We view the report as credit neutral to positive. Our updated financial forecast assumes continued healthy operating performance. We have a Marketweight recommendation on Vasakronan.

Good operating performance, strong rental markets

Rental income was slightly ahead of our expectations, likely due to good performance in net lettings and renegotiations. The occupancy rate improved sequentially to 93.1% (92.8%). Property revaluations in the quarter amounted to SEK 4bn driven by higher rents, against our expectations of about SEK 2bn. Vasakronan reported favourable market conditions across its regions, including rising rents, stable or lower yields, strong office demand, and limited new supply. On 29 January 2019 the company announced a major new 10-year lease agreement with the Swedish Tax Agency in one of Vasakronan's development projects.

Key credit metrics somewhat ahead of our expectations

Key credit metrics were somewhat ahead of our expectations. We calculate net LTV at 42.4%, against our expectations of 43.2%. We estimate Moody's effective leverage at 42.1%, in line with requirements at the A3 level (about 45%). The 12-month interest coverage improved to 4.7x (we had expected about 4.5x). A SEK 4bn dividend (unchanged) was proposed to the AGM.

Marketweight on selected SEK bonds

Vasakronan's SEK maturities are indicated roughly in line with A- rated peers Willhem, Hemsö and Rikshem and we are Marketweight on selected bonds. That said, we maintain a slight preference for Vasakronan based on our expectations of good prospects for continued strong operating performance, and lower leverage compared with peers.

Analyst

Jacob Zachrisson
(46) 8 522 29685
jacob.zachrisson@seb.se

The estimates in this research report have been produced in collaboration with SEB equity research analysts

Key credit metrics & ratios

	2015	2016	2017	2018	2019E	2020E
Revenues (SEKm)	6,009	6,251	6,490	6,718	6,996	7,206
EBITDA (SEKm)	4,186	4,372	4,581	4,768	5,005	5,160
EBIT (SEKm)	4,115	4,372	4,581	4,768	5,005	5,160
FFO (SEKm)	2,855	3,137	3,383	3,729	3,863	3,903
FOCF (SEKm)	70	1,346	-209	31	63	103
Net debt (m)	48,479	53,093	56,998	58,872	62,809	66,706
Equity	41,245	46,117	51,377	60,271	61,630	62,716
EBITDA margin	69.7	69.9	70.6	71.0	71.5	71.6
EBIT margin (%)	68.5	69.9	70.6	71.0	71.5	71.6
Adjusted EBITDA net int. cover. (x)	3.7	3.8	4.0	4.6	4.8	4.4
Adjusted net debt to EBITDA (x)	11.6	12.1	12.4	12.3	12.5	12.9
Adjusted FFO / Net debt	6%	6%	6%	6%	6%	6%
Adjusted net debt to capital	54%	54%	53%	49%	50%	52%

Source: SEB

Financial forecast

Our updated financial forecast assumes continued healthy demand over the short to medium term, even in a scenario where economic growth temporarily slows down in 2019. This is based on a combination of limited new supply, primarily in Stockholm, and our view of Vasakronan's property locations as attractive. We are assuming flat yields over the short term with property value increases driven by higher rents as projects are completed and contracts are renegotiated. Our assumptions on investment levels take into account the current project pipeline and translate into somewhat higher investments in the forecast period compared with 2018. We factor in some increases in interest costs based on our view of elevated risks in funding conditions in the real estate sector.

Vasakronan financial base case forecast (SEKm)											
(SEKm)	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19E	2016	2017	2018	2019E	2020E	2021E
Rental income	6,516	6,577	6,660	6,718	6,808	6,251	6,490	6,718	6,996	7,206	7,386
NOI	4,689	4,743	4,795	4,869	4,940	4,459	4,678	4,869	5,110	5,268	5,418
EBITDA	4,606	4,655	4,872	4,942	5,012	4,379	4,596	4,942	5,017	5,172	5,319
FFO	3,359	3,443	3,682	3,761	3,912	3,179	3,416	3,761	3,875	3,915	3,867
Y/Y growth in rental income (%)	3%	2%	3%	4%	4%		4%	4%	4%	3%	2%
NOI margin (%)	72%	72%	72%	72%	73%	71%	72%	72%	73%	73%	73%
EBITDA margin (%)	71%	71%	73%	74%	74%	70%	71%	74%	72%	72%	72%
Interest expense	-1,155	-1,124	-1,107	-1,046	-1,026	-1,162	-1,167	-1,046	-1,070	-1,188	-1,390
Net interest expense	-1,153	-1,122	-1,104	-1,043	-1,023	-1,152	-1,165	-1,043	-1,066	-1,185	-1,387
Hybrid / preferred interest / dividends	0	0	0	0	0	0	0	0	0	0	0
Adjusted interest expense	-1153	-1122	-1104	-1043	-1023	-1152	-1165	-1043	-1066	-1185	-1387
Investment properties	128,339	133,518	134,303	138,934	140,926	115,922	126,875	138,934	145,644	151,993	157,553
Total debt	58,903	62,315	61,244	61,087	61,180	55,240	58,421	61,087	64,000	68,000	71,000
Cash and equivalents	2,618	2,008	2,152	2,215	2,288	2,147	1,423	2,215	1,191	1,294	649
Net debt	56,285	60,307	59,092	58,872	58,892	53,093	56,998	58,872	62,809	66,706	70,351
Hybrid / preferred debt / capital	0	0	0	0	0	0	0	0	0	0	0
Adjusted debt	56,285	60,307	59,092	58,872	58,892	53,093	56,998	58,872	62,809	66,706	70,351
Secured debt	14,288	14,286	11,885	12,907	13,000	0	15,290	12,907	15,000	15,000	16,000
Equity	53,404	54,652	56,279	60,271	61,826	46,117	51,377	60,271	61,613	62,702	63,366
Adjusted equity	53,404	54,652	56,279	60,271	61,826	46,117	51,377	60,271	61,613	62,702	63,366
Net debt+equity	109,689	114,959	115,371	119,143	120,718	99,210	108,375	119,143	124,422	129,407	133,717
Credit metrics (x)											
Total debt / EBITDA (x)	12.8x	13.4x	12.6x	12.4x	12.2x	12.6x	12.7x	12.4x	12.8x	13.1x	13.3x
Net debt / EBITDA (x)	12.2x	13.0x	12.1x	11.9x	11.8x	12.1x	12.4x	11.9x	12.5x	12.9x	13.2x
Adjusted debt / EBITDA (x)	12.2x	13.0x	12.1x	11.9x	11.8x	12.1x	12.4x	11.9x	12.5x	12.9x	13.2x
EBITDA / interest (x)	4.0x	4.1x	4.4x	4.7x	4.9x	3.8x	3.9x	4.7x	4.7x	4.4x	3.8x
EBITDA / net interest (x)	4.0x	4.1x	4.4x	4.7x	4.9x	3.8x	3.9x	4.7x	4.7x	4.4x	3.8x
EBITDA / adjusted interest (x)	4.0x	4.1x	4.4x	4.7x	4.9x	3.8x	3.9x	4.7x	4.7x	4.4x	3.8x
Fixed charge coverage (x)	-0.4x	-0.4x	-0.3x	-0.4x	4.9x	-0.3x	-0.4x	-0.4x	4.7x	4.4x	3.8x
FFO / total debt (%)	5.7%	5.5%	6.0%	6.2%	6.4%	5.8%	5.8%	6.2%	6.1%	5.8%	5.4%
FFO / net debt (%)	6.0%	5.7%	6.2%	6.4%	6.6%	6.0%	6.0%	6.4%	6.2%	5.9%	5.5%
FFO / adjusted debt (%)	6.0%	5.7%	6.2%	6.4%	6.6%	6.0%	6.0%	6.4%	6.2%	5.9%	5.5%
Gross LTV (%)	45.9%	46.7%	45.6%	44.0%	43.4%	47.7%	46.0%	44.0%	43.9%	44.7%	45.1%
Net LTV (%)	43.9%	45.2%	44.0%	42.4%	41.8%	45.8%	44.9%	42.4%	43.1%	43.9%	44.7%
Adjusted LTV (%)	43.9%	45.2%	44.0%	42.4%	41.8%	45.8%	44.9%	42.4%	43.1%	43.9%	44.7%
Net debt / debt+equity (%)	51.3%	52.5%	51.2%	49.4%	48.8%	53.5%	52.6%	49.4%	50.5%	51.5%	52.6%
Adjusted debt / debt + equity (%)	51.3%	52.5%	51.2%	49.4%	48.8%	53.5%	52.6%	49.4%	50.5%	51.5%	52.6%
Secured LTV (%)	11.1%	10.7%	8.8%	9.3%	9.2%	0.0%	12.1%	9.3%	10.3%	9.9%	10.2%
Equity ratio (%)	39.4%	39.0%	40.1%	41.5%	42.0%	37.8%	38.8%	41.5%	40.8%	39.9%	39.1%

Source: SEB

Long-term credit profile

The credit profile and the A3/Stable Moody's rating are underpinned by Vasakronan's very large portfolio and dominant position in central office locations in major Swedish cities. The rating is also supported by the indirect government ownership, good liquidity and high interest coverage. Conversely, Vasakronan is geographically concentrated in Sweden and it engages in development activities, some speculative.

SEK 139bn property portfolio

A Swedish giant

With a property portfolio valued at about SEK 140bn, Vasakronan is Sweden's largest real estate company. The portfolio consists of about 170 properties located in central locations in Stockholm, Gothenburg, Uppsala and Malmö/Lund. Vasakronan, in its current form, was established in 2008. It is owned by the Swedish pension funds and, consequently, indirectly owned by the Swedish government.

A3/Stable

A3/Stable by Moody's since May, 2018

Vasakronan has been rated A3 by Moody's since May 2018. The rating is underpinned by Vasakronan's large property portfolio with a dominant market position in the prime office segment, high quality assets, and a high share of public tenants. The rating agency also considers additional strengths, for example the strong liquidity position and good interest coverage. The A3 rating includes a one-notch uplift relating to the likelihood of extraordinary government support.

Conversely, Moody's believes that Vasakronan is exposed to potential regulatory changes which could limit the AP funds' exposure to real estate. It also highlights a geographic concentration to Sweden and a moderate development pipeline as factors which counterbalance credit strengths.

Secured LTV is low at about 9%. This is sufficiently low not to warrant any notching from the issuer rating under rating agency methodology.

Stable outlook from Moody's

Good ratings leeway

Moody's maintains a stable outlook on Vasakronan, expecting an adjusted debt-to-asset ratio of around 45% over the near term. We estimate the corresponding ratio at about 42% at year-end 2018, and we also expect it to remain below 45% after the proposed SEK 4bn dividend payment in 2019. In terms of interest rate coverage, we deem leeway to be more ample, with about 4.7x posted for 2018, against a minimum of 3.5x required by Moody's in order to avoid ratings pressure.

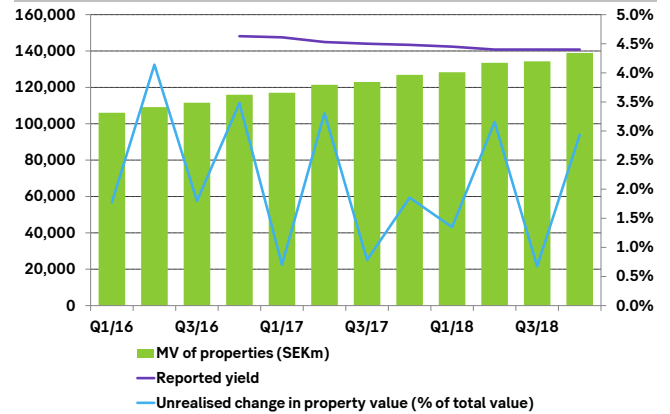
Company overview

Quarterly rental income and NOI (SEKm)



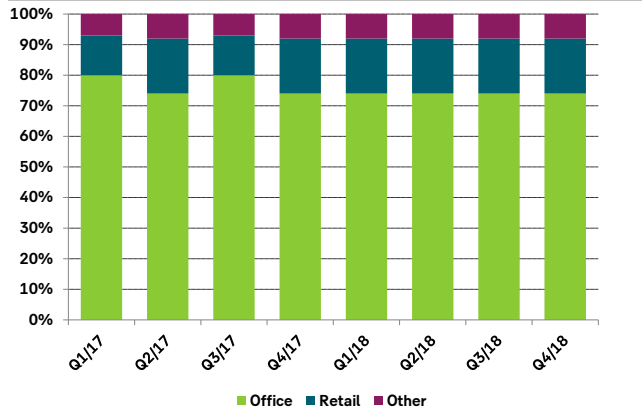
Source: Company reports

Property portfolio statistics (SEKm)



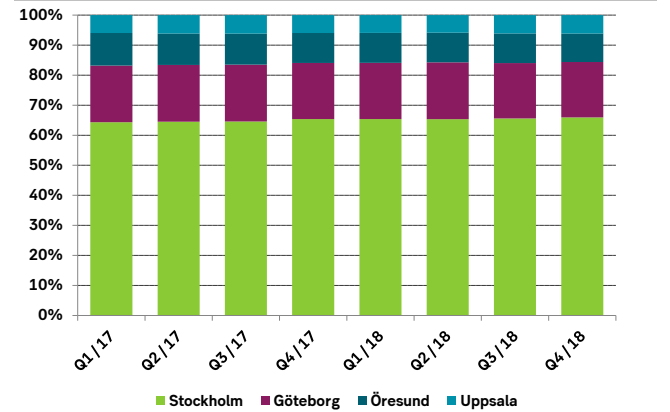
Source: Company reports

Property portfolio composition by segment (%)



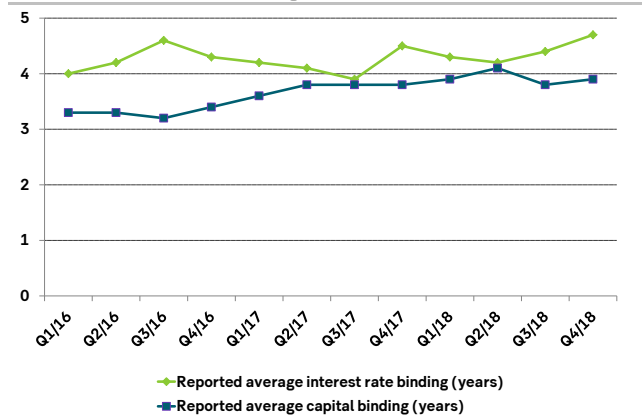
Source: Company reports

Property portfolio composition by geography (%)



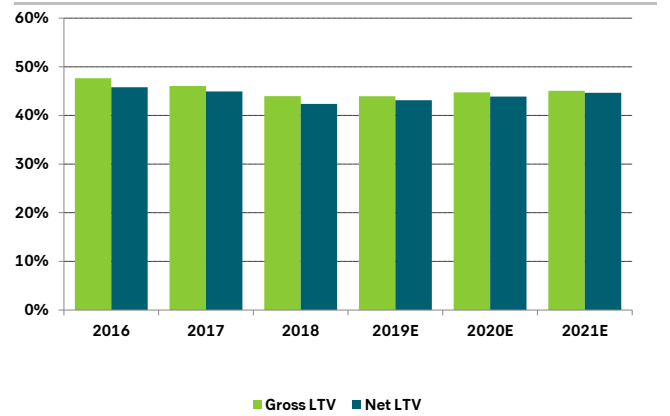
Source: Company reports

Capital and interest binding (years)



Source: Company reports

LTV (%)



Source: SEB

Credit strengths

- Very large portfolio of high-quality properties
- Indirectly owned by the Swedish government through AP1-4
- Strong liquidity, including commitment from owners
- A large share of public sector tenants.
- Strong interest coverage

Credit concerns

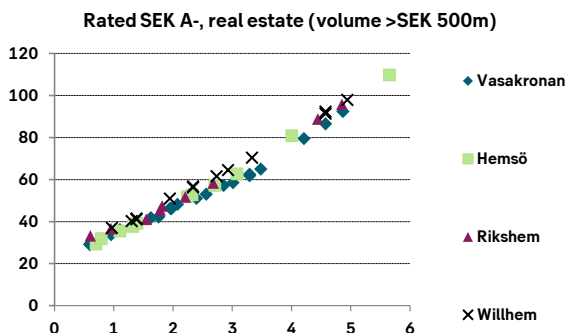
- Geographically concentrated to Sweden
- Engages in development activities with varying degree of speculation
- Exposed to commercial property segments where rent levels can be volatile

Selected outstanding bonds

Ticker	Issue date	Maturity date	Cpn type	Cpn	Amount	Spread/DM	Recommendation
FASTIG 0 02/11/22	29/01/2019	11/02/2022	FLOATING	QUARTLY STIB +59.00000	SEK 1600mn	59	Marketweight
FASTIG 1.205 04/24/23	24/10/2017	24/04/2023	FIXED	1.205	SEK 1250mn	79	Marketweight
FASTIG 1.265 12/20/23	20/04/2018	20/12/2023	FIXED	1.265	SEK 1000mn	92	Marketweight

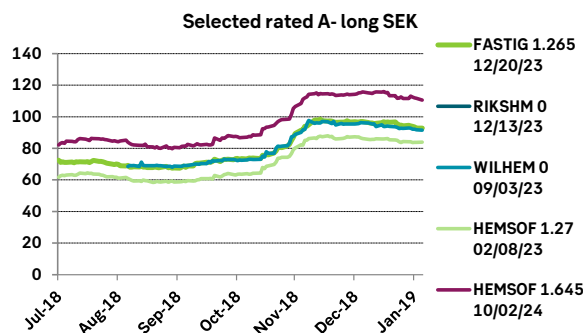
Source: Bloomberg and SEB

Rated A- real estate issuers



Source: Bloomberg

Selected real estate bonds, A- issuer



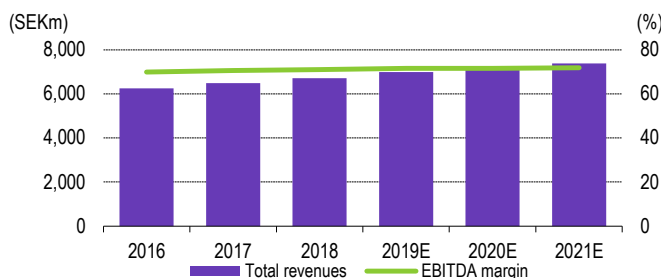
Source: Bloomberg

Financial statement summary - Adjusted numbers (SEKm)

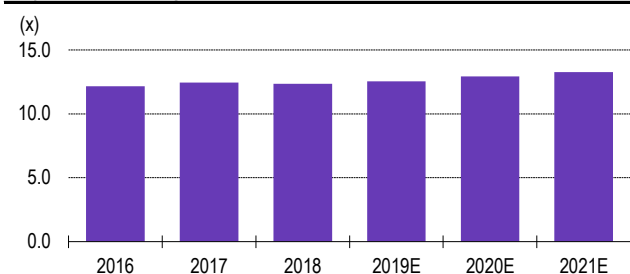
	2017	2018	2019E	2020E
Income statement				
Revenues	6,490	6,718	6,996	7,206
EBITDA	4,581	4,768	5,005	5,160
Net income (reported)	9,277	12,747	5,359	5,086
Cash flow statement				
Funds from operations (FFO)	3,383	3,729	3,863	3,903
Operating Cash Flow	3,383	4,000	3,863	3,903
Free Operating cash flow	-209.0	31.0	63.4	103.0
Pre-financing cash flow	-3,602	-1,459	-3,937	-3,897
Balance sheet				
Cash (and equivalents)	1,423	2,215	1,191	1,294
Total debt	58,421	61,087	64,000	68,000
Net debt	56,998	58,872	62,809	66,706
Equity	51,377	60,271	61,630	62,716
Total assets (reported)	132,283	145,201	150,856	157,304
Key credit metrics & ratios				
Net debt to EBITDA (x)	12.4	12.3	12.5	12.9
Net debt to capital	53%	49%	50%	52%
FFO / Net debt	6%	6%	6%	6%
Equity ratio	39%	42%	41%	40%

Source: SEB and Vasakronan financial reports

Revenues and EBITDA margin



Adjusted net debt / EBITDA



Source: SEB and Vasakronan financial reports

Profit & loss statement

(SEKm)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Total revenues	5,367	5,508	6,048	5,969	6,032	5,899	6,009	6,251	6,490	6,718	6,996	7,206	7,386
Total expenses	-1,973	-1,901	-1,928	-1,778	-1,840	-1,820	-1,823	-1,879	-1,909	-1,950	-1,992	-2,047	-2,079
EBITDA	3,394	3,607	4,120	4,191	4,192	4,079	4,186	4,372	4,581	4,768	5,005	5,160	5,307
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0
Intangibles amortisation	0	0	0	0	0	-21	-71	0	0	0	0	0	0
EBIT	3,394	3,607	4,120	4,191	4,192	4,058	4,115	4,372	4,581	4,768	5,005	5,160	5,307
Associated companies	12	2	-3	-1	0	-1	-1	-3	-3	-3	-3	-3	-3
Net interest expenses	-1,320	-1,274	-1,649	-1,577	-1,503	-1,256	-1,121	-1,152	-1,157	-1,036	-1,042	-1,185	-1,388
Value changes	-4,534	4,120	2,815	639	3,052	563	10,810	11,274	8,415	10,602	2,910	2,549	2,060
Other financial items	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported pre-tax profit	-2,448	6,455	5,283	3,252	5,741	3,364	13,803	14,491	11,836	14,331	6,870	6,521	5,976
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0
Total taxes	672	-1,647	-1,345	671	-923	-642	-2,859	-3,019	-2,559	-1,584	-1,511	-1,435	-1,315
Net profit	-1,354	5,310	3,938	3,923	4,818	2,722	10,944	11,472	9,277	12,747	5,359	5,086	4,661
EBITDA margin	63.2	65.5	68.1	70.2	69.5	69.1	69.7	69.9	70.6	71.0	71.5	71.6	71.8
EBIT margin (%)	63.2	65.5	68.1	70.2	69.5	68.8	68.5	69.9	70.6	71.0	71.5	71.6	71.9
Tax rate (%)	27.5	25.5	25.5	(20.6)	16.1	19.1	20.7	20.8	21.6	11.1	22.0	22.0	22.0
Growth rates y-o-y (%)													
Total revenues	36.3	2.6	9.8	(1.3)	1.1	(2.2)	1.9	4.0	3.8	3.5	4.1	3.0	2.5
EBITDA	n.a.	6.3	14.2	1.7	0.0	(2.7)	2.6	4.4	4.8	4.1	5.0	3.1	2.9
EBIT	38.9	6.3	14.2	1.7	0.0	(3.2)	1.4	6.2	4.8	4.1	5.0	3.1	2.9
Pre-tax profit	0.0	0.0	(18.2)	(38.4)	76.5	(41.4)	310.3	5.0	(18.3)	21.1	(52.1)	(5.1)	(8.4)

Cash flow

(SEKm)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
FFO	2,101	2,339	2,386	2,432	2,600	2,789	2,855	3,137	3,383	3,729	3,863	3,903	3,855
Changes in working capital	-99	203	288	-91	202	113	355	302	0	271	0	0	0
Operating cash flow	2,002	2,542	2,674	2,341	2,802	2,902	3,210	3,439	3,383	4,000	3,863	3,903	3,855
Net capital expenditures	-3,711	-7,673	-2,052	-5,190	-4,107	-2,813	-3,140	-2,093	-3,592	-3,969	-3,800	-3,800	-3,500
Free operating cash flow	-1,709	-5,131	622	-2,849	-1,305	89	70	1,346	-209	31	63	103	355
Dividend paid	-1,073	-4,156	-1,465	-1,273	-1,177	-4,000	-4,924	-7,382	-4,000	-4,000	-4,000	-4,000	-4,000
Acquisitions, divestments net	2,291	5,391	1,074	4,727	2,961	1,540	1,365	2,116	607	2,510	0	0	0
Pre-financing cash flow	-491	-3,896	231	605	479	-2,371	-3,489	-3,920	-3,602	-1,459	-3,937	-3,897	-3,645
Net loan proceeds	-1,457	6,051	-196	-1,469	475	1,558	4,033	4,285	3,237	2,735	2,913	4,000	3,000
Share issue	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	-519	-359	-484	0	0	0
Net change in cash	-1,948	2,155	35	-864	954	-813	544	-154	-724	792	-1,024	103	-645
Capex/sales (%)	69.1	139.3	33.9	86.9	68.1	47.7	52.3	33.5	55.3	59.1	54.3	52.7	47.4

Balance sheet

(SEKm)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Cash and liquid assets	290	2,445	2,480	1,616	2,570	1,757	2,301	2,147	1,423	2,215	1,191	1,294	649
Other current assets	1,119	943	846	751	700	699	795	909	871	905	876	876	876
Long-term financial assets	975	671	505	505	497	529	550	853	923	1,014	1,011	1,008	1,005
Fixed tangible assets	71,842	77,688	82,422	84,117	87,195	91,940	103,952	115,976	126,921	138,978	145,688	152,037	157,597
Intangibles	2,434	2,419	2,393	2,330	2,280	2,259	2,188	2,171	2,145	2,089	2,089	2,089	2,089
Total assets	76,660	84,166	88,646	89,319	93,242	97,184	109,786	122,056	132,283	145,201	150,856	157,304	162,216
Interest bearing debt	40,439	46,490	46,294	44,833	45,274	46,839	50,750	55,240	58,421	61,087	64,000	68,000	71,000
Other liabilities	11,458	10,993	12,636	11,826	11,611	15,251	17,791	20,699	22,485	23,843	25,226	26,588	27,838
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0
Shareholders' equity	24,763	26,683	29,716	32,660	36,357	35,094	41,245	46,117	51,377	60,271	61,630	62,716	63,377
Total liabilities and equity	76,660	84,166	88,646	89,319	93,242	97,184	109,786	122,056	132,283	145,201	150,856	157,304	162,216
Net debt (m)	40,158	44,073	43,855	43,239	42,725	45,112	48,479	53,093	56,998	58,872	62,809	66,706	70,351
Net debt/equity (%)	162.2	165.2	147.6	132.4	117.5	128.5	117.5	115.1	110.9	97.7	101.9	106.4	111.0
Equity/total assets (%)	32.3	31.7	33.5	36.6	39.0	36.1	37.6	37.8	38.8	41.5	40.9	39.9	39.1
Net debt/EBITDA (x)	11.8	12.2	10.6	10.3	10.2	11.1	11.6	12.1	12.4	12.3	12.5	12.9	13.3
EBITDA Interest cover	2.5	2.8	2.4	2.5	2.7	3.2	3.7	3.8	3.9	4.6	4.8	4.3	3.8

Main shareholders

Name	(%)	Votes	Capital	Management	Name	Company information
Swedish National Pension Funds	100.0	100.0		COB	Mats Wäppling	Internet www.vasakronan.se
				CEO	Fredrik Wirderius	Phone number 5E+09
				CFO	Christer Nerlich	

Company description: Vasakronan is Sweden's largest real estate company by far. It was created in 2008 through AP Fastigheter's acquisition of the "old" Vasakronan from the Swedish government. Vasakronan's strategy is to be a long-term owner of commercial real estate properties in regions enjoying high economic growth, mainly Stockholm, Gothenburg, Öresund and Uppsala. Commercial properties comprise 98% of the total portfolio with the remainder consisting of residential real estate and other.

Please note: The data in several tables and charts in this document have been adjusted in line with common practice in the field of credit research. This mainly refers to adjustments of operating leases, pensions, derivatives and other contingent liabilities. For a detailed breakdown of the adjustments, please contact the author of this report.

Authors' statement of independence (Analyst Certification)

We, the authors of this report, hereby confirm that notwithstanding the existence of any potential conflicts of interest referred to herein, the views expressed in this report accurately reflect our personal views about the companies and securities covered. We further confirm that we have not been, nor are or will be, receiving direct or indirect compensation in exchange for expressing any of the views or the specific recommendation contained in the report. We are not registered or qualified as research analysts, representatives or associated persons under the rules of any US exchange, regulatory organization or State.

This statement affects your rights

This report is confidential and may not be reproduced, redistributed or republished by any recipient for any purpose or to any person.

Recipients

SEB Research is approved and issued by Skandinaviska Enskilda Banken AB (publ) ("SEB"), a bank organized under the laws of the Kingdom of Sweden, on behalf of itself and its affiliates for institutional investors. SEB is not a registered Broker-Dealer under the US Securities and Exchange Act of 1934.

Use

This research report is produced for the private information of recipients - if you are not a client of ours, you are not entitled to this research report, and should destroy it. The document is not, and should not be construed as, an offer to sell or solicitation of an offer to buy any securities. Opinions contained in the report represent the author's present opinion only and may be subject to change. In the event that the author's opinion should change or a new analyst with a different opinion becomes responsible for our coverage of the company concerned, we shall endeavour (but do not undertake) to disseminate any such change, within the constraints of any regulations, applicable laws, internal procedures within SEB, or other circumstances. If you are in doubt as to the meaning of the recommendation system used by SEB in its research, please refer to the "Disclaimer" section of SEB Research website, to which our clients are granted access.

Good faith and limitations

All information, including statements of fact, contained in this research report have been obtained and compiled in good faith from sources believed to be reliable. However, no representation or warranty, express or implied, is made by SEB with respect to the completeness or accuracy of its contents, and it is not to be relied upon as authoritative and should not be taken in substitution for the exercise of reasoned, independent judgement by you. Recipients are urged to base their investment decisions upon such investigations as they deem necessary. To the extent permitted by applicable law, no liability whatsoever is accepted by SEB for any direct or consequential loss arising from the use of this document or its contents.

Distribution

This research report has been prepared by SEB or its affiliates and is being distributed by SEB offices in Stockholm, Copenhagen, Oslo, Helsinki, Frankfurt, London, Tallinn, Vilnius, Singapore and Hong Kong. Research reports are prepared and distributed in Lithuania by AB SEB bankas and in Estonia by AS SEB Pank in accordance with the requirements of the local laws and Financial Supervision Authority's conduct of business rules. It is being distributed in the United States by SEB Securities Inc. ('SEBSI'), a wholly owned subsidiary of SEB organized under the laws of the State of Delaware, USA. Any United States institutional investor receiving the report, who wishes to obtain further information or to effect a transaction in any security discussed in the report, should do so only through SEBSI and not its affiliates. Addresses and Phone numbers for each office can be found at the end of the report.

The SEB Group: members, memberships and regulators

SEB is a member of, inter alia, Nasdaq OMX Nordic, Oslo Stock Exchange, the London Stock Exchange, NYSE Euronext, Frankfurt Stock Exchange, Tallinn Stock Exchange as well as certain European MTF's such as BATS-Chi-X, Turquoise, Burgundy, XUBS, POSIT and Sigma-X. SEB is regulated by Finansinspektionen in Sweden and, for the conduct of investment services business, in (i) Denmark by Finanstilsynet, (ii) Norway by Finanstilsynet, (iii) Finland by Finanssivalvonta, (iv) Germany by Bundesanstalt für Finanzdienstleistungsaufsicht, (v) the UK by the Financial Conduct Authority and Prudential Regulation Authority (details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request), (vi) Estonia by the Estonian Financial Supervision Authority, (vii) Lithuania by the Bank of Lithuania, (viii) by the Monetary Authority of Singapore and (ix) Hong Kong by Securities and Futures Commission. SEBSI is a U.S. broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA). SEBSI is a subsidiary of SEB. SEBSI is authorized to engage in the underwriting of securities but does not make markets or otherwise engage in any proprietary trading in any securities.

SEB's research reports are prepared in accordance with the industry standards and codes of conduct applicable to financial analysts in the countries where they are based. In Denmark, Finland, Norway and Sweden, analysts act in accordance with the rules of ethics of each country's Society of Financial Analysts. Analysts comply with the recommendations and industry standards of the Danish, Norwegian and the Swedish Securities Dealers Associations and with those of the Federation of Finnish Financial Services. Analysts certified by the CFA Institute also comply with the Code of Ethics of the CFA Institute. The author of this report is not registered or qualified as a research analyst with FINRA and therefore may not be subject to the FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Prevention and avoidance of conflicts of interest

All research reports are produced by SEB's Research department, which is separated from the rest of its activities by an Information Barrier; as such, research reports are independent and based solely on publicly available information. Following standard practice, recommendations and target share prices are removed from research on companies which are the subject of public offers on which SEB is advising. The remuneration of staff within the Research department is determined exclusively by research management and senior management and may include discretionary awards based on the firm's total earnings, including investment banking and markets (sales and trading businesses) income; however, no such staff receive remuneration based upon specific investment banking or markets transactions. SEB's Compliance department monitors the production of research and the observance of the group's procedures designed to prevent any potential conflicts of interest from affecting the content of research; the latter are described in greater detail in the "Statement of Policies for dealing with potential conflicts of interest surrounding our Research activities" which is available on our SEB Research website.

Your attention is also drawn to the fact that:

The current market price of the securities shown in this report is the price prevailing at the close of the business day preceding the date of publication, save where such price was more than 5% different from the price prevailing as at the time of publication, in which case it is the latter.

Unless explicitly stated otherwise in this report, SEB expects (but does not undertake) to issue updates to this report following the publication of new figures or forecasts by the company covered, or upon the occurrence of other events which could potentially have a material effect on it.

The securities discussed in this research report may not be eligible for sale in all countries, and such securities may not be suitable for all types of investors. Offers and sales of securities discussed in this research report, and the distribution of this report, may be made only in countries where such securities are exempt from registration or qualification or have been so registered or qualified for offer and sale, and in accordance with applicable broker-dealer and agent/salesman registration or licensing requirements.

Additional recommendation history for the issuer is available at <https://research.sebgroup.com/credit>

Specific disclosures for institutional investors

The analysis and valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties; different assumptions could result in materially different results. The inclusion of any such valuations, projections and forecasts in this report should not be regarded as a representation or warranty by or on behalf of the SEB Group or any person or entity within the SEB Group that such valuations, projections and forecasts or their underlying assumptions and estimates will be met or realized. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report.

Company specific disclosures and potential conflicts of interest:

A member of, or an entity associated with, SEB or its affiliates, officers, directors, employees or shareholders of such members (a) is not, and has never been, represented on the board of directors or similar supervisory entity of Vasakronan, (b) has from time to time bought or sold the securities issued by the company or options relating to the company, and (c) SEB does not hold any short / long position exceeding 0.5% of the total issued share capital of Vasakronan as of 31 Jan 2019.

Within the past 12 months, SEB or its affiliates acted as Lead or Co-Lead Manager in a public offering of securities of Vasakronan or an affiliate.

SEB or its affiliates is, or has within the last 12 months been or expects in the next 3 months to be, party to an agreement relating to the provision of investment banking services to Vasakronan or an affiliate, or has received from it fees or the promise of fees in respect of such services.

The analyst(s) responsible for this research report (jointly with their closely related persons) hold(s) 0 shares in Vasakronan and do(es) not have holdings in other instruments related to the company.

Explanation of Credit Research recommendations:

SEB derives its Recommendations from its appraisal of the credit quality of the issuer (itself derived from business risk profile and financial risk profile and from other factors).

SEB uses the following recommendation system for the corporate bond market:

Overweight – over the next six months we expect a position in this instrument to exceed the relevant index, sector or benchmark.

Marketweight – over the next six months we expect a position in this instrument to perform in line with the relevant index, sector or benchmark.

Underweight – over the next six months we expect a position in this instrument to underperform the relevant index, sector or benchmark.

SEB uses the following recommendation system for CDS spreadsheets:

Buy – we expect the CDS to outperform the sector performance

Neutral – we take a neutral view on the CDS, and do not recommend either a buy or sell

Sell – we expect the CDS spreads to underperform the sector performance.

Definitions of SEB's assessments of creditworthiness can be found on our website: <https://taz.vv.sebank.se/cgi-bin/pts3/mc6/MB/research.nsf?opendatabase&login>

Credit Watch Negative – When an identifiable event or short term trend has occurred and when additional information is needed to evaluate the impact on the assessment of credit worthiness but the likely outcome is a negative change.

Credit Watch Positive - When an identifiable event or short term trend has occurred and when additional information is needed to evaluate the impact on the current assessment of credit worthiness but the likely outcome is a positive change.

Credit Watch Developing – When an identifiable event or short term trend has occurred and when additional information is needed to evaluate the impact on the current assessment of credit worthiness and the likely outcome is uncertain

Methodology

SEB's Credit Research makes its assessment of the creditworthiness of an issuer based on the assessment of an issuer's business risk profile as well as its financial risk profile. The business risk profile includes country risk, industry risk, competitive position, and profitability. The financial risk profile includes financial policies, accounting, cash flow adequacy, capital structure and liquidity. The outcome of the assessment of the two risk profiles is weighed together for a final overall assessment.

In addition to SEB's credit assessment of creditworthiness, other factors considered in a particular issuer include the credit ratings assigned to a specific issuer by independent agencies, the value and market price of its securities, macroeconomic factors such as interest rates, promised coupon or yield of the specific instruments, and historical spread developments.

Credit Research Distribution (as of 1 Sep 2018)

	A*	B*
Overweight	13.8%	5.7%
Marketweight	72.4%	31.4%
Underweight	13.8%	4.5%

A* denotes recommendations for all companies covered

B* denotes recommendation for companies to which SEB has provided investment banking services in the last 12 months.

Recommendation History**Instrument Recommendation Date**

Recommendation changes by SEB Credit Research Analysts in the subject company over the past 12 months. If no recommendation changes were made in that period, the most recent change is stated.

Copenhagen

Bernstorffsgade 50
DK-1577 Copenhagen
Telephone: +45 3336 8500
Capital Markets Sales
Telephone: +45 3317 7720
Treasury Sales
Telephone: +45 3315 8065

Frankfurt

Stephanstrasse 14-16
DE-60313 Frankfurt am Main
Telephone: +49 69 258 5190
Capital Markets Sales
Telephone: +49 69 9727 1145

Gothenburg

Östra Hamngatan 24
SE-405 04 Göteborg
Telephone: +46 31 62 10 00
Treasury Sales
Telephone: +46 31 774 91 10

Helsinki

Eteläesplanadi 18
FI-00100 Helsinki
Telephone: +358 9 616 280 00
Capital Markets Sales
Telephone: +358 9 616 285 60

Hong Kong

17/F Jardine House
1 Connaught Place, Central
Hong Kong
Telephone: +852 31592888

London

One Carter Lane
London EC4V 5AN
Telephone: +44 20 7246 4000
Forex & Money Market
Telephone: +44 20 7246 4282
Treasury Sales
Telephone: +44 20 7236 0593

Malmö

Östergatan 39
SE-205 20 Malmö
Telephone: +46 40 667 6910
Treasury Sales
Telephone: +46 40 667 6910

New York

245 Park Avenue, 33rd Floor
New York, New York 10167
Telephone: +1 212 907 4700
Capital Markets & Treasury Sales
Telephone: +1 212 351 4900

Oslo

Filipstad Brygge 1
NO-0123 Oslo
Telephone: +47 22 82 70 00
Capital Markets Sales
Telephone: +47 22 82 72 68
Treasury Sales
Telephone: +47 22 82 72 30

Stockholm

Kungsträdgårdsgatan 8
SE-106 40 Stockholm
Telephone: +46 8 763 80 00
Capital Markets Sales
Telephone: +46 8 506 232 18