

Interim Report January–September 2019

- Rental revenue increased to SEK 5,232 million (5,006). For comparable property holdings, the increase was 7% (5).
- New lettings corresponding to 170,000 square metres (99,000) and an annual rent of SEK 706 million (338) were contracted and net lettings amounted to SEK 298 million (6).
- The occupancy rate was 93.1% (92.8) at the end of the period. Of total vacancies, 2.3 percentage points (2.9) were attributable to ongoing projects and development properties.
- Operating surplus increased to a total of SEK 3,875 million (3,616). For comparable property holdings, the increase in net operating income was 7% (6).
- Profit before value changes and tax rose to SEK 3,716 million (2,731), where the result from participations in joint ventures accounted for SEK 887 million of the increase.
- The change in the property value amounted to SEK 6,769 million (6,692), corresponding to a 5.0% (5.4) increase in value.
- At the end of the period, the portfolio value amounted to SEK 147,385 million (134,303).
- The value change in derivatives amounted to negative SEK 1,713 million (positive: 170), which was due to lower long market interest rates.
- Profit after tax amounted to SEK 7,215 million (8,902).

Amounts in SEK million	Jan–Sep 2019	Jan–Sep 2018 ¹⁾	Jul–Sep 2019 ²⁾	Jul–Sep 2018 ²⁾	Oct 2018–Sep 2019 ²⁾	Jan–Dec 2018 ²⁾
Rental revenue	5,232	5,006	1,793	1,673	6,944	6,718
Operating surplus	3,875	3,616	1,296	1,220	5,128	4,869
Profit before value changes and tax	3,716	2,731	935	922	4,869	3,884
Profit after tax	7,215	8,902	2,185	1,627	11,215	12,902
Cash flow from operating activities before changes in working capital	2,700	2,692	947	933	3,575	3,567
Market value of properties	147,385	134,303	147,385	134,303	147,385	138,934
Occupancy rate, %	93.1	92.8	93.1	92.8	93.1	93.1
Surplus ratio, %	74	72	72	73	74	73
Interest coverage ratio ²⁾ , multiple	4.4	4.6	4.3	4.9	4.6	4.7
Loan-to-value (LTV) ratio ²⁾ , %	39	42	39	42	39	41
Closing NAV, SEK m	83,908	73,062	83,908	73,062	83,908	78,542
Closing NNNNAV ²⁾ , SEK m	75,046	66,068	75,046	66,068	75,046	70,823
Environmental certification, share of total area, %	84	85	84	85	84	85
Energy intensity on closing date, kWh/m ²	94	104	94	104	94	103

1) Comparison figures have not been restated according to IFRS 16.

2) Calculations for this period have been made according to previous years' accounting policies, without the application of IFRS 16.

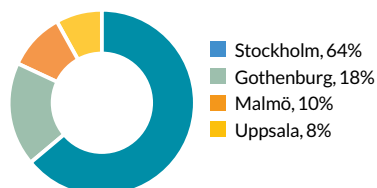
Vasakronan in brief

Vasakronan is Sweden's largest property company. The portfolio comprises 173 properties with a total area of about 2.3 million square metres and a market value of SEK 147 billion. The properties encompass centrally located office and retail properties in Stockholm, Gothenburg, Malmö and Uppsala.

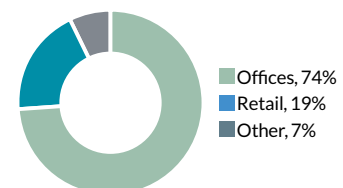
Vasakronan is owned in equal shares by the First, Second, Third and Fourth Swedish national pension funds, and thus contributes to financing the Swedish pension system. The company's operations embrace the management and development of commercial properties in growth areas of Sweden. Our vision is to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

Vasakronan has a rating of A3 with a stable outlook from Moody's.

Contracted rent by geographic market



Contracted rent by property type



Successful new lettings during the quarter

Vasakronan third quarter

New lettings during the quarter

Several new lettings and positive results from renegotiations point toward the continued strength of the lettings market with strong demand for office premises. During the quarter, new lettings corresponding to 41,000 sq. m. (26,000) and an annual rent of SEK 233 million (69) were signed.

The game developer King signed a five-year lease for 11,500 square metres over six floors at the Sergelhuset building in central Stockholm. Two further leases have been signed for five and ten years respectively with Stureplansgruppen at the same property and encompass almost 4,000 square metres. Stureplansgruppen, which is one of Sweden's leading restaurant groups, will offer event and conference facilities as well as a restaurant and a roof bar at the property. Occupancy is scheduled for October 2020 for both King and Stureplansgruppen. Moreover, Vasakronan's 2,500 square metre head office and Vasakronan's Arena concept for flexible working will be established at Sergelhuset. The leases to King and Stureplansgruppen together with Vasakronan's lease including Arena mean that slightly more than 40% of the Sergel project has been let.

At the Garnisonen property in Stockholm, a seven-year lease has been signed with Wise Group for 3,600 square metres. Wise Group, which was previously a tenant at one of Vasakronan's Hötorgshusen high-rises, has chosen to relocate within Vasakronan's portfolio.

A five-year lease was signed with IFS Sverige AB for almost 1,300 square metres at the Hilton property in Frösundavik, outside of Stockholm. Leases have already been signed at the property with Huawei, Extenda Retail and IT-totalt, and at the end of the quarter the occupancy rate amounted to 96%. The property, which was completed during the quarter, encompasses 9,400 square metres.

Moreover, renegotiations and lease extensions completed during the quarter corresponded to 60,000 square metres (26,000) and annual rent of SEK 230 million (214), resulting in an increase on the previous rent payable of 12.2% (11.9).

The Swedish Economic Crime Authority has chosen to extend its 6,300 square metre lease at the Munklägret property in Stockholm for another six years.

The game developer Avalanche Studios has extended its lease for almost 3,000 square metres at the Nattugglan 14 property in Södermalm in Stockholm and concurrently leased a further 1,000 square metres for a total of four years.

Developing modern properties in attractive locations

At the end of 2017, a 15-year lease was signed with Tyréns AB for 12,000 square metres in the Nattugglan block at Medborgarplatsen in Södermalm in Stockholm. The aim is to replace the existing building with a new, larger and more modern office property totalling 15,000 square metres, which will be environmentally certified to LEED Platinum. The detailed development plan for the property entered force and, accordingly, construction can now start on the project. The agree-

ment with Tyréns means that the occupancy rate amounts to 80% before construction has even started. Occupancy is planned for 2022.

Increased focus on sustainable construction

In the summer, Vasakronan, together with 80 other companies in the construction and property sector, joined a local initiative in Malmö aimed at accelerating the construction sector's adaptation to climate change and the implementation of the 2030 Agenda for Sustainable Development. Since 2008, the operation of all of Vasakronan's properties is climate neutral and energy consumption at the company has halved since 2009. Joining LFM30 – in combination with increased societal interest in climate issues, primarily from the finance sector – means that Vasakronan also needs to focus on reducing the company's indirect emissions. A key component of these efforts is to become more resource-efficient and to minimise the need for new material as well as the amount of construction waste in conjunction with leasehold improvements. Vasakronan participates in several initiatives with the aim of speeding up the sector's transition. One of these initiatives is the Centrum för cirkulärt byggande, which has a digital marketplace for recycled material with the aim of increasing collaboration between market participants and developing a functional, large-scale market for recycled material.

In September, Vasakronan's high sustainability ambitions were recognised when the results of this year's Global Real Estate Sustainability Benchmark (GRESB) were published. Just under 1,000 property companies around the globe were benchmarked in the study. For the seventh consecutive year, Vasakronan improved its score and retained its leading position as one of the world's most sustainable property companies.

New CEO

In August, Vasakronan's Board decided to appoint Johanna Skogestig as the company's new CEO. Johanna has extensive experience from various positions in the property sector and, since 2015, has been responsible for property investments at Vasakronan. Johanna takes office from 1 November.

During the quarter, Mikael Angberg, Chief Investment Officer at the First Swedish National Pension Fund (AP1), was elected to the Board of Directors of Vasakronan. Mikael Angberg succeeds Johan Magnusson as AP1's owner representative on the Board.

Third quarter results

Profit before value changes and tax rose to SEK 935 million (922) and was mainly due to higher net operating income. The change in the value of property during the quarter was 1.5% (0.7), corresponding to SEK 2,143 million (900) and value changes in derivatives amounted to a negative SEK 445 million (positive: 162). Profit after tax was SEK 2,185 million (1,627) for the quarter. Cash flow from operating activities increased to SEK 1,119 million (779) for the quarter.



King signs lease for 11,500 square metres at Sergelhuset

Property market remains strong

Our macro environment

The quarter saw rising uncertainty in the business environment due to the escalating trade conflict between China and the US, lack of clarity regarding the effects of Brexit and several signs of a continued slowdown in the global economy. The US economy remains strong with high private consumption, healthy willingness to invest and a strong labour market, even if growth in the country is starting to slow. Economies in Europe are negatively affected by the slowdown in German manufacturing. However, growth in the area is largely supported by expansionary fiscal and monetary policies.

The economy in Sweden is also entering a downturn. In its latest forecast, the National Institute of Economic Research estimated GDP growth at 1.2% for 2019 and 1.1% for 2020, compared with 2018 when GDP increased 2.3%. The low rate of growth was negatively affected primarily by lower investments in housing and industry. As a result of the weaker economy, at its latest monetary policy meeting in October, the Riksbank (Sweden's central bank) decided to keep the repo rate unchanged at negative 0.25%. Market sentiment is that the repo rate will be raised at the end of the year or at the start of next year. However, the market expects the interest rate to remain low for a long time to come.

Employment growth in Sweden has slowed. For 2019, the increase is projected at 0.2% and for 2020, the assessment is that growth will decline by 0.1%. According to Statistics Sweden and Evidens, office employment in metropolitan regions is expected to rise 2.2% in 2019 and 2020.

The latest report from HUI Research projects retail sector growth of 3.0% in 2019 and 2.0% in 2020. The structural overhaul within retail is ongoing, and physical retail stores continue to lose ground to e-commerce. E-commerce is forecast to grow 14% in 2019, corresponding to almost SEK 90 billion. Vasakronan's city retail index shows a decline, mainly for sport and leisure retail as well as footwear, two areas where e-commerce is increasing. 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 due to the economic boom, low interest rates and good access to capital. Interest in properties in the Swedish market remains strong.

According to data provided by Cushman & Wakefield, transactions were completed in the Swedish property market for approximately SEK 59 billion in the third quarter of 2019. Accordingly, the transaction volume amounted to a total of SEK 138 billion (115) in the first nine months of the year. During the quarter, residential property was the largest segment in terms of the transaction volume, followed by office properties, and most of the transaction volume was attributable to turnover in Stockholm.

Stockholm

The rental market in Stockholm remains strong. In the CBD and central Stockholm, outside the CBD and in the Stockholm suburbs, market rents have risen each quarter in 2019. In the CBD, vacancy levels for office and retail premises amounted to 3% and 2%, respectively. Rents are primarily being driven up, and vacancy levels kept low, by high demand in combination with historically low supply. The vacancy rates for offices in central Stockholm and the suburbs are 7% and 13%, respectively, and somewhat lower for retail premises. Rent and vacancy levels vary between different areas and objects. In the CBD as well as central Stockholm and the inner suburbs, the market's yield requirements stabilised at around 3.5%, 3.9% and 4.2%, respectively.

Gothenburg

The dominant aspect in the office rental market in Gothenburg was the lack of newly produced office premises, which resulted in rent levels that continued to rise during the first nine months. 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. The yield requirement for prime office objects in Gothenburg's CBD was assessed to amount to 3.7%.

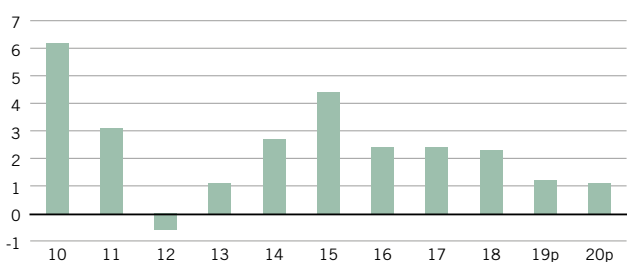
Malmö

Rent levels in Malmö have remained unchanged over the last year. Vacancy levels were at 9% for office premises and 4% for retail premises while the yield requirement for the best objects in Malmö's CBD stabilised at 4.2%.

Uppsala

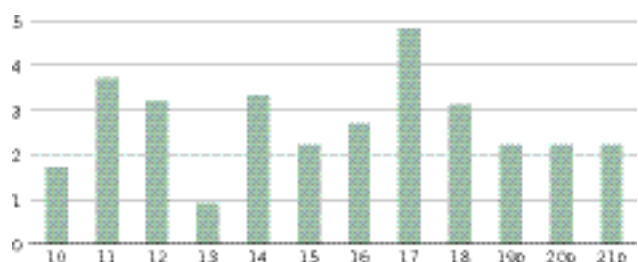
Rent levels for office premises in central Uppsala have risen slightly in the past quarter. Vacancies remained unchanged at 5% for offices and 3% for retail premises. The yield requirement for prime centrally located properties was 4.3%.

Growth slowdown



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

Stable office employment



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

Consolidated income statement

Amounts in SEK million	Jan–Sep 2019	Jan–Sep 2018 ¹⁾	Jul–Sep 2019 ¹⁾	Jul–Sep 2018 ¹⁾	Oct 2018– Sep 2019 ¹⁾	Jan–Dec 2018 ¹⁾
Rental revenue	5,232	5,006	1,793	1,673	6,944	6,718
Operating expenses	-514	-534	-165	-175	-691	-711
Repairs and maintenance	-88	-82	-24	-25	-114	-108
Property administration	-265	-257	-79	-81	-365	-357
Property tax	-490	-400	-229	-126	-617	-527
Ground rents and land leases	-	-117	-	-46	-29	-146
Total property expenses	-1,357	-1,390	-497	-453	-1,816	-1,849
Operating surplus	3,875	3,616	1,296	1,220	5,128	4,869
Central administration	-77	-70	-22	-19	-108	-101
Result from participations in joint ventures	887	-2	-4	-2	1,048	159
Financial income	3	2	1	1	4	3
Financial expenses	-864	-815	-299	-278	-1,095	-1,046
Interest expenses, ground rents and land leases	-108	-	-37	-	-108	-
Profit before value changes and tax	3,716	2,731	935	922	4,869	3,884
Change in value of investment properties	6,769	6,692	2,143	900	10,728	10,651
Depreciation of land lease agreements	-5	-	-1	-	-5	-
Change in value of financial instruments	-1,713	170	-445	162	-1,870	13
Divested/impaired goodwill	-74	-46	0	-10	-90	-62
Profit before tax	8,693	9,547	2,632	1,974	13,632	14,486
Current tax	-110	-176	51	-102	-54	-120
Deferred tax	-1,368	-469	-498	-245	-2,363	-1,464
Profit for the period	7,215	8,902	2,185	1,627	11,215	12,902
Other comprehensive income						
<i>Items that may not be reclassified²⁾</i>						
Pensions, revaluation	-	-	-	-	-18	-18
Restriction for surplus in pension plan with asset cap	0	-	0	-	8	8
Income tax on pensions	0	-	0	-	2	2
Other comprehensive income for the period, net of tax	0	-	0	-	-8	-8
Total comprehensive income for the period³⁾	7,215	8,902	2,185	1,627	11,207	12,894
Key metrics						
Surplus ratio, %	74	72	72	73	74	73
Interest coverage ratio ⁴⁾ , multiple	4.4	4.6	4.3	4.9	4.6	4.7

1) Comparison figures have not been restated according to IFRS 16.

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

3) Since there are no material 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.

4) Calculations for the current period have been made according to previous accounting policies.

Comments on the consolidated income statement

Rental revenue

Rental revenue increased during the period to SEK 5,232 million (5,006). In comparable property holdings, the increase was 7% (5) and was mainly attributable to higher gross rents from new lettings contracted and from renegotiated leases as well as from raised property tax supplements as a result of new property tax rates. New lettings corresponding to 170,000 square metres (99,000) and annual rent of SEK 706 million (338) were contracted, of which 16% (29) impacted on revenue in 2019. Changes in new lettings between the years was primarily attributable to the major new lettings to the Swedish Tax Agency in Nya Kronan and to Handelsbanken in Tre Vapen, which were completed during the first quarter, as well as the letting to the game developer King at Sergelhuset in the third quarter. Notice of termination was received during the period (tenant will be vacating) corresponding to annual rent of SEK 409 million (332), whereby net lettings amounted to SEK 298 (6) million.

Renegotiations and lease extensions of 230,000 square metres (215,000) during the period corresponded to annual rent of SEK 772 million (645), resulting in an increase on the previous rent payable of 12.3% (11.2). Of all the contracts up for renegotiation over the last 12 months, 72% (67) of the tenants decided to extend their contracts. The result of renegotiations for the period for leases related to retail amounted to 3.0% (4.4).

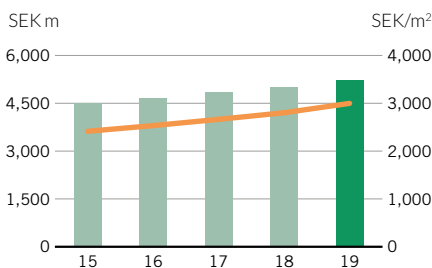
Contracted rent at end of the year amounted to SEK 7,056 million (6,736) and the average remaining maturity was 4.0 years (4.2). The closing occupancy rate was 93.1% (92.8). Of total vacancies, 1.9 percentage points (2.4) were attributable to ongoing projects and 0.4 percentage points (0.5) to vacant development properties.

Property expenses

Property expenses amounted to SEK 1,357 million (expense: 1,390) for the period. For comparable property holdings, the increase in property expenses was slightly more than 8% (5). The increase in comparable property holdings was due to the rise in property tax. In the third quarter, the properties were assigned new taxation values that apply retroactively from 1 January 2019. The taxation values rose for most properties, resulting in a consequent increase in property tax, of which more than 90% was invoiced on to tenants. Excluding property tax, property expenses rose slightly more than 2% for comparable property holdings.

The year-on-year decrease was largely due to the transition to IFRS 16, where SEK 113 million pertaining to ground rents and land leases were reclassified from property expenses to depreciation of land lease agreements and interest expenses.

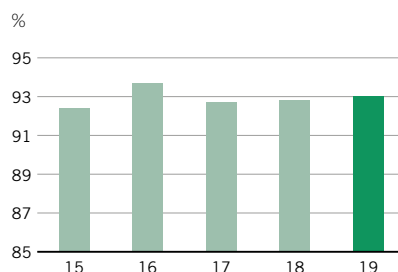
Rising rental revenue SEK/m²



January–September

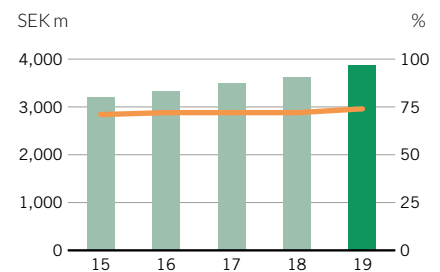
■ Rental revenue SEK m — Rental revenue SEK/m²

Stable occupancy rate



At 30 September

High surplus ratio



January–September

■ Operating surplus, 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
Handelsbanken	1
KPMG	1
The Riksdag Administration	1
Total	18

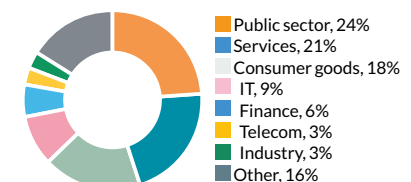
Largest tenants, share of contracted rent

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2019	383	378	5
2020	1,165	1,050	15
2021	824	1,178	17
≥2022	1,740	4,126	58
Total	4,112	6,732	
Residential	1,175	100	1
Garage	-	224	3
Total	5,287	7,056	100

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.)

Operating surplus

The operating surplus increased during the period to SEK 3,875 million (3,616), primarily due to increased rental revenue. For comparable property holdings, the increase in net operating income¹⁾ was 7% (6). The operating surplus has also increased SEK 113 million as a result of the transition to IFRS 16.

The surplus ratio increased to 74% (72), a result of the transition to IFRS 16.

Administration

Property administration costs were SEK 265 million (expense: 257) and central administration costs were SEK 77 million (expense: 70). The increase was primarily due to higher costs resulting from salaries and social security expenses.

Result from participations in joint ventures

The result from participations in joint ventures amounted to SEK 887 million (expense: 2). The increase was due to positive value changes for development rights owned by Vasakronan's associated companies, Järvastaden and Stora Ursvik. The value changes were primarily due to detailed development plans that entered force. The development rights for Järvastaden and Stora Ursvik respectively encompass a gross floor area (GFA) of around 600,000 square metres, with the majority designated for housing.

Net financial items

Net financial items amounted to an expense of SEK 861 million (expense: 813). The deterioration was attributable to larger borrowings and slightly higher interest rates. The average interest rate for loans and derivatives amounted to 1.8% (1.7) at the end of the period.

The LTM interest coverage ratio increased to a multiple of 4.6 (4.3) as a result of an improved net operating income. The policy for the interest coverage ratio does not permit it falling below a multiple of 2.0 over a rolling 12-month period.

As a result of the transition to IFRS 16, as of 1 January 2019 a portion of the ground rent and land leases are recognised as an interest expense and amounted to SEK 108 million for the period. Interest expenses pertaining to leaseholds and land leases are not included in net financial items.

See the section Liabilities and cash on page 10.

Profit before value changes and tax

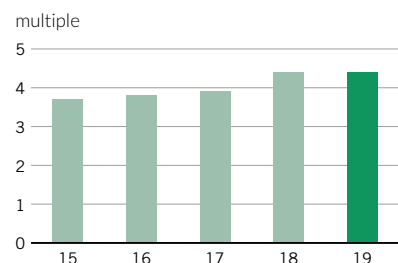
Profit before value changes and tax amounted to SEK 3,716 million (2,731), corresponding to an increase 36%. Adjusted for the result from participations in joint ventures, the increase was almost 4%.

¹⁾ Net operating income corresponds to operating surplus adjusted for IFRS 16.

Financial risks

	Financial policy in brief	Outcome, 30 Sep 2019
Financing risk		
Loan-to-maturity	min. 2 years	5.2
Loans maturing, 12 months	max. 40%	18%
Credit commitments and cash/loans maturing 12 months	min. 100%	183%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	4.6
Fixed-interest	min. 2 years	6.2
Fixed-interest maturity within 12 months	max. 55%	28%
Credit risk		
Counterpart's rating	min. A-, or BBB+ with CSAs	Met
Currency risk		
Currency exposure	No exposure	Met

Improved interest coverage ratio



At 30 September, rolling 12-month period

Comments on the consolidated income statement (Cont.)

Change in value of investment properties

At 30 September 2019, the entire property portfolio had been valued internally. Altogether, the change in the property value amounted to SEK 6,769 million (6,692), which corresponded to a 5.0% (5.4) increase in value.

On average, the yield requirement for the portfolio was 4.3%, which is only a minor change compared to the end of 2018 for the corresponding properties.

Change in value of financial instruments

The value change in derivatives amounted to negative SEK 1,713 million (positive: 170), which was due to the decline in long market interest rates in the period.

Derivatives are primarily used to adjust the maturity structure in the loan portfolio and to hedge borrowings in foreign currencies. At the end of the period, the derivative portfolio amounted to SEK 73,799 million (64,200), of which SEK 57,186 million (53,667) comprised interest-rate derivatives and SEK 16,613 million (10,533) cross-currency derivatives.

Tax

The Group reported a total tax expense of SEK 1,478 million (expense: 645). Of the tax expense, SEK 110 million (expense: 176) was current tax and SEK 1,368 million (expense: 469) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments. The effective tax rate amounted to 17.0% (18.0). The difference between the actual tax rate and the corporate tax rate of 21.4% was due to tax free sales of companies during the year.

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.

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	5.5	3.6
Gothenburg	4.2	0.8
Uppsala	4.6	0.3
Malmö	3.0	0.3
Total		5.0

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	5.3	4.5
Development properties	3.2	0.5
Transactions		–
Total		5.0

Factors impacting value¹⁾

	Value impact, %
Yield requirement	1.8
Market rents	3.2
Total	5.0

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.

Consolidated balance sheet

Amounts in SEK million	30 Sep 2019	30 Sep 2018 ¹⁾	30 Jun 2019	30 Jun 2018 ¹⁾	31 Dec 2018 ¹⁾
ASSETS					
Non-current assets					
Intangible assets	2,013	2,098	2,014	2,109	2,089
Property, plant and equipment (PPE)					
Investment properties	147,385	134,303	144,215	133,518	138,934
Leaseholds and land leases	5,245	–	5,046	–	–
Equipment	40	45	40	48	44
	152,670	134,348	149,301	133,566	138,978
Financial assets					
Shares and participations in joint ventures	1,192	203	1,256	368	365
Receivables from joint ventures	165	–	165	–	165
Derivatives	1,215	537	831	636	214
Other non-current receivables	58	58	57	57	270
Total financial assets	2,630	798	2,309	1,061	1,014
Total non-current assets	157,313	137,244	153,624	136,736	142,081
Current assets					
Accounts receivable	35	23	12	15	29
Receivables from joint ventures	0	26	0	0	0
Current tax assets	78	–	–	–	–
Derivatives	35	51	39	71	39
Other current receivables, prepaid expenses and accrued income	1,234	973	1,509	1,293	837
Cash and cash equivalents	3,373	2,152	3,082	2,008	2,215
Total current assets	4,755	3,225	4,642	3,387	3,120
TOTAL ASSETS	162,068	140,469	158,266	140,123	145,201
EQUITY AND LIABILITIES					
Equity	63,487	56,279	61,302	54,652	60,271
Non-current liabilities					
Interest-bearing liabilities	53,322	45,719	51,598	47,934	45,956
Liabilities, leaseholds and land leases	5,245	–	5,046	–	–
Deferred tax liability	19,653	17,293	19,156	17,047	18,286
Derivatives	3,879	2,076	3,231	2,358	2,200
Other non-current liabilities	1,160	342	764	433	76
Provision for pensions	85	80	87	82	91
Total non-current liabilities	83,344	65,510	79,882	67,854	66,609
Current liabilities					
Interest-bearing liabilities	11,649	15,525	13,825	14,381	15,131
Accounts payable	190	129	47	53	118
Liabilities joint ventures	12	12	12	144	151
Current tax liabilities	–	149	3	52	42
Derivatives	47	–	48	–	20
Other current liabilities, accrued expenses and deferred income	3,339	2,865	3,147	2,987	2,859
Total current liabilities	15,237	18,680	17,082	17,617	18,321
TOTAL EQUITY AND LIABILITIES	162,068	140,469	158,266	140,123	145,201

1) Comparison figures have not been restated according to IFRS 16.

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 30 September, goodwill was SEK 1,908 million (1,998), 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). SEK 5 million (-) invested in a technical platform was recognised as an intangible asset.

Investment properties

At 30 September 2019, based on internal appraisals, the estimated market value of Vasakronan's property portfolio was SEK 147,385 million compared with SEK 138,934 million at year-end 2018. The change in value during the period was SEK 6,769 million (6,692) and net investments totalled SEK 1,682 million (736). A change in the yield requirement of +/- 0.25 percentage points would have a negative impact of 5.4/6.1% 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 83 of Vasakronan's 2018 Annual Report.

Due to the application of IFRS 16 from 1 January, Vasakronan's ground rent agreements and land leases are recognised as investment properties. At 30 September, usufructs totalled SEK 5,245 million. Comparison figures have not been restated.

Vasakronan has set high goals for environmental certification of its property portfolio. Our ambition is for the share of properties certified in accordance with LEED Gold or higher to increase. At the end of the period, 84% (85) of our property portfolio was environmentally certified, of which 70% (69) was rated LEED Gold or higher.

Property projects

Ongoing property projects have a total investment volume of SEK 12,993 million (10,284), of which SEK 6,118 million (3,465) had been capitalised as of 30 September. The occupancy rate for major projects was 62% (38) at the end of the period.

During the quarter, a five-year lease was signed with the game developer King for 11,500 square metres at the Sergelhuset property in Stockholm. Two further leases have been signed for five and ten years respectively with the Stureplansgruppen at the same property. The contracts encompass almost 4,000 square metres and pertain to bar and restaurant premises as well as conference and event facilities. Occupancy is scheduled for October 2020 for both King and Stureplansgruppen. Sergelhuset will also house Vasakronan's head office, and will also be the location for Vasakronan's new Arena concept for flexible working. The leases to King and Stureplansgruppen together with Vasakronan's lease mean that slightly more than 40% of the project has been let.

Higher property values

SEK m	2019	2018
Opening value, 1 January	138,934	126,875
Investments	3,145	2,383
Acquisitions, consideration	2	534
Sales, consideration	-1,465	-2,181
Change in value	6,769	6,692
Closing value, 30 September	147,385	134,303

Large investments in property projects

Location	Property	Total investment, SEK m	Capitalised, SEK m	Share capitalised, %	Area of premises, sq. m.	Estimated completion date	Occupancy rate, % ¹⁾	Environmental certification
Stockholm	Sergelhuset	3,700	2,361	64	56,500	Dec 2021	32 ²⁾	LEED
Gothenburg	Platinan	2,600	914	35	53,700	Dec 2022	55	LEED
Sundbyberg	Kronan 1	1,680	245	15	42,700	Nov 2021	100	LEED
Stockholm, Solna Strand	Nöten 5	916	483	53	26,000	Dec 2020	55	LEED
Stockholm	Nattugglan, block 2	800	138	17	15,000	Jun 2020	80	LEED
Malmö	Priorn 5	530	433	82	13,200	Apr 2020	65	LEED
Uppsala	Magasin X	530	26	5	11,500	Dec 2021	40 ³⁾	LEED
Uppsala	Kronåsen 1:1 Celsius	420	241	57	10,200	Dec 2020	82	LEED
Stockholm	Hilton	400	379	95	10,000	Sep 2020	96	LEED
Stockholm	Styrpinnen 15	290	196	68	3,700	Apr 2020	0	LEED
Stockholm, Solna	Diktaren	115	14	12	6,400	Aug 2021	100	LEED
Total major property projects		11,981	5,430	45			62	
Other projects		1,012	688					
Total		12,993	6,118					

1) Calculated based on area.

2) Including Vasakronan Arena and Vasakronan's head office, the occupancy rate amounts to around 40%.

3) Including Vasakronan Arena and Vasakronan's regional office, the occupancy rate amounts to around 65%.

Comments on the consolidated balance sheet (Cont.)

Deferred tax

At 30 September 2019, the deferred tax liability was SEK 19,653 million (17,293) and pertained primarily to investment properties. The main reason for the change was the higher market value of the properties.

Deferred tax is calculated using a nominal rate of 20.6% on differences between the carrying amount and tax base of assets and liabilities.

Liabilities and cash

Interest-bearing liabilities, net of cash and cash equivalents, increased to SEK 61,598 million (59,092) during the period. Vasakronan strives to diversify borrowing by allocating across several different sources of funding and markets. As a result, since spring 2018, Vasakronan has a public rating of A3, with a stable outlook, from the credit-rating agency Moody's. The rating has opened access to advantageous financing with longer tenors.

As a result of the rise in long-term borrowing, the average loan-to-maturity increased to 5.2 years (3.8) and the average loan-to-maturity taking into consideration unutilised credit commitments increased to 5.5 years (4.2). Loans maturing within the next 12 months decreased to 18% (25) of interest-bearing liabilities, at the same time as loans maturing in five years or more rose to 35% (28).

To minimise financing risk and 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 3,373 million (2,152) and the unutilised credit facility together correspond to 183% (130) of loans maturing over the next 12 months. Of cash and cash equivalents, SEK 1,415 million (380) comprises deposits under CSAs.

During the third quarter, the company issued its first USD denominated bond for USD 75 million. During the period, the company issued the equivalent of SEK 12.4 billion in total, distributed between SEK 6.5 billion (7.7), NOK 300 million (3,050), EUR 344 million (-), JPY 10 billion (-), USD 85 million (-) and AUD 55 million (-). Of the total liability at the end of the period, 26% (17) consisted of borrowings in currencies other than SEK. Borrowing in foreign currencies is hedged through currency interest-rate derivatives, which eliminates currency risk. During the period, secured bank loans for SEK 1.3 billion (-) were obtained and bank loans outstanding secured against mortgage deeds amounted to 8% (8) of the Group's total assets at the end of the period.

To reduce interest-rate risk, Vasakronan has entered into new interest-rate derivatives during the period with longer tenors, which resulted in an increase in the average fixed-interest tenor to 6.2 years (4.4). The proportion of loans with fixed-interest maturities within one year declined to 28% (41) and loans with fixed-interest maturities of five years or more increased to 55% (43) of interest-bearing liabilities. The average interest rate for loans and derivatives amounted to 1.8% (1.7) at the end of the period.

The average fixed-interest tenor increased to 6.2 years (4.4) and the loan-to-maturity increased to 5.2 years (3.8).

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0-1 year	18,178	28	11,649	18
1-2 years	55	0	8,944	14
2-3 years	3,087	5	9,552	15
3-4 years	3,200	5	5,177	8
4-5 years	4,398	7	6,826	10
5 years or more	36,053	55	22,823	35
Total	64,971	100	64,971	100

1) The credit commitment from owners of SEK 18,000 million and cash and cash equivalents of SEK 3,373 million corresponded to a total of 183% of loans maturing in the next 12 months, see page 10 for more information.

Breakdown of funding sources

SEK m	Nominal amount base currency, million	Carrying amount, SEK m	Share, %
Commercial paper		6,420	10
Bonds, SEK		25,006	39
Bonds, NOK	9,720	10,499	16
Bonds, EUR	374	4,008	6
Bonds, JPY	10,000	909	1
Bonds, AUD	55	364	1
Bonds, USD	85	833	1
Secured bank loans		12,105	19
NIB and EIB		4,827	7
Total		64,971	100

Comments on the consolidated balance sheet (Cont.)

Green financing

Green financing broadens the investor base and provides access to financing from more markets. During the period, the company issued bonds totalling SEK 10.8 billion distributed over six currencies: SEK, USD, JPY, NOK, EUR and AUD.

In addition to funding operations under the company's framework for green financing, Vasakronan has green unsecured loans with the Nordic Investment Bank and the European Investment Bank that total SEK 4,827 million (4,827) and green secured bank loans of SEK 760 million (-).

The percentage of green financing consisting of green bonds, green commercial paper and green loans increased during the period to 44% (33) of the total loan portfolio.

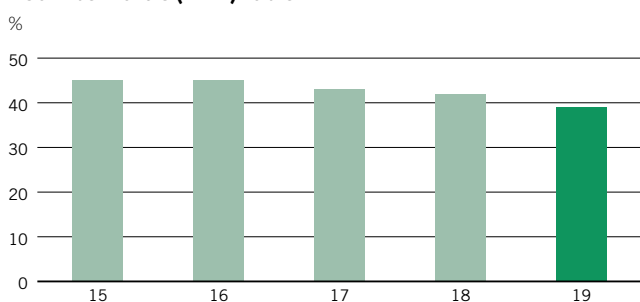
Equity

Equity increased during the period to SEK 63,487 million (56,279) due to positive comprehensive income of SEK 7,215 million (8,902). The equity/assets ratio was 39% (40) and the LTV was 39% (42).

Green financing under the framework

	Amounts in SEK million
Green commercial paper	560
Green bonds, SEK	17,810
Green bonds, NOK	684
Green bonds, EUR	2,344
Green bonds, JPY	835
Green bonds, AUD	363
Green bonds, USD	699
Total volume of Green Finance Instruments	23,295
Total volume of Green Assets – Green Pool	26,695
Remaining approved borrowing capacity	3,400

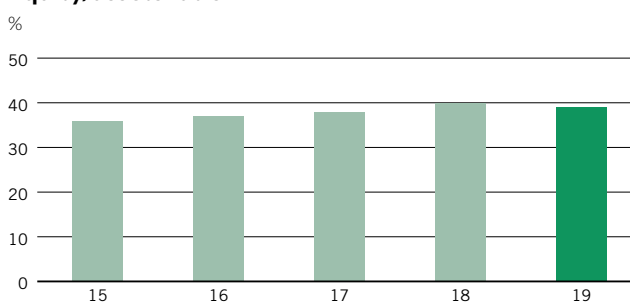
Loan-to-value (LTV) ratio¹⁾



At 30 September

1) Figures for 2019 have been calculated based on previous accounting policies.

Equity/assets ratio



At 30 September

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 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
Equity, opening balance at 1 Jan 2019	4,000	4,227	52,044	60,271
Profit for the period	-	-	7,215	7,215
Other comprehensive income	-	-	0	0
<i>Comprehensive income for the period</i>	-	-	7,215	7,215
Dividend	-	-	-4,000	-4,000
Equity, closing balance at 30 Sep 2019	4,000	4,227	55,259	63,487

Consolidated cash-flow statement

Amounts in SEK million	Jan-Sep 2019	Jan-Sep 2018 ¹⁾	Jul-Sep 2019 ²⁾	Jul-Sep 2018 ²⁾	Oct 2018- Sep 2019 ²⁾	Jan-Dec 2018 ²⁾
Operating activities						
Operating surplus	3,875	3,616	1,296	1,220	5,128	4,869
Central administration	-77	-70	-22	-19	-108	-101
Add back amortisation and depreciation	9	9	3	3	12	12
Adjustment for other non-cash items	-8	-6	-2	-1	-11	-9
Cash flow from operating activities before interest and tax	3,799	3,549	1,275	1,203	5,021	4,771
Interest paid	-893	-776	-298	-271	-1,186	-1,069
Interest received	3	2	1	1	4	3
Taxes paid	-209	-83	-31	0	-264	-138
Cash flow before changes in working capital	2,700	2,692	947	933	3,575	3,567
Increase (-)/decrease (+) in operating receivables	-399	-182	174	113	-407	-190
Increase (+)/decrease (-) in operating liabilities	247	180	-2	-267	325	258
Cash flow from operating activities	2,548	2,690	1,119	779	3,493	3,635
Investing activities						
Investments in existing property	-3,145	-2,383	-1,025	-746	-4,097	-3,335
Property acquisitions	-2	-534	-2	-285	-102	-634
Property divestments	1,465	2,181	0	1,146	1,810	2,526
Other PPE, net	-2	-7	-2	0	-4	-9
Acquisition of intangible assets	-	-	-	-	-7	-7
Dividends from joint ventures	58	162	58	162	58	162
Cash flow from investing activities	-1,626	-581	-971	277	-2,342	-1,297
Cash flow after investing activities	922	2,109	148	1,056	1,151	2,338
Financing activities						
Dividends and Group contributions	-4,000	-4,000	0	0	-4,000	-4,000
Raised debt: interest-bearing liabilities	29,110	27,311	7,784	7,727	36,707	34,908
Repayment of debt: interest-bearing liabilities	-25,982	-25,080	-8,304	-8,707	-33,125	-32,223
Change in collateral	1,363	581	779	175	1,035	253
Redemption of financial instruments	-255	-192	-116	-107	-547	-484
Cash flow from financing activities	236	-1,380	143	-912	70	-1,546
Cash flow for the period	1,158	729	291	144	1,221	792
Opening balance, cash and cash equivalents	2,215	1,423	3,082	2,008	2,152	1,423
Cash flow for the period	1,158	729	291	144	1,221	792
Closing balance, cash and cash equivalents	3,373	2,152	3,373	2,152	3,373	2,215

1) Comparison figures have not been restated according to IFRS 16.

2) Interest paid includes ground rents paid and land leases.

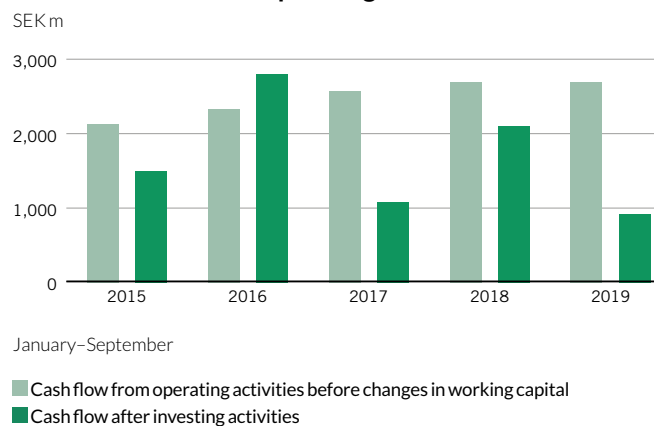
Comments to the consolidated cash-flow statement

Cash flow from operating activities before interest and taxes increased SEK 250 million to SEK 3,799 million (3,549) due primarily to higher rental revenue. Cash flow from operating activities before changes in working capital was SEK 2,700 million (2,692).

Investments in existing properties rose during the period to SEK 3,145 million (2,383) as a result of increased investments in projects. Cash flow from the purchase and sale of properties amounted to SEK 1,463 million (1,647). Cash flow after investing activities thus amounted to SEK 922 million (2,109).

In total, net borrowing for the period amounted to SEK 3,128 million (2,231). Altogether, cash and cash equivalents increased SEK 1,158 million (729) and totalled SEK 3,373 million (2,152) at the end of the period.

Stable cash flow from operating activities



Property divestments

Property	City	Buyer	Purchase price, SEK m	Transfer date
Nya Vattentornen 2 and 4	Lund	Wihlborgs	1,259	February 2019
Järva 2:7	Stockholm	Sporthallen i Solna	2	April 2019
Telefonfabriken 7	Stockholm	Einar Matsson Projekt	210	May 2019
Total property value			1,471	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-6	
Total purchase price			1,465	

Agreed divestments to be completed	City	Buyer	Purchase price, SEK m	Transfer date
Smedjan 13 and 15	Malmö	Trianon	88	Dependent on detailed development plan
Total purchase price			88	

Property acquisitions

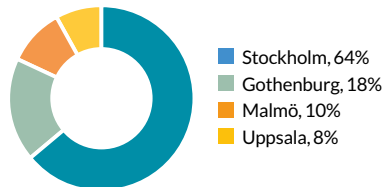
Agreed acquisitions to be completed	City	Seller	Purchase price, SEK m	Occupancy
Juvelen	Uppsala	Skanska	563	Dec 2019
Total purchase price				

Vasakronan – in total and by region

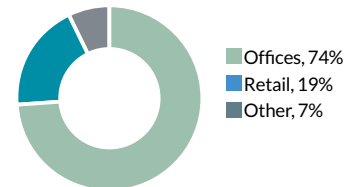
TOTAL VASAKRONAN Jan-Sep

	2019	2018
Market value of properties, SEK m	147,385	134,303
Rental revenue, SEK m	5,232	5,006
Net operating income ¹⁾ , SEK m	3,762	3,616
Occupancy rate, %	93	93
Number of properties	173	176
Area, thousand sq. m.	2,328	2,382
Environmental certification, %	84	85

Contracted rent by geographic market



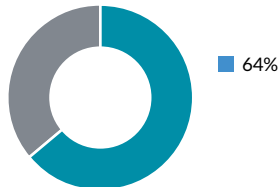
Contracted rent by property type



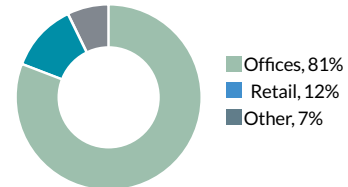
STOCKHOLM Jan-Sep

	2019	2018
Market value of properties, SEK m	98,515	88,105
Rental revenue, SEK m	3,207	3,089
Net operating income ¹⁾ , SEK m	2,393	2,244
Occupancy rate, %	92	92
Number of properties	80	79
Area, thousand sq. m.	1,399	1,395
Environmental certification, %	81	81

Stockholm's share of the total



Stockholm by property type



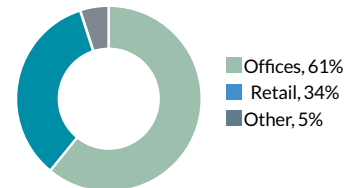
GOTHENBURG Jan-Sep

	2019	2018
Market value of properties, SEK m	27,263	24,786
Rental revenue, SEK m	981	961
Net operating income ¹⁾ , SEK m	737	727
Occupancy rate, %	95	96
Number of properties	34	34
Area, thousand sq. m.	403	402
Environmental certification, %	94	94

Gothenburg's share of the total



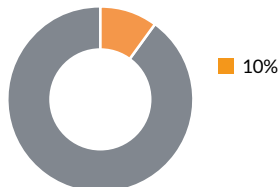
Gothenburg by property type



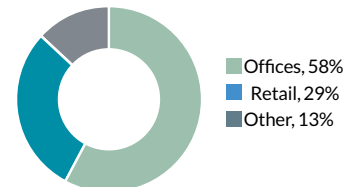
MALMÖ Jan-Sep

	2019	2018
Market value of properties, SEK m	12,458	13,240
Rental revenue, SEK m	520	568
Net operating income ¹⁾ , SEK m	340	367
Occupancy rate, %	92	89
Number of properties	33	38
Area, thousand sq. m.	290	351
Environmental certification, %	96	97

Malmö's share of the total



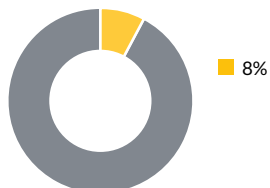
Malmö by property type



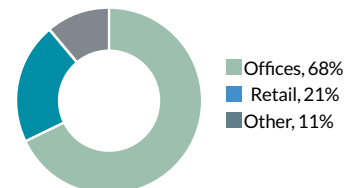
UPPSALA Jan-Sep

	2019	2018
Market value of properties, SEK m	9,149	8,171
Rental revenue, SEK m	416	388
Net operating income ¹⁾ , SEK m	297	278
Occupancy rate, %	98	98
Number of properties	26	25
Area, thousand sq. m.	236	234
Environmental certification, %	77	77

Uppsala's share of the total



Uppsala by property type



1) Net operating income = operating surplus including ground rents and land leases, internal control metric

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-Sep 2019	Jan-Sep 2018
Net sales	358	350
Operating expenses	-450	-434
Capital gain on sales	3	334
EBIT	-89	250
Financial items		
Profit from participations in subsidiaries	2,508	5,975
Net interest	-327	-792
Change in value of financial instruments	-1,713	170
Profit before tax	379	5,603
Tax	449	56
Profit for the period	828	5,659

Statement of comprehensive income

Profit for the period recognised in profit or loss	828	5,659
Other comprehensive income	-	-
Total comprehensive income for the period	828	5,659

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 358 million (350), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered. The profit from participations in Group companies amounted to SEK 2,508 million (5,975) and pertained to dividends.

The change in the value of financial instruments amounted to negative SEK 1,713 million (positive: 170) due to lower long market interest rates. Profit before tax was SEK 379 million (5,603). Closing cash and cash equivalents amounted to SEK 3,360 million (2,150).

Balance sheet

Amounts in SEK million	30 Sep 2019	30 Sep 2018
ASSETS		
Non-current assets		
Equipment	8	13
Shares and participations in subsidiaries	39,300	30,480
Receivables from subsidiaries	37,602	7,796
Receivables from joint ventures	165	-
Shares and participations in joint ventures	1	1
Deferred tax assets	424	168
Derivatives	1,215	537
Non-current receivables	54	54
Total non-current assets	78,769	39,049
Current assets		
Receivables from subsidiaries	484	33,849
Derivatives	35	51
Current receivables	880	798
Cash and cash equivalents	3,360	2,150
Total current assets	4,759	36,848
TOTAL ASSETS	83,528	75,897
EQUITY AND LIABILITIES		
Equity	8,304	10,859
Untaxed reserves	186	186
Liabilities		
Interest-bearing liabilities	64,971	61,244
Derivatives	3,926	2,076
Non-interest-bearing liabilities	2,019	936
Liabilities to subsidiaries	4,122	596
Total liabilities	75,038	64,852
TOTAL EQUITY AND LIABILITIES	83,528	75,897

Other information

Personnel

The number of employees at the end of the period was 309 (310).

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 2018 Annual Report on pages 94–97. Thereafter, no material changes have occurred that affect the Board's and the CEO's assessment.

On 14 June 2018, new tax rules for the business sector were introduced. The act entails, inter alia, 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. Vasakronan is analysing the effects of these limits on the company.

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 64 of Vasakronan's 2018 Annual Report for the sensitivity analysis.

Related-party transactions

Information pertaining to Vasakronan's related-party transactions is provided in Note 7 on page 92 of Vasakronan's 2018 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.

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 that were used in the most recently issued annual report have been applied. Refer to Vasakronan's 2018 Annual Report, pages 75–93, with exceptions for IFRS 16, which has been applied from 1 January 2019.

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 NNNNAV.

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.

Vasakronan's activities have been organised according to the geographic regions of Stockholm, Gothenburg, Malmö and Uppsala. These regions thus represent the four operating segments used for reporting purposes. Refer to page 76 of Vasakronan's Annual Report.

IFRS 16

From 1 January, IFRS 16 Leases replaces the previous standard IAS 17. Under this new standard, assets and liabilities must be recognised in the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This means that future lease fees are discounted over the term of the contract and recognised as liabilities and assets, respectively. From 1 January 2019, Vasakronan will recognise ground rent agreements and land lease agreements as assets with corresponding liabilities. Ground rent agreements are treated as perpetual rental agreements that are given market valuations and, therefore, are not written down. The market values are calculated by discounting future fees using a discount rate corresponding to between 3.25 and 3.5%.

For land leases, present values are calculated over the term of the contract by discounting future land leases by the market interest rate with a corresponding tenor to the contract. From 1 January 2019, ground rents and land lease fees are recognised as interest expense.

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 20. Page 18–19 also includes a breakdown of specific performance measures where this is required.

Stockholm, 30 October 2019

Fredrik Wirdenius
Chief Executive Officer

For more information about this interim report, please contact:

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Auditor's report

Report of review of the interim financial information (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act

Introduction

We have reviewed the condensed interim financial information (interim report) of Vasakronan AB (publ) as of 30 September 2019 and the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review

procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 30 October 2019

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant
Lead partner

Daniel Algotsson
Authorised Public Accountant

Key metrics

	Jan-Sep 2019	Jan-Sep 2018 ¹⁾	Jul-Sep 2019 ²⁾	Jul-Sep 2018 ²⁾	Oct 2018- Sep 2019 ²⁾	Jan-Dec 2018 ³⁾
Property-related information						
Closing economic occupancy rate, %	93.1	92.8	93.1	92.8	93.1	93.1
Surplus ratio, %	74	72	72	73	74	73
Investments in existing projects, SEK m	3,145	2,383	1,025	746	4,097	3,335
Property acquisitions, SEK m	2	534	2	285	102	634
Property divestments, SEK m	-1,465	-2,181	0	-1,146	-1,810	-2,526
Net investments, SEK m	1,682	736	1,023	-115	1,443	1,443
Closing market value of property, SEK m	147,385	134,303	147,385	134,303	147,385	138,934
Closing area, thousand sq. m.	2,328	2,382	2,328	2,382	2,328	2,372
Closing number of properties	173	176	173	176	173	174
Environmental certification at closing date, %	84	85	84	85	84	85
Energy intensity on closing date, kWh/m ²	94	104	94	104	94	103
Financial metrics						
Interest coverage ratio ²⁾ , multiple	4.4	4.4	4.4	4.3	4.6	4.7
Closing equity/assets ratio, %	39	40	39	40	39	42
Closing loan-to-value ratio ²⁾ , %	39	42	39	42	39	41
Average fixed-interest tenor, years	6.2	4.4	6.2	4.4	6.2	4.7
Average loan-to-maturity ³⁾ , years	5.2	3.8	5.2	3.8	5.2	3.9
Closing NAV, SEK m, 1. NAV, SEK m	83,908	73,062	83,908	73,062	83,908	78,542
Closing NNAV, SEK m, 2. NNAV, SEK m ²⁾	75,046	66,068	75,046	66,068	75,046	70,823
Closing average interest rate, %	1.8	1.7	1.8	1.7	1.8	1.6
Closing net interest-bearing liabilities, SEK m	61,598	59,092	61,598	59,092	61,598	58,872
Cash flow before changes in working capital, SEK m	2,700	2,692	947	933	3,575	3,567
Net interest-bearing liabilities/EBITDA ⁴⁾					12.1	11.9
Other						
Closing number of employees	309	310	309	310	309	309
Basis for key metrics						
1. NAV, SEK m						
Equity	63,487	56,279	63,487	56,279	63,487	60,271
Add back goodwill	-1,908	-1,998	-1,908	-1,998	-1,908	-1,982
Add back derivatives	2,676	1,488	2,676	1,488	2,676	1,967
Add back recognised deferred tax	19,653	17,293	19,653	17,293	19,653	18,286
	83,908	73,062	83,908	73,062	83,908	78,542
2. NNAV, SEK m						
Equity	63,487	56,279	63,487	56,279	63,487	60,271
Add back goodwill	-1,908	-1,998	-1,908	-1,998	-1,908	-1,982
Add back recognised deferred tax	19,653	17,293	19,653	17,293	19,653	18,286
Deferred tax at fair value ⁵⁾	-5,563	-5,126	-5,563	-5,126	-5,563	-5,465
Adjustment of interest-bearing liabilities to fair value ¹⁾	-623	-380	-623	-380	-623	-287
	75,046	66,068	75,046	66,068	75,046	70,823
3. EBITDA, SEK m						
Operating surplus	3,875	3,616	1,296	1,220	5,128	4,869
Central administration	-77	-70	-22	-19	-108	-101
Cash flow from dividends from joint ventures	58	162	58	162	58	162
Ground rents and land leases	-108	-	-37	-	-108	-
	3,748	3,708	1,295	1,363	4,970	4,930

1) Comparison figures have not been restated according to IFRS 16.
2) Calculations for the current period have been adjusted for IFRS 16.
3) Excluding unutilised credit commitments.
4) Only reported for rolling 12-month periods and full years.
5) Calculated on the basis of a 30% current tax rate, i.e. 6.2%.

VASAKRONAN'S INTERIM REPORT JANUARY-SEPTEMBER 2019

	Jan-Sep 2019	Jan-Sep 2018 ¹⁾	Jul-Sep 2019 ¹⁾	Jul-Sep 2018 ¹⁾	Oct 2018- Sep 2019 ¹⁾	Jan-Dec 2018 ¹⁾
4. EBITDA margin, %						
Rental revenue	5,232	5,006	1,793	1,673	6,944	6,718
EBITDA	3,748	3,708	1,295	1,363	4,970	4,930
	72	71	72	72	72	73
5. Interest coverage ratio, multiple						
EBITDA	3,748	3,708	1,295	1,363	4,970	4,930
Net financial items	-861	-813	-298	-277	-1,091	-1,043
	4.4	4.6	4.3	4.9	4.6	4.7
6. Net interest-bearing liabilities, SEK m						
Non-current interest-bearing liabilities	53,322	45,719	53,322	45,719	53,322	45,956
Current interest-bearing liabilities	11,649	15,525	11,649	15,525	11,649	15,131
Cash and cash equivalents	-3,373	-2,152	-3,373	-2,152	-3,373	-2,215
	61,598	59,092	61,598	59,092	61,598	58,872
7. Loan-to-value ratio, %						
Net interest-bearing liabilities	61,598	59,092	61,598	59,092	61,598	58,872
Total assets excl. leaseholds and land leases	156,823	140,469	156,823	140,469	156,823	145,201
	39	42	39	42	39	41

1) Comparison figures have not been restated according to IFRS 16.

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 less deductions for leaseholds and land leases 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.

Operating surplus, SEK m

Rental revenue less operating expenses, repairs and maintenance, property administration and property tax. For periods until 1 January 2019, ground rents and land leases are also deducted. Intended as an indication of the current earnings in property management activities. External control metric.

Net operating income, SEK m

Rental revenue less operating expenses, repairs and maintenance, property administration, property tax, and ground rents and land leases. Intended as an indication of the current earnings in property management activities, excluding effects from IFRS 16. Internal control metric.

EBITDA, SEK m

Operating surplus less central administration, with the addition of cash flow from dividends from joint ventures and less ground rents and land leases. Intended as an indication of the current earnings in property management activities.

EBITDA margin, %

Rental revenue in relation to EBITDA. Intended as an indication of the current earnings in property management activities.

Energy intensity 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 intensity 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.

Net financial items

Financial income less financial expenses excluding ground rents and land leases.

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 18.

NNNAV (Triple net asset value), SEK m

Recognised equity adding back goodwill and the fair value of loans, excluding liabilities for leaseholds and land leases, and adjusted for estimated actual deferred tax. Calculated on the basis of a 30% current tax rate, in other words 6.2%. The metric shows the company's actual NAV, refer to the calculation on page 18.

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

Operating surplus 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, excluding IFRS 16.

Net interest-bearing liabilities/EBITDA, multiple

Interest-bearing liabilities less cash and cash equivalents in relation to EBITDA. Intended as an indication of the company's financial risk.

Interest coverage ratio, multiple

EBITDA in relation to net financial items. 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, %

Operating surplus divided by rental revenue. Intended as an indication of the current earnings in property management activities.

Financial Calendar

Reports

Year-end report 2019
Annual Report 2019

30 Jan 2020
March 2020

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