

# Year-end report 2019

- Rental revenue increased to SEK 7,040 million (6,718). For comparable property holdings, the increase was 7% (5).
- New lettings corresponding to 220,000 square metres (146,000) and an annual rent of SEK 982 million (510) were contracted and net lettings amounted to SEK 426 million (19).
- The occupancy rate was 94.1% (93.1) at the end of the period. Of total vacancies, 1.6 percentage points (2.5) were attributable to ongoing projects and development properties.
- Operating surplus increased to a total of SEK 5,207 million (4,869). For comparable property holdings, the increase in net operating income was 6% (6).
- Profit before value changes and tax rose to SEK 4,921 million (3,884), where the result from participations in joint ventures accounted for SEK 1,105 million (159) of the increase.
- The change in the property value amounted to SEK 13,270 million (10,651), corresponding to a 9.7% (8.5) increase in value. The largest value increase was in Stockholm and was mainly attributable to rising market rents.
- At the end of the period, the portfolio value amounted to SEK 156,071 million (138,934).
- The value change in derivatives amounted to negative SEK 881 million (positive: 13), which was due to lower long market interest rates.
- Profit after tax amounted to SEK 13,911 million (12,902).
- A dividend of SEK 6,000 million (4,000) has been proposed to the Annual General Meeting.

Amounts in SEK million	Jan-Dec 2019	Jan-Dec 2018 <sup>1)</sup>	Oct-Dec 2019 <sup>1)</sup>	Oct-Dec 2018 <sup>1)</sup>
Rental revenue	7,040	6,718	1,808	1,712
Operating surplus	5,207	4,869	1,332	1,253
Profit before value changes and tax	4,921	3,884	1,205	1,153
Profit after tax	13,911	12,902	6,696	4,000
Cash flow from operating activities before changes in working capital	3,664	3,567	964	875
Market value of properties	156,071	138,934	156,071	138,934
Occupancy rate, %	94.1	93.1	94.1	93.1
Surplus ratio, %	74	73	74	73
Interest coverage ratio <sup>2)</sup> , multiple	4.6	4.7	5.6	6.0
Loan-to-value (LTV) ratio <sup>2)</sup> , %	38	41	38	41
Closing NAV, SEK m	91,742	78,542	91,742	78,542
Closing NNAV <sup>2)</sup> , SEK m	82,363	70,823	82,363	70,823
Environmental certification, share of total area, %	85	85	85	85
Energy intensity on closing date, kWh/m <sup>2</sup>	92	103	92	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.

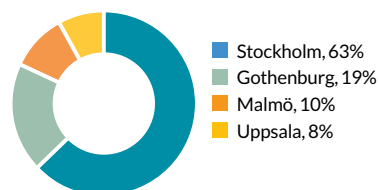
## Vasakronan in brief

Vasakronan is Sweden's largest property company. The portfolio comprises 174 properties with a total area of about 2.3 million square metres and a market value of SEK 156 billion. The properties encompass centrally located office and retail properties in Stockholm, Gothenburg, Malmö and Uppsala.

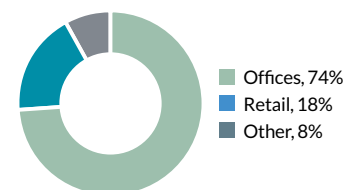
Vasakronan is owned in equal shares by the First, Second, Third and Fourth Swedish national pension funds, and thus contributes to financing the Swedish pension system. The company's operations embrace the management and development of commercial properties in growth areas of Sweden. Our vision is to 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



# Best results ever

## Vasakronan fourth quarter

### Strong figures for new lettings in the quarter

The final quarter of the year showed the continued strength of the lettings market with several new lettings and high demand for office premises. During the quarter, new lettings corresponding to 50,000 sq. m. (48,000) and an annual rent of SEK 276 million (171) were signed.

At Platinan, which is being constructed in the Lilla Bommen district of Gothenburg, a ten-year lease for a total of 6,500 square metres has been signed with the COWI consulting group. COWI was already a Vasakronan tenant in the Solna Strand district of Stockholm and the Priorn development property in Malmö. The Platinan property covers a total of 60,000 square metres of office and restaurant space as well as Arenan, Vasakronan's own co-working concept, and completion is planned for December 2022. At year end, the property's occupancy rate was 67%. The largest tenant is Scandic, who are leasing 25,000 square metres.

At Bankpalatset, in the Kungsträdgården district of central Stockholm, the game developer Embark Studios signed an eight-year lease for 4,400 square metres, which corresponds to the entire building. Constructed in 1901, the Bankpalatset property is now undergoing extensive renovation that will be complete in August 2020, which is when Embark Studios will move in.

At Sergelhuset in central Stockholm, the law firm DLA Piper has signed a seven-year lease for 3,700 square metres, and the restaurant group behind the Vassa Eggen steakhouse has signed a 7-year lease for 400 square metres. The auditing firm EY also signed a 7-year lease for 7,500 square metres at the same property after year end. With the leases to EY and DLA Piper, the occupancy rate for office space in Sergelhuset totals just over 75%. Occupancy of the property will take place in the autumn/winter of 2020/2021.

Moreover, renegotiations and lease extensions completed during the quarter corresponded to 76,000 square metres (108,000) and annual rent of SEK 258 million (345), resulting in an increase on the previous rent payable of 10.2% (14.6). Advokat Lindahls has chosen to extend its 2,000 square metre lease at the Arkaden property in Gothenburg for another eight years. KappAhl has chosen to extend its 1,000 square metre lease at Klara Zenit in Stockholm for another three years.

### Growth and development in Malmö

Vasakronan is strengthening its presence in the central areas of Malmö, where strong development is expected to continue. During the quarter, Vasakronan acquired the Aura property in the Universitetsholmen district of central Malmö for SEK 430 million. Constructed in 2019 by Skanska, the property covers 6,700 square metres of lettable area, of which nearly 5,700 square metres is office space. At year end, the property was nearly fully let, and the largest tenants are Grant Thornton, Lindab and Trägårdh Advokatbyrå.

Close to Aura, a stone's throw from the Triangeln shopping centre in the heart of Malmö, Vasakronan is constructing the Priorn property covering just over 13,000 square metres of office space over seven storeys. At year end, the property – with planned completion

in spring 2020 – was 67% let. The largest tenants are COWI and Region Skåne.

In conjunction with the acquisition of Aura, Vasakronan sold the development rights for Hyllie Connect to Skanska for SEK 85 million.

### Increased share of gold and platinum

Environmental certification of buildings is confirmation by an independent party of a low environmental impact, and is an important component of Vasakronan's efforts to promote reduced climate impact and sustainable societal development. It is also a prerequisite for the company's green funding. Certification entails submitting a considerable amount of data on, inter alia, the indoor climate, energy, water and waste to the certifying body. In 2019, Vasakronan fully automated all the procedures for collecting and reporting data in certification initiatives – procedures that previously had largely been manual. This has resulted in an increase in data quality, reduced costs for certification and a great deal of time saved.

In 2019, over 30 of Vasakronan's existing properties were re-certified. The majority of these buildings received higher ratings than previously, and several of them received the highest rating: Platinum. The improvements in ratings are attributable primarily to improved energy intensity and an increase in own production of renewable energy.

At year end, 85% (85) of Vasakronan's properties were environmentally certified, of which 72% was rated Gold or higher. The corresponding figure from last year was 69 percentage points, which means that Vasakronan met its 2019 goal of increasing the share of certified properties with a rating of Gold or higher.

### New interest deduction rules

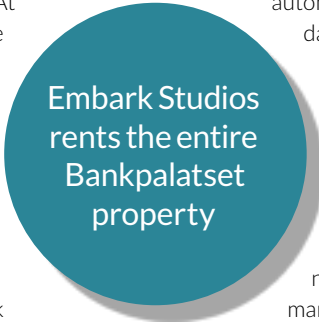
On 1 January 2019, new tax regulations entered force entailing, inter alia, that legal entities may only make tax deductions for net interest expenses of up to 30% of taxable profit before depreciation, net interest income and tax. The new regulations also mean that corporate tax will be lowered from 22% to 21.4%. As a result of the interest deduction rules, Vasakronan will be unable to make tax deductions for around SEK 250 million of its interest expenses in 2019.

### Fourth quarter results

Profit before value changes and tax rose to SEK 1,205 million (1,153) and was mainly due to higher net operating income. The change in the value of property during the quarter was 4.7% (3.0), corresponding to SEK 6,501 million (3,959) and value changes in derivatives amounted to SEK 832 million (negative: 157). Profit after tax was SEK 6,694 million (4,000), of which negative SEK 2 million (-) was attributable to non-controlling interests. Cash flow from operating activities increased to SEK 1,281 million (945) for the quarter.

### Proposed dividend

The Board of Directors proposes a dividend of SEK 6,000 million (4,000) to the Annual General Meeting.



Embark Studios  
rents the entire  
Bankpalatset  
property

# Property market remains strong

## Our macro environment

Uneasiness in the macro environment dampened somewhat, above all as a result of success in trade negotiations between the US and China and the agreement between the EU and the UK regarding Brexit. The US economy remains strong even if domestic growth is starting to slow. During the quarter, the Federal Reserve Bank lowered interest rates for the third time this autumn, primarily to boost private consumption. Economies in Europe are negatively affected by the slowdown in German manufacturing. However, growth in Europe is largely supported by expansionary fiscal and monetary policies.

The economy in Sweden has also entered a downturn. In its latest forecast, the National Institute of Economic Research estimated GDP growth at 1.1% for 2019 and 1.0% for 2020, compared with 2018 when GDP increased 2.3%. The lower growth rate was negatively affected primarily by lower investment in housing and industry. The downturn has also slowed employment growth in Sweden. The increases for 2019 and 2020 are projected to be 0.6% and 0.4% respectively, compared with 1.8% for 2018. According to Statistics Sweden and Evidens, office employment in metropolitan regions is expected to rise 2.2% in 2019 and 2020.

At its last monetary policy meeting in December, Sweden's central bank resolved to raise the repo rate from -0.25% to zero, and forecast that the interest rate would remain at zero percent over the next few years.

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, which is expected to increase 14% in 2019. Vasakronan's city retail index shows a decline, mainly for sport and footwear retailing, 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 just over SEK

76 billion in the last quarter of the year. Accordingly, the transaction volume for the year increased to a total of SEK 229 billion (165). During the quarter, office properties was the largest segment in terms of the transaction volume, followed by residential 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 increased during the year. At year end, vacancy levels for office and retail premises in the CBD amounted to 3% and 2%, respectively. Rents are being driven up, and vacancy levels kept low, by high demand in combination with a historically low supply of modern premises. The vacancy rates for offices in central Stockholm and the suburbs are around 7% and 12%, respectively, and somewhat lower for retail premises. The variance in rent and vacancy levels between different areas and objects is large, however. In the CBD as well as central Stockholm and the inner suburbs, the market's yield requirements sank somewhat during the last quarter of the year, and at year end were around 3.4%, 3.8% and 4.0%, 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 throughout the year. Vacancy rates are at historic lows and amounted to just over 4% for office premises in Gothenburg's CBD and around 2% for retail premises. The yield requirement for prime office objects in Gothenburg's CBD was assessed at 3.6%.

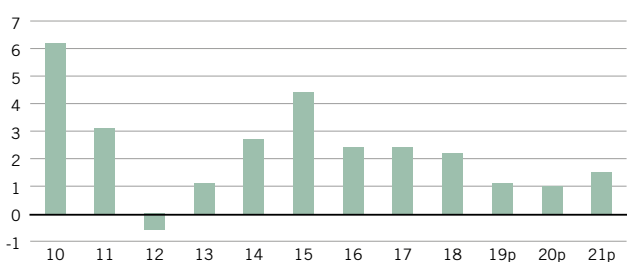
## Malmö

Rent levels in Malmö remained unchanged throughout the 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

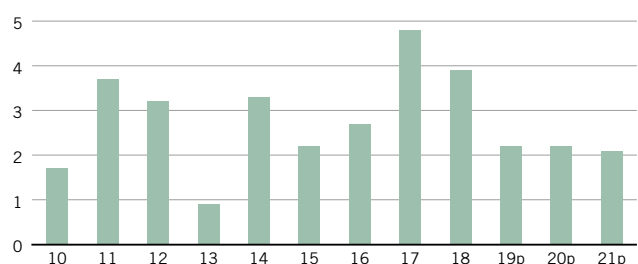
Rent levels for office premises in central Uppsala have risen slightly in the past quarter. Vacancies remained unchanged at 5% for offices and 3% for retail premises. The yield requirement for prime centrally located properties was 4.3%.

## 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-Dec 2019 <sup>1)</sup>	Jan-Dec 2018 <sup>1)</sup>	Oct-Dec 2019 <sup>1)</sup>	Oct-Dec 2018 <sup>1)</sup>
<b>Rental revenue</b>	<b>7,040</b>	<b>6,718</b>	<b>1,808</b>	<b>1,712</b>
Operating expenses	-682	-711	-168	-177
Repairs and maintenance	-119	-108	-31	-26
Property administration	-377	-357	-112	-100
Property tax	-655	-527	-165	-127
Ground rents and land leases	-	-146	-	-29
<b>Total property expenses</b>	<b>-1,833</b>	<b>-1,849</b>	<b>-476</b>	<b>-459</b>
<b>Operating surplus</b>	<b>5,207</b>	<b>4,869</b>	<b>1,332</b>	<b>1,253</b>
Central administration	-113	-101	-36	-31
Result from participations in joint ventures	1,105	159	218	161
Financial income	4	3	1	1
Financial expenses	-1,135	-1,046	-271	-231
Interest expenses, ground rents and land leases	-147	-	-39	-
<b>Profit before value changes and tax</b>	<b>4,921</b>	<b>3,884</b>	<b>1,205</b>	<b>1,153</b>
Change in value of investment properties	13,270	10,651	6,501	3,959
Depreciation of land lease agreements	-7	-	-2	-
Change in value of financial instruments	-881	13	832	-157
Divested/impaired goodwill	-74	-62	-	-16
<b>Profit before tax</b>	<b>17,229</b>	<b>14,486</b>	<b>8,536</b>	<b>4,939</b>
Current tax	-230	-120	-120	56
Deferred tax	-3,090	-1,464	-1,722	-995
<b>Profit for the period</b>	<b>13,909</b>	<b>12,902</b>	<b>6,694</b>	<b>4,000</b>
Of which, attributable to non-controlling interests	-2	-	-2	-
<b>Total profit attributable to the Parent Company shareholders</b>	<b>13,911</b>	<b>12,902</b>	<b>6,696</b>	<b>4,000</b>
<b>Other comprehensive income</b>				
<i>Items that may not be reclassified<sup>2)</sup></i>				
Pensions, revaluation	-41	-18	-41	-18
Restriction for surplus in pension plan with asset cap	5	8	5	8
Income tax on pensions	7	2	7	2
<b>Other comprehensive income for the period, net of tax</b>	<b>-29</b>	<b>-8</b>	<b>-29</b>	<b>-8</b>
<b>Total comprehensive income for the period<sup>3)</sup></b>	<b>13,882</b>	<b>12,894</b>	<b>6,667</b>	<b>3,992</b>
<b>Key metrics</b>				
Surplus ratio, %	74	73	74	73
Interest coverage ratio <sup>4)</sup> , multiple	4.6	4.7	5.6	6.0

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 7,040 million (6,718). 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 220,000 square metres (146,000) and annual rent of SEK 982 million (510) were contracted, of which 12% (20) 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 in Solna and to Handelsbanken in Tre Vapen in Stockholm, 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 557 million (491), whereby net lettings amounted to SEK 426 (19) million.

Renegotiations and lease extensions of 306,000 square metres (324,000) during the period corresponded to annual rent of SEK 1,030 million (990), resulting in an increase on the previous rent payable of 12% (12). Of all the contracts up for renegotiation over the last 12 months, 70% (69) of the tenants decided to extend their contracts.

The result of renegotiations for the period for leases related to retail amounted to 1.9% (5.3).

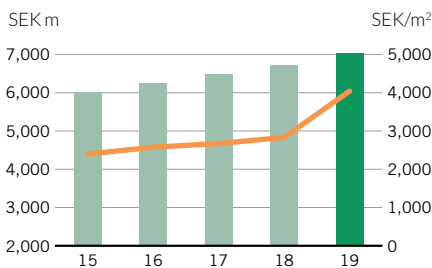
Contracted rent at end of the year amounted to SEK 7,193 million (6,854) and the average remaining maturity was 3.9 years (4.2). The closing occupancy rate was 94.1% (93.1). Of total vacancies, 1.6 percentage points (2.5) were attributable to ongoing projects and development properties.

## Property expenses

Property expenses amounted to SEK 1,833 million (expense: 1,849) for the period. The year-on-year decrease was primarily due to the transition to IFRS 16, where SEK 154 million pertaining to ground rents and land leases for 2019 were reclassified from property expenses to depreciation of land lease agreements and interest expenses.

For comparable property holdings, with a comparable treatment of ground rents and land leases, the increase in property expenses was slightly more than 9% (4). The increase in comparable property holdings was largely 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 just over 90% was invoiced on to tenants. Excluding property tax, property expenses rose slightly more than 3% for comparable property holdings.

## Rising rental revenue SEK/m<sup>2</sup>



January–December

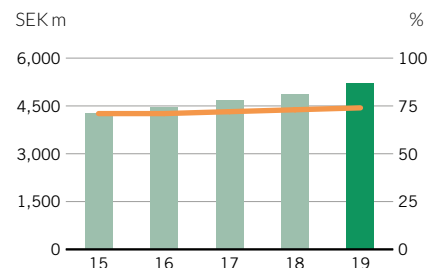
■ Rental revenue SEK m — Rental revenue SEK/m<sup>2</sup>

## Improved occupancy rate



At 31 December

## Increased surplus ratio



January–December

■ 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
Åhléns	1
Handelsbanken	1
KPMG	1
The Riksdag Administration	1
<b>Total</b>	<b>18</b>

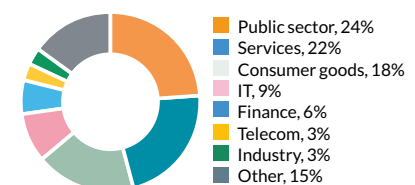
Largest tenants, share of contracted rent

## Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2020	1,311	1,185	16
2021	875	1,184	16
2022	804	1,348	19
≥2023	1,163	3,121	43
<b>Total</b>	<b>4,153</b>	<b>6,838</b>	<b>94</b>
Residential	1,175	101	2
Garage	–	254	4
<b>Total</b>		<b>7,193</b>	

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 5,207 million (4,869), primarily due to increased rental revenue. The operating surplus has also increased SEK 154 million as a result of the transition to IFRS 16. The surplus ratio increased to 74% (73), a result of the transition to IFRS 16.

For comparable property holdings, the increase in net operating income<sup>1)</sup> was 6% (6).

## Administration

Property administration costs were SEK 377 million (expense: 357) and central administration costs were SEK 113 million (expense: 101). The increase was primarily due to higher staff and IT costs.

## Result from participations in joint ventures

The result from participations in joint ventures totalled SEK 1,105 million (159) and the increase was due to positive value changes, both realised and unrealised, 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 and the sale in December of the development rights in Stora Ursvik. The potential 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 1,131 million (expense: 1,043). The change is attributable to larger borrowings and slightly higher interest rates during the year. The average interest rate for loans and derivatives amounted to 1.7% (1.6) at the end of the period.

The LTM interest coverage ratio decreased to a multiple of 4.6 (4.7). 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 is recognised as an interest expense and amounted to SEK 147 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

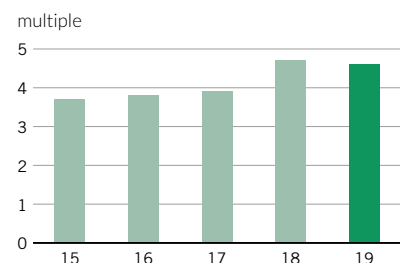
Profit before value changes and tax amounted to SEK 4,921 million (3,884), corresponding to a 27% increase. Adjusted for the result from participations in joint ventures, the increase was just over 2%.

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

## Financial risks

	Financial policy in brief	Outcome, 31 Dec 2019
<b>Financing risk</b>		
Loan-to-maturity	min. 2 years	5.2
Loans maturing, 12 months	max. 40%	19
Credit commitments and cash/loans maturing 12 months	min. 100%	166
<b>Interest-rate risk</b>		
Interest coverage ratio	min. 2.0x (LTM)	4.6
Fixed-interest	min. 2 years	5.8
Fixed-interest maturity within 12 months	max. 55%	32
<b>Credit risk</b>		
Counterpart's rating	min. A-, or BBB+ with CSAs	Met
<b>Currency risk</b>		
Currency exposure	No exposure	Met

## Stable interest coverage ratio



At 31 December, rolling 12-month period

## Comments on the consolidated income statement (Cont.)

### Change in value of investment properties

At 31 December 2019, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighets-ekonomi. Altogether, the change in the property value amounted to SEK 13,270 million (10,651), which corresponded to a 9.7% (8.5) increase in value. The increase was primarily due to higher market rents, primarily in Stockholm.

On average, the yield requirement for the portfolio was 4.2%, compared to 4.3% for corresponding properties at the end of 2018.

### Change in value of financial instruments

The value change in derivatives amounted to negative SEK 881 million (positive: 14), which was due to lower long market interest rates during the year.

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 73,000 million (62,088), of which SEK 54,936 million (51,621) comprised interest-rate derivatives and SEK 18,064 million (10,467) cross-currency derivatives.

### Tax

The Group reported a total tax expense of SEK 3,320 million (expense: 1,584). Of the tax expense, SEK 230 million (expense: 120) was current tax and SEK 3,090 million (expense: 1,464) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments.

The effective tax rate for 2019 amounted to 19.3% (10.9). 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	11.8	7.8
Gothenburg	6.8	1.2
Uppsala	4.2	0.3
Malmö	4.1	0.4
<b>Total</b>	<b>9.7</b>	<b>9.7</b>

### Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	9.5	8.1
Development properties	11.5	1.6
Transactions	-	-
<b>Total</b>	<b>9.7</b>	<b>9.7</b>

### Factors impacting value<sup>1)</sup>

	Value impact, %
Yield requirement	3.5
Market rents	6.2
<b>Total</b>	<b>9.7</b>

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	31 Dec 2019 <sup>1)</sup>	31 Dec 2018 <sup>1)</sup>	30 Sep 2019 <sup>1)</sup>	30 Sep 2018 <sup>1)</sup>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	2,024	2,089	2,013	2,098
<b>Property, plant and equipment (PPE)</b>				
Investment properties	156,071	138,934	147,385	134,303
Leaseholds and land leases	5,243	-	5,245	-
Equipment	40	44	40	45
	<b>161,354</b>	<b>138,978</b>	<b>152,670</b>	<b>134,348</b>
<b>Financial assets</b>				
Shares and participations in joint ventures	1,164	365	1,192	203
Receivables from joint ventures	130	165	165	-
Derivatives	642	214	1,215	537
Other non-current receivables	174	270	58	58
<b>Total financial assets</b>	<b>2,110</b>	<b>1,014</b>	<b>2,630</b>	<b>798</b>
<b>Total non-current assets</b>	<b>165,488</b>	<b>142,081</b>	<b>157,313</b>	<b>137,244</b>
<b>Current assets</b>				
Accounts receivable	35	29	35	23
Receivables from joint ventures	0	0	0	26
Current tax assets	-	-	78	-
Derivatives	27	39	35	51
Other current receivables, prepaid expenses and accrued income	1,114	837	1,234	973
Cash and cash equivalents	3,515	2,215	3,373	2,152
<b>Total current assets</b>	<b>4,691</b>	<b>3,120</b>	<b>4,755</b>	<b>3,225</b>
<b>TOTAL ASSETS</b>	<b>170,179</b>	<b>145,201</b>	<b>162,068</b>	<b>140,469</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>70,156</b>	<b>60,271</b>	<b>63,487</b>	<b>56,279</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	53,682	45,956	53,322	45,719
Liabilities, leaseholds and land leases	5,244	-	5,245	-
Deferred tax liability	21,368	18,286	19,653	17,293
Derivatives	2,725	2,200	3,879	2,076
Other non-current liabilities	385	76	1,160	342
Provision for pensions	119	91	85	80
<b>Total non-current liabilities</b>	<b>83,523</b>	<b>66,609</b>	<b>83,344</b>	<b>65,510</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	12,956	15,131	11,649	15,525
Accounts payable	220	118	190	129
Liabilities joint ventures	12	151	12	12
Current tax liabilities	128	42	-	149
Derivatives	70	20	47	-
Other current liabilities, accrued expenses and deferred income	3,114	2,859	3,339	2,865
<b>Total current liabilities</b>	<b>16,500</b>	<b>18,321</b>	<b>15,237</b>	<b>18,680</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>170,179</b>	<b>145,201</b>	<b>162,068</b>	<b>140,469</b>

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 31 December, goodwill was SEK 1,908 million (1,982), 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 16 million (7) invested in technical platforms was recognised as an intangible asset.

## Investment properties

At 31 December 2019, based on external appraisals, the estimated market value of Vasakronan's property portfolio was SEK 156,071 million compared with SEK 138,934 million at year-end 2018. The change in value during the period was SEK 13,270 million (10,651) and net investments totalled SEK 3,867 million (1,443). A change in the yield requirement of +/- 0.25 percentage points would have a negative impact of 5.3/5.9% on the value of the current property portfolio.

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

renegotiated leases, properties being vacated and investments.

Consideration has also been taken for any assessed changes in market rents and yield requirements. A more comprehensive description of Vasakronan's property valuation methodology is available on page 83 of Vasakronan's 2018 Annual Report.

Vasakronan took possession of the Juvelen property in Uppsala during the quarter. The Aura property in Malmö was purchased from Skanska for SEK 430 million and taken possession of. At the same time, the Hyllie Connect development rights were sold and vacated to Skanska for a property value of SEK 85 million.

Due to the application of IFRS 16 from 1 January, Vasakronan's ground rent agreements and land leases are recognised as investment properties. At 31 December, usufructs totalled SEK 5,243 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, 85% (85) of our property portfolio was environmentally certified, of which 72% (69) was rated LEED Gold or higher.

## Property projects

Ongoing property projects have a total investment volume of SEK 14,374 million (10,619), of which SEK 6,753 million (3,909) had been capitalised as of 31 December. The occupancy rate for major projects was 69% (41) at the end of the period.

During the quarter, construction began in the first stage of the renovation of the Sperlingens Backe property in the Stureplan district of central Stockholm. The renovation includes re-creating the original design of the façade from the end of the twentieth century.

At Bankpalatset, in the Kungsträdgården district of central Stockholm, the game developer Embark Studios signed an eight-year lease during the quarter for 4,400 square metres. The lease means that Embark Studios will be the sole tenant of the entire building, and the development property is thereby fully let.

## Higher property values

SEK m	2019	2018
<b>Opening value, 1 January</b>	<b>138,934</b>	<b>126,875</b>
Investments	4,440	3,335
Acquisitions, consideration	977	594
Sales, consideration	-1,550	-2,521
Change in value	13,270	10,621
<b>Closing value, 31 December</b>	<b>156,071</b>	<b>138,934</b>

## 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, % <sup>1)</sup>	Environmental certification
Stockholm	Sergelhuset	3,700	2,669	72	56,500	Dec 2021	49 <sup>2)</sup>	LEED
Gothenburg	Platinan	2,600	1,052	40	53,700	Dec 2022	67 <sup>3)</sup>	LEED
Sundbyberg	Kronan 1	1,680	1,680	21	42,700	Nov 2021	100	LEED
Stockholm, Solna Strand	Nöten 5	916	594	65	26,000	Dec 2020	55	LEED
Stockholm	Nattugglan, block 2	800	168	21	15,000	Jun 2022	80	LEED
Malmö	Priorn 5	530	444	84	13,200	Apr 2020	67	LEED
Uppsala	Magasin X	530	67	13	11,500	Dec 2021	40 <sup>4)</sup>	LEED
Uppsala	Kronåsen 1:1 Celsius	420	287	68	10,200	Oct 2020	82	LEED
Stockholm	Sperlingens Backe	300	38	13	3,900	Dec 2021	47	LEED
Stockholm	Styrpinnen 15	290	242	83	3,700	Jun 2020	100	LEED
Stockholm, Solna	Diktaren	115	19	17	6,400	Aug 2021	100	LEED
<b>Total major property projects</b>		<b>11,881</b>	<b>5,930</b>	<b>50</b>			<b>69</b>	
Stockholm	Sergelgatan	1,500	213	14		Mar 2023	- <sup>5)</sup>	LEED
Other projects		966	610					
<b>Total</b>		<b>14,347</b>	<b>6,753</b>					

1) Calculated based on area.

2) Including the lease to EY, the occupancy rate amounts to around 62%.

3) Including Vasakronan Arena, the occupancy rate amounts to 72%.

4) Including Vasakronan Arena and Vasakronan's regional office, the occupancy rate amounts to around 77%.

5) Part of the property and the occupancy rate is therefore not reported.

## Comments on the consolidated balance sheet (Cont.)

### Deferred tax

At 31 December 2019, the deferred tax liability was SEK 21,368 million (18,286) 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 63,123 million (58,872) 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 in new markets with longer tenors.

As a result of the rise in long-term borrowing, the average loan-to-maturity increased to 5.2 years (3.9) and the average loan-to-maturity taking into consideration unutilised credit commitments increased to 5.6 years (4.4). Loans maturing within the next 12 months decreased to 19% (25) of interest-bearing liabilities, at the same time as loans maturing in five years or more rose to 37% (27).

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 3,515 million (2,215) and the unutilised credit facility together correspond to 166% (134) of loans maturing over the next 12 months. Of cash and cash equivalents, SEK 321 million (94) comprises deposits under CSAs.

During the period, the company's borrowings in foreign currencies increased. The company issued the equivalent of SEK 15.2 billion (11.8) in total, distributed as follows: SEK 7.5 billion (8), JPY 10 billion (-), NOK 300 million (3,300), EUR 407 million (30), USD 185 million (-) and AUD 80 million (-). Of the total liability at the end of the period, 27% (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 with long maturities totalling SEK 1.3 billion (2) were obtained and bank loans outstanding secured against mortgage deeds amounted to 7% (9) 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 5.8 years (4.7). The proportion of loans with fixed-interest maturities within one year declined to 32% (43) and loans with fixed-interest maturities of five years or more increased to 53% (47) of interest-bearing liabilities. The average interest rate for loans and derivatives amounted to 1.7% (1.6) at the end of the period.

### The average fixed-interest tenor increased to 5.8 years (4.7) and the loan-to-maturity increased to 5.2 years (3.9).

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0-1 year	21,062	32	12,956	19
1-2 years	652	1	9,050	14
2-3 years	3,201	5	8,516	13
3-4 years	1,800	3	6,954	10
4-5 years	4,299	6	4,833	7
5 years or more	35,624	53	24,329	37
<b>Total</b>	<b>66,638</b>	<b>100</b>	<b>66,638</b>	<b>100</b>

1) The credit commitment from owners of SEK 18,000 million and cash and cash equivalents of SEK 3,515 million corresponded to a total of 166% 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		7,235	11
Bonds, SEK		24,909	37
Bonds, NOK	9,720	10,361	16
Bonds, EUR	437	4,584	7
Bonds, JPY	10,000	861	1
Bonds, AUD	80	526	1
Bonds, USD	185	1,732	3
Secured bank loans		11,603	17
NIB and EIB		4,827	7
<b>Total</b>		<b>66,638</b>	<b>100</b>

## Comments on the consolidated balance sheet (Cont.)

### Green financing

Green financing broadens the investor base and provides access to financing from various markets. During the period, the company issued bonds totalling SEK 13.4 billion (6.9) distributed over six currencies: SEK, EUR, USD, JPY, NOK, and AUD.

Since Vasakronan issued the world's first green corporate bond in 2013, the volume of green financing has increased drastically and several sources of green financing have come into being. 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 47% (35) of the total loan portfolio.

### Equity

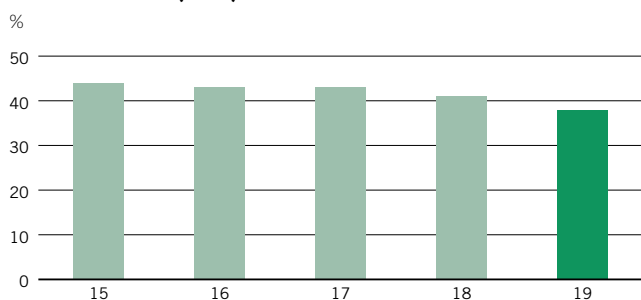
Equity increased during the period to SEK 70,156 million (60,271) due to positive comprehensive income of SEK 13,911 million

(12,894). The equity/assets ratio was 41% (42) and the loan-to-value ratio was 38% (41). During the year, Vasakronan invested in two partially owned companies, which means that equity contains shares attributable to minority owners.

### Green financing under the framework

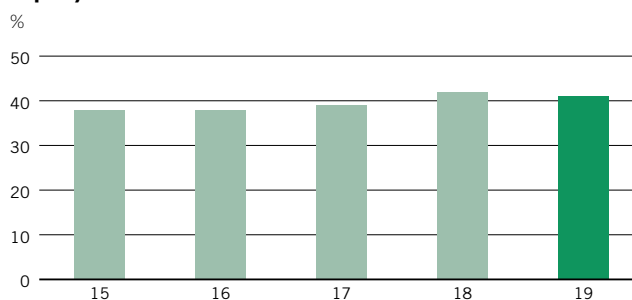
	Amounts in SEK million
Green commercial paper	560
Green bonds, SEK	18,673
Green bonds, NOK	684
Green bonds, EUR	2,809
Green bonds, JPY	835
Green bonds, AUD	530
Green bonds, USD	1,672
<b>Total volume of Green Finance Instruments</b>	<b>25,762</b>
Total volume of Green Assets – Green Pool	33,318
<b>Remaining approved borrowing capacity</b>	<b>7,555</b>

### Loan-to-value (LTV) ratio



At 31 December

### Equity/assets ratio



At 31 December

## Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other contributed capital	Retained earnings	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
<b>Equity, opening balance at 1 Jan 2018</b>	<b>4,000</b>	<b>4,227</b>	<b>43,150</b>	<b>51,377</b>	<b>0</b>	<b>51,377</b>
Profit for the period	-	-	12,902	12,902	-	12,902
Other comprehensive income	-	-	-8	-8	-	-8
<i>Comprehensive income for the period</i>	-	-	12,894	12,894	-	12,894
Dividend	-	-	-4,000	-4,000	-	-4,000
<b>Equity, closing balance at 31 Dec 2018</b>	<b>4,000</b>	<b>4,227</b>	<b>52,044</b>	<b>60,271</b>	<b>0</b>	<b>60,271</b>
<b>Equity, opening balance at 1 Jan 2019</b>	<b>4,000</b>	<b>4,227</b>	<b>52,044</b>	<b>60,271</b>	<b>0</b>	<b>60,271</b>
Profit for the period	-	-	13,911	13,911	-2	13,909
Minority share	-	-	-	-	5	5
Other comprehensive income	-	-	-29	-29	-	-29
<i>Comprehensive income for the period</i>	-	-	13,882	13,882	3	13,885
Dividend	-	-	-4,000	-4,000	-	-4,000
<b>Equity, closing balance at 31 Dec 2019</b>	<b>4,000</b>	<b>4,227</b>	<b>61,926</b>	<b>70,153</b>	<b>3</b>	<b>70,156</b>

# Consolidated cash-flow statement

Amounts in SEK million	Jan-Dec 2019 <sup>1)</sup>	Jan-Dec 2018 <sup>1)</sup>	Oct-Dec 2019 <sup>1)</sup>	Oct-Dec 2018 <sup>1)</sup>
<b>Operating activities</b>				
Operating surplus	5,207	4,869	1,332	1,253
Central administration	-113	-101	-36	-31
Add back amortisation and depreciation	12	12	3	3
Adjustment for other non-cash items	-13	-9	-5	-3
<b>Cash flow from operating activities before interest and tax</b>	<b>5,093</b>	<b>4,771</b>	<b>1,294</b>	<b>1,222</b>
Interest paid <sup>2)</sup>	-1,194	-1,069	-301	-293
Interest received	3	3	0	1
Taxes paid	-238	-138	-29	-55
<b>Cash flow before changes in working capital</b>	<b>3,664</b>	<b>3,567</b>	<b>964</b>	<b>875</b>
Increase (-)/decrease (+) in operating receivables	-213	-190	186	-8
Increase (+)/decrease (-) in operating liabilities	378	258	131	78
<b>Cash flow from operating activities</b>	<b>3,829</b>	<b>3,635</b>	<b>1,281</b>	<b>945</b>
<b>Investing activities</b>				
Investments in existing property	-4,440	-3,335	-1,295	-952
Property acquisitions	-977	-634	-975	-100
Property divestments	1,550	2,526	85	345
Other PPE, net	-3	-9	-1	-2
Acquisition of intangible assets	-12	-7	-12	-7
Dividends from joint ventures	309	162	251	-
<b>Cash flow from investing activities</b>	<b>-3,573</b>	<b>-1,297</b>	<b>-1,947</b>	<b>-716</b>
<b>Cash flow after investing activities</b>	<b>256</b>	<b>2,338</b>	<b>-666</b>	<b>229</b>
<b>Financing activities</b>				
Dividends and Group contributions	-4,000	-4,000	0	0
Raised debt: interest-bearing liabilities	35,874	34,908	6,764	7,597
Repayment of debt: interest-bearing liabilities	-30,709	-32,223	-4,727	-7,143
Change in collateral	214	253	-1,149	-328
Redemption of financial instruments	-335	-484	-80	-292
<b>Cash flow from financing activities</b>	<b>1,044</b>	<b>-1,546</b>	<b>808</b>	<b>-166</b>
<b>Cash flow for the period</b>	<b>1,300</b>	<b>792</b>	<b>142</b>	<b>63</b>
Opening balance, cash and cash equivalents	2,215	1,423	3,373	2,152
Cash flow for the period	1,300	792	142	63
<b>Closing balance, cash and cash equivalents</b>	<b>3,515</b>	<b>2,215</b>	<b>3,515</b>	<b>2,215</b>

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

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

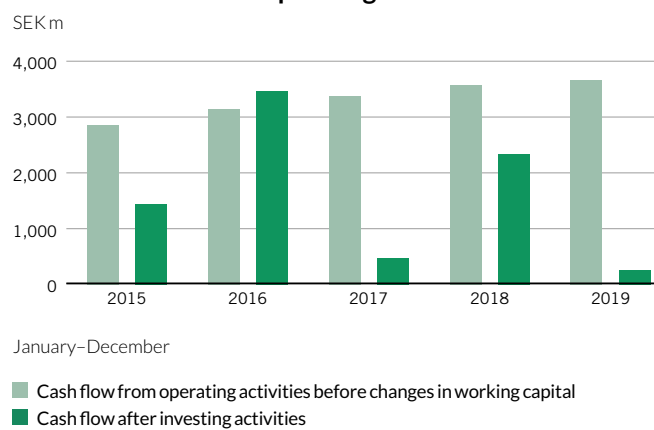
## Comments to the consolidated cash-flow statement

Cash flow from operating activities before interest and taxes increased SEK 322 million to SEK 5,093 million (4,771) due primarily to higher rental revenue and the transition to IFRS 16. Cash flow from operating activities before changes in working capital was SEK 3,664 million (3,567).

Investments in existing properties rose during the period to SEK 4,440 million (3,335) as a result of increased investments in projects. Cash flow from the purchase and sale of properties amounted to SEK 573 million (1,892). Cash flow after investing activities thus amounted to SEK 256 million (2,338).

In total, net borrowing for the period amounted to SEK 5,165 million (2,685). Altogether, cash and cash equivalents increased SEK 1,300 million (792) and totalled SEK 3,515 million (2,215) at the end of the year.

### 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
Regndroppen	Malmö	Skanska	85	Dec 2019
<b>Total property value</b>			<b>1,556</b>	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-6	
<b>Total purchase price</b>			<b>1,550</b>	

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
<b>Total purchase price</b>			<b>88</b>	

### Property acquisitions

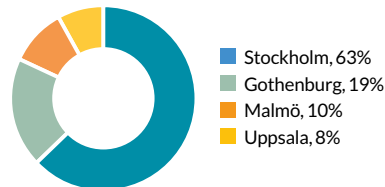
Acquisitions	City	Seller	Purchase price, SEK m	Occupancy
Juvelen	Uppsala	Skanska	563	Dec 2019
Aura	Malmö	Skanska	430	Dec 2019
<b>Total property value</b>			<b>993</b>	
Transaction costs, as well as deduction for deferred tax			-16	
<b>Total purchase price</b>			<b>977</b>	

# Vasakronan – in total and by region

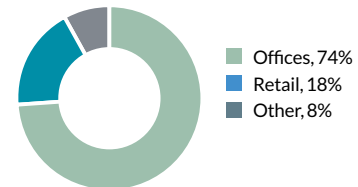
## TOTAL VASAKRONAN Jan-Dec

	2019	2018
Market value of properties, SEK m	156,071	138,934
Rental revenue, SEK m	7,040	6,718
Net operating income <sup>1)</sup> , SEK m	5,053	4,869
Occupancy rate, %	94	93
Number of properties	174	174
Area, thousand sq. m.	2,322	2,372
Environmental certification, %	85	85

## Contracted rent by geographic market



## Contracted rent by property type



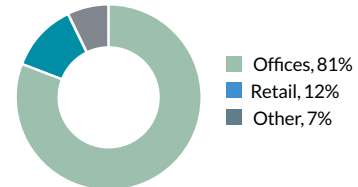
## STOCKHOLM Jan-Dec

	2019	2018
Market value of properties, SEK m	105,113	91,617
Rental revenue, SEK m	4,464	4,156
Net operating income <sup>1)</sup> , SEK m	3,209	3,030
Occupancy rate, %	94	93
Number of properties	80	79
Area, thousand sq. m.	1,379	1,395
Environmental certification, %	82	81

## Stockholm's share of the total



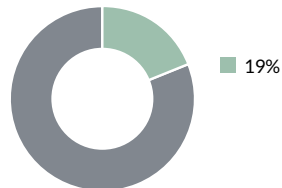
## Stockholm by property type



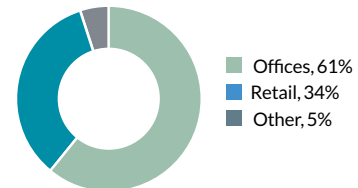
## GOTHENBURG Jan-Dec

	2019	2018
Market value of properties, SEK m	28,149	25,630
Rental revenue, SEK m	1,325	1,280
Net operating income <sup>1)</sup> , SEK m	995	974
Occupancy rate, %	96	95
Number of properties	34	34
Area, thousand sq. m.	403	402
Environmental certification, %	94	94

## Gothenburg's share of the total



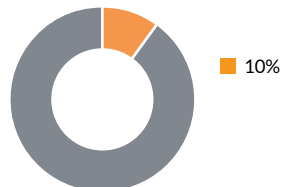
## Gothenburg by property type



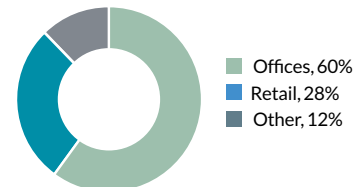
## MALMÖ Jan-Dec

	2019	2018
Market value of properties, SEK m	13,010	13,196
Rental revenue, SEK m	692	761
Net operating income <sup>1)</sup> , SEK m	450	494
Occupancy rate, %	91	90
Number of properties	33	35
Area, thousand sq. m.	296	339
Environmental certification, %	96	97

## Malmö's share of the total



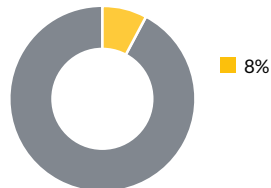
## Malmö by property type



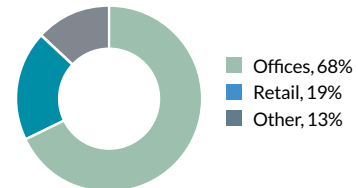
## UPPSALA Jan-Dec

	2019	2018
Market value of properties, SEK m	9,799	8,491
Rental revenue, SEK m	559	521
Net operating income <sup>1)</sup> , SEK m	399	371
Occupancy rate, %	97	97
Number of properties	27	26
Area, thousand sq. m.	244	236
Environmental certification, %	78	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-Dec 2019	Jan-Dec 2018
Net sales	503	484
Operating expenses	-639	-605
Capital gain on sales	3	341
<b>EBIT</b>	<b>-133</b>	<b>220</b>
<b>Financial items</b>		
Profit from participations in subsidiaries	6,982	7,192
Net interest	-419	-1,040
Change in value of financial instruments	-881	13
Appropriations	-300	-
<b>Profit before tax</b>	<b>5,249</b>	<b>6,385</b>
Tax	-84	-109
<b>Profit for the period</b>	<b>5,165</b>	<b>6,276</b>

## Statement of comprehensive income

Profit for the period recognised in profit or loss	5,165	6,276
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>5,165</b>	<b>6,276</b>

### 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 503 million (484), 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 6,982 million (7,192) and pertained to dividends.

The change in the value of financial instruments amounted to negative SEK 881 million (positive: 13) due to lower long market interest rates. Profit before tax was SEK 5,249 million (5,165). Closing cash and cash equivalents amounted to SEK 3,506 million (2,212).

## Balance sheet

Amounts in SEK million	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Equipment	7	11
Shares and participations in subsidiaries	37,635	30,660
Receivables from subsidiaries	37,093	9,820
Receivables from joint ventures	130	165
Shares and participations in joint ventures	1	1
Deferred tax assets	459	137
Derivatives	642	214
Non-current receivables	169	267
<b>Total non-current assets</b>	<b>76,136</b>	<b>41,275</b>
<b>Current assets</b>		
Receivables from subsidiaries	4,565	32,448
Derivatives	27	39
Current receivables	615	548
Cash and cash equivalents	3,506	2,212
<b>Total current assets</b>	<b>8,713</b>	<b>35,247</b>
<b>TOTAL ASSETS</b>	<b>84,849</b>	<b>76,522</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	12,641	11,476
Untaxed reserves	486	186
<b>Liabilities</b>		
Interest-bearing liabilities	66,638	61,087
Derivatives	2,795	2,220
Non-interest-bearing liabilities	1,170	763
Liabilities to subsidiaries	1,119	790
<b>Total liabilities</b>	<b>71,722</b>	<b>64,860</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>84,849</b>	<b>76,522</b>

## Other information

### Personnel

The number of employees at the end of the period was 304 (309).

### 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.

### 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 NNNAV.

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

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

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

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 3.00 and 3.75%.

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 19. Pages 17–18 also include a breakdown of specific performance measures where this is required.

Stockholm, 30 January 2020

**Johanna Skogestig**  
Chief Executive Officer

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

### For more information about this interim report, please contact:

Christer Nerlich, *Chief Financial Officer*  
Telephone: +46 (0)8 566 205 40  
E-mail: christer.nerlich@vasakronan.se

This information is of such a kind that Vasakronan AB (publ) is legally required to disclose pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication through the agency of the above contact person on 30 January 2020, at 10:30 a.m CET.



# Key metrics

	Jan-Dec 2019 <sup>1)</sup>	Jan-Dec 2018 <sup>1)</sup>	Oct-Dec 2019 <sup>1)</sup>	Oct-Dec 2018 <sup>1)</sup>
<b>Property-related information</b>				
Closing economic occupancy rate, %	94.1	93.1	94.1	93.1
Surplus ratio, %	74	73	74	73
Investments in existing projects, SEK m	4,440	3,335	1,295	952
Property acquisitions, SEK m	977	634	975	100
Property divestments, SEK m	-1,550	-2,526	-85	-345
Net investments, SEK m	3,867	1,443	2,185	707
Closing market value of property, SEK m	156,071	138,934	156,071	138,934
Closing area, thousand sq. m.	2,322	2,372	2,322	2,372
Closing number of properties	174	174	174	174
Environmental certification at closing date, %	85	85	85	85
Energy intensity on closing date, kWh/m <sup>2</sup>	92	103	92	103
<b>Financial metrics</b>				
Interest coverage ratio <sup>2)</sup> , multiple	4.6	4.7	5.6	6.0
Closing equity/assets ratio, %	41	42	41	42
Closing loan-to-value ratio <sup>2)</sup> , %	38	41	38	41
Average fixed-interest tenor, years	5.8	4.7	5.8	4.7
Average loan-to-maturity <sup>3)</sup> , years	5.2	3.9	5.2	3.9
Closing NAV, SEK m, 1. NAV, SEK m	91,742	78,542	91,742	78,542
Closing NNNAV, SEK m, 2. NNNAV, SEK m <sup>2)</sup>	82,363	70,823	82,363	70,823
Closing average interest rate, %	1.7	1.6	1.7	1.6
Closing net interest-bearing liabilities, SEK m	63,123	58,872	63,123	58,872
Cash flow before changes in working capital, SEK m	3,664	3,567	964	875
Net interest-bearing liabilities/EBITDA <sup>4)</sup>	12.0	11.9		
<b>Other</b>				
Closing number of employees	304	309	304	309
<b>Basis for key metrics</b>				
<b>1. NAV, SEK m</b>				
Equity	70,156	60,271	70,156	60,271
Add back goodwill	-1,908	-1,982	-1,908	-1,982
Add back derivatives	2,126	1,967	2,126	1,967
Add back recognised deferred tax	21,368	18,286	21,368	18,286
	<b>91,742</b>	<b>78,542</b>	<b>91,742</b>	<b>78,542</b>
<b>2. NNNAV, SEK m</b>				
Equity	70,156	60,271	70,156	60,271
Add back goodwill	-1,908	-1,982	-1,908	-1,982
Add back recognised deferred tax	21,368	18,286	21,368	18,286
Deferred tax at fair value <sup>5)</sup>	-6,421	-5,465	-6,421	-5,465
Adjustment of interest-bearing liabilities to fair value	-832	-287	-832	-287
	<b>82,363</b>	<b>70,823</b>	<b>82,363</b>	<b>70,823</b>
<b>3. EBITDA, SEK m</b>				
Operating surplus	5,207	4,869	1,332	1,253
Central administration	-113	-101	-36	-31
Cash flow from dividends from joint ventures	309	162	251	-
Ground rents and land leases	-154	-	-41	-
	<b>5,249</b>	<b>4,930</b>	<b>1,506</b>	<b>1,222</b>

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 YEAR-END REPORT 2019

	Jan-Dec 2019 <sup>1)</sup>	Jan-Dec 2018 <sup>1)</sup>	Oct-Dec 2019 <sup>1)</sup>	Oct-Dec 2018 <sup>1)</sup>
<b>4. EBITDA margin, %</b>				
Rental revenue	7,040	6,718	1,808	17 12
EBITDA	5,249	4,930	1,506	1,222
	<b>75</b>	<b>73</b>	<b>83</b>	<b>71</b>
<b>5. Interest coverage ratio, multiple</b>				
EBITDA	5,249	4,930	1,506	1,222
Net financial items	-1,131	-1,043	-270	-230
	<b>4.6</b>	<b>4.7</b>	<b>5.6</b>	<b>5.3</b>
<b>6. Net interest-bearing liabilities, SEK m</b>				
Non-current interest-bearing liabilities	53,682	45,956	53,682	45,956
Current interest-bearing liabilities	12,956	15,131	12,956	15,131
Cash and cash equivalents	3,515	-2,215	3,515	-2,215
	<b>63,123</b>	<b>58,872</b>	<b>63,123</b>	<b>58,872</b>
<b>7. Loan-to-value ratio, %</b>				
Net interest-bearing liabilities	63,123	58,872	63,123	58,872
Total assets excl. leaseholds and land leases	164,936	145,201	164,936	145,201
	<b>38</b>	<b>41</b>	<b>38</b>	<b>41</b>

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 17.

## 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 17.

## Net investments, SEK m

The purchase price for property acquisitions, along with investments in property projects, less the consideration received from property divestment. Intended as an indication of capital invested in properties.

## Net lettings, SEK m

Contracted rent for new lettings during the period less contracted rent for leases where notice of termination for move-out was received during the period.

## Profit before value changes and tax, SEK m

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

Annual Report 2019

Annual General Meeting

Interim report January–March 2020

March 2020

May 2020

4 May 2020

Further information about the company is available on Vasakronan's website [www.vasakronan.se](http://www.vasakronan.se)