



A FLIRT with Garnisonen's brutalist architecture. That is how Happy Socks' new colourful head office spread over 2,300 square metres at Karlahuset could be described. Signature patterned carpets and wallpaper are mixed with neon lights, and a mix of modern and retro furnishings. And it is all framed by visible concrete pillars and ceilings.

FINANCIAL STATEMENTS AND NOTES

Administration Report	64
Consolidated income statement incl. comments	66
Consolidated balance sheet incl. comments	70
Consolidated statement of changes in equity	73
Consolidated cash-flow statement incl. comments	74
Parent Company financial statements	76
Proposed appropriation of profits	78
NOTE 1 GENERAL INFORMATION AND ACCOUNTING POLICIES	
1.1 General information	79
1.2 Accounting policies	79
NOTE 2 REVENUE, INCOME AND EXPENSES	
2.1 Segment reporting	80
2.2 Rental revenue	81
2.3 Costs	81
2.4 Employees, personnel costs and remuneration to the Board	82
2.5 Financial income and expenses	85
NOTE 3 TAX	
Tax	85
3.1 Summary of tax expense/income	86
3.2 Deferred tax	86
3.3 Market value of deferred tax	86
3.4 Depreciation	86
NOTE 4 ASSETS	
4.1 Intangible assets	87
4.2 Investment properties	87
4.3 Equipment	88
NOTE 5 OPERATING RECEIVABLES AND LIABILITIES	
5.1 Accounts receivable	89
5.2 Other current receivables, prepaid expenses and accrued income	89
5.3 Other current liabilities, accrued expenses and deferred income	89
NOTE 6 FINANCING AND CAPITAL STRUCTURE	
6.1 Goals for financial operations	89
6.2 Breakdown of funding sources, share of total loan portfolio	90
6.3 Financial risks	91
6.4 Derivatives	92
6.5 Financial instruments	93
6.6 Pledged assets and contingent liabilities	93
6.7 Adjustment for non-cash items	93
NOTE 7 GROUP STRUCTURE	
7.1 Shares and participations in subsidiaries	94
7.2 Shares and participations in joint ventures	96
7.3 Related parties	96
NOTE 8 PARENT COMPANY	
8.1 Intra-Group transactions	97
8.2 Profit from participations in subsidiaries	97
8.3 Appropriations and untaxed reserves	97
NOTE 9 DIVIDEND PER SHARE	
Dividend per share	97
NOTE 10 EVENTS AFTER THE BALANCE-SHEET DATE	
Events after the balance-sheet date	97

Administration Report

The Board of Directors and CEO of Vasakronan AB (publ), corporate registration number 556061-4603, hereby present the 2019 Annual Report for the Group and Parent Company.

Rental market

Trends in the regional rental markets in which Vasakronan operates were characterised in 2019 by continued rising rent levels mainly driven by the prevailing strong economy and high demand for modern office premises in prime locations. The highest market growth over the year was primarily recorded in offices in central Stockholm, including the CBD, followed by offices in Gothenburg.

For central locations in Vasakronan's markets, office vacancies remained relatively still at low levels during the year, rising from 3% to not quite 5%. Malmö is the exception, where office vacancies were approximately 9%.

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 and 2019 was a record year in terms of transaction volumes.

Aside from the development of the economy and employment, there are primarily three trends that affect the property market: digitisation, expanding e-commerce and new office solutions such as co-working. Parallel to these three aspects, the sector – along with society as a whole – is also affected by a greater focus on sustainability topics, first and foremost driven by the increasingly obvious effects of ongoing climate change. Increasing interest and awareness of health issues, not least how employees' health is affected by workplace conditions and environment, is also having greater influence on how property companies plan premises and the surrounding urban environment.

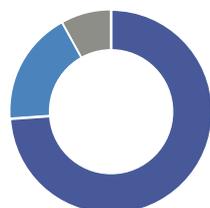
During the year, completed transactions amounted to SEK 229 billion, compared with SEK 165 billion in 2018. Of this volume, residential property was the largest segment followed by office properties, and most of the transactions were completed in Stockholm.

The market is still characterised by continued healthy access to capital and low interest rates. In 2019, market requirements for yields continued to be adjusted downward in all of Vasakronan's sub-markets, but the increase in value was mainly attributable to higher market rents. In the CBDs of Stockholm and Gothenburg, the requirements for yields are 3.4% and 3.6% respectively, and in Stockholm's inner suburbs, Malmö and Uppsala from 4.0–4.3%.

Operations

Vasakronan owns, manages and develops centrally located office and retail properties in Stockholm, Uppsala, Gothenburg and Malmö. At year end, the property portfolio comprised 174 properties (174) with a total lettable area of 2.3 million sq. m. (2.4). Of the total area, 85% (85) was environmentally certified, of which 72% (69) had certifications of LEED Gold or higher. The total market value of the properties at year end amounted to SEK 156 billion (139), and the ten largest properties accounted for 29% of the value.

Contracted rent by property type



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

Contracted rent by geographic market



- Stockholm, 63%
- Gothenburg, 19%
- Malmö, 10%
- Uppsala, 8%

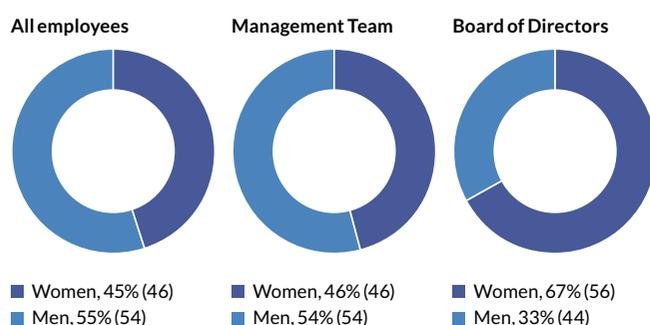
The occupancy rate was 94.1% (93.1) on 31 December 2019. Of total vacancies, 1.6 percentage points (2.5) were attributable to ongoing projects and development properties. At year end, Vasakronan had property projects encompassing new construction, extensions or redevelopments valued at SEK 14.4 billion (10.6), of which SEK 6.8 billion (3.9) was capitalised. The occupancy rate for major projects was 69% (41) at the end of the year.

Vasakronan improves its property portfolio by buying and selling properties, which creates the preconditions for an increased long-term return. During the year, the Fålhagen 1:39 (Juvelen) and Sejen 3 (Aura) properties were acquired for a total of slightly more than SEK 1.0 billion in parallel with the divestment of properties to a value of SEK 1.6 billion.

Personnel

At 31 December 2019, the number of employees was 304 (309). Vasakronan endeavours to be a company where the diversity of society is reflected in the composition of its personnel. All employees and job applicants will be treated equally, and no discrimination will be accepted. Further information related to staff composition can be found on pages 131–132 of this Annual Report.

Distribution, women and men



Sustainability reporting

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Vasakronan has chosen to prepare its Sustainability Report separately from its Annual Report. The Sustainability Report can be found on pages 116–134 of this Annual Report.

Appropriation of profit

A dividend of SEK 6 billion has been proposed to the General Meeting. The Board finds that the proposed dividend is justifiable in terms of the assessment criteria stipulated in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act regarding operations, scope and risks as well as consolidation requirements, liquidity and general position. Refer to page 78.

Future performance

The assessment at the end of 2019 was that the rental market would remain strong during 2020 with robust demand in prime locations, which would provide excellent prerequisites for a positive net operating income trend and a somewhat higher occupancy rate. The targets for 2020 are an increase in net operating income in comparable property holdings of 4.5% and an occupancy rate of not less than 95% at year end. A healthy rental market also creates favourable prerequisites for the continued development of Vasakronan's property portfolio. Planning of additional projects is in progress, and the assessment is that approximately SEK 5 billion will be invested in 2020.

After the balance-sheet date, the global economy slowed dramatically as a result of the spread of the novel coronavirus in large parts of the world, with resulting disturbances in the financial markets. Vasakronan is following market developments carefully. The company has a strong financial position and considerable liquidity reserves. The earnings forecast and objectives for 2020 were not updated after year end.

Consolidated income statement

Amounts in SEK million	2019	2018 ¹⁾	Note
Rental revenue	7,040	6,718	2.1-2
Operating expenses	-682	-711	
Repairs and maintenance	-119	-108	
Property administration	-377	-357	2.3
Property tax	-655	-527	
Ground rents and land leases	-	-146	
Total property expenses	-1,833	-1,849	2.3
Operating surplus	5,207	4,869	
Central administration	-113	-101	2.3
Result from participations in joint ventures	1,105	159	
Financial income	4	3	2.5
Financial expenses	-1,135	-1,046	2.5
Interest expenses, ground rents and land leases	-147	-	
Profit before value changes and tax	4,921	3,884	
Change in value of investment properties	13,270	10,651	4.2
Depreciation of land lease agreements	-7	-	
Change in value of financial instruments	-881	13	6.5
Divested/impaired goodwill	-74	-62	4.1
Profit before tax	17,229	14,486	
Current tax	-230	-120	3.1
Deferred tax	-3,090	-1,464	3.1
Profit for the year	13,909	12,902	
Of which, attributable to non-controlling interests	-2	-	
Total profit attributable to the Parent Company shareholders	13,911	12,902	
Other comprehensive income			
<i>Items that may not be reclassified²⁾</i>			
Pensions, revaluation	-41	-18	2.4
Restriction for surplus in pension plan with asset cap	5	8	2.4
Income tax on pensions	7	2	
Other comprehensive income for the year, net of tax	-29	-8	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT COMPANY SHAREHOLDERS³⁾	13,882	12,894	
Key metrics			
Surplus ratio, %	74	73	
Interest coverage ratio ⁴⁾ , multiple	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) 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 the 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.

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
Total	4,153	6,838	94
Residential	1,175	101	2
Garage	-	254	4
Total	5,328	7,193	100

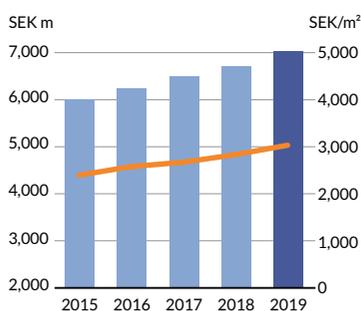
Maturity structure for contracted rent.

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

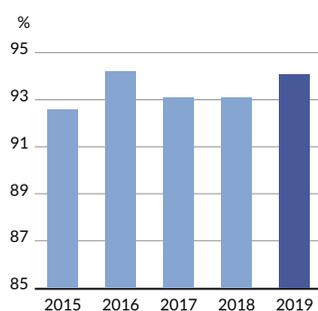
Largest tenants, share of contracted rent

Rising rental revenue



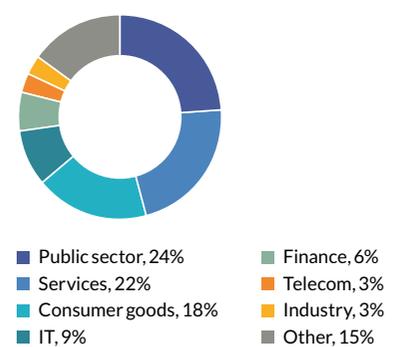
■ Rental revenue, SEK m
 — Rental revenue SEK/m²
 January–December

Improved occupancy rate



At 31 December

Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

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.

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 income¹⁾ 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.

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

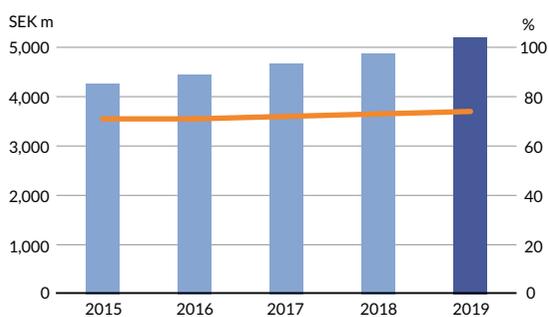
Sensitivity analysis

	Change	Impact on profit before tax, SEK m
Economic occupancy rate	+/-1%	+/-92
Rental revenue	+/-1%	+/-70
Price change for renegotiated leases expiring in 2019	+/-1%	+/-11
Property expenses	+/-1%	+/-18
Net interest with current fixed-interest tenors and changed interest	+/-1 percentage point	+/-224
Value of interest-rate derivatives if average interest rates change ¹⁾	+/-1 percentage point	+/-1,591
Market value of properties ²⁾	+/-1%	+/-1,560

1) The unrealised appreciation in value of interest-rate derivatives can be realised to meet the effect of cash flow from increased borrowing expenses.

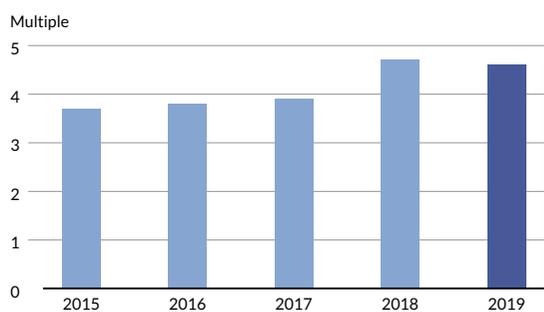
2) The market value is in turn impacted by other factors, refer to the sensitivity analysis on page 88.

Increased surplus ratio



■ Operating surplus, SEK m — Surplus ratio, %
January–December

Stable interest coverage ratio



January–December

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.

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%.

Change in value of investment properties

At 31 December 2019, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighetsekonomi. Altogether, the change in the property value amounted to SEK 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 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
Total	9.7	9.7

Factors impacting value¹⁾

	Value impact, %
Yield requirement	3.5
Market rents	6.2
Total	9.7

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.

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.

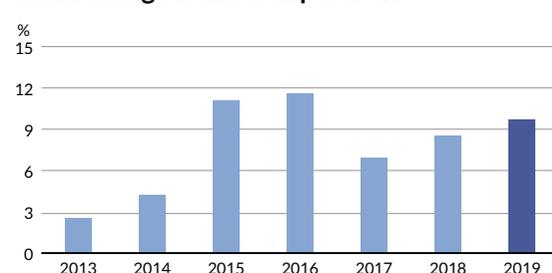
Vasakronan has a tax policy that has been established by the Board to ensure that tax issues are managed in a societally responsible way. For more information on Vasakronan's tax policy, please see Vasakronan's website.

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

Change in value, by category

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

Value change in the total portfolio



Consolidated balance sheet

Amounts in SEK million	2019	2018 ¹⁾	Note
ASSETS			
Non-current assets			
Intangible assets	2,024	2,089	4.1
Property, plant and equipment (PPE)			
Investment properties	156,071	138,934	4.2
Leaseholds and land leases	5,243	-	
Equipment	40	44	4.3
Total property, plant and equipment (PPE)	161,354	138,978	
Financial assets			
Shares and participations in joint ventures	1,164	365	7.2
Receivables from joint ventures	130	165	
Derivatives	642	214	6.4
Other non-current receivables	174	270	6.4
Total financial assets	2,110	1,014	
Total non-current assets	165,488	142,081	
Current assets			
Accounts receivable	35	29	5.1
Receivables from joint ventures	0	0	
Derivatives	27	39	6.4
Other current receivables, prepaid expenses and accrued income	1,114	837	5.2
Cash and cash equivalents	3,515	2,215	6.3
Total current assets	4,691	3,120	
TOTAL ASSETS	170,179	145,201	
EQUITY AND LIABILITIES			
Equity			
Share capital	4,000	4,000	
Other contributed capital	4,227	4,227	
Retained earnings	61,926	52,044	
Non-controlling interests	3	-	
Total equity	70,156	60,271	
Non-current liabilities			
Interest-bearing liabilities	53,682	45,956	6.2
Liabilities, leaseholds and land leases	5,244	-	
Deferred tax liability	21,368	18,286	3.2
Derivatives	2,725	2,200	6.4
Other non-current liabilities	385	76	6.4
Provision for pensions	119	91	2.4
Total non-current liabilities	83,523	66,609	
Current liabilities			
Interest-bearing liabilities	12,956	15,131	6.2
Accounts payable	220	118	
Liabilities joint ventures	12	151	
Current tax liabilities	128	42	
Derivatives	70	20	6.4
Other current liabilities, accrued expenses and deferred income	3,114	2,859	5.3
Total current liabilities	16,500	18,321	
TOTAL EQUITY AND LIABILITIES	170,179	145,201	
Key metrics			
Net interest-bearing liabilities, SEK m	63,123	58,872	
Equity/assets ratio, %	41	42	
LTV, %	38	41	

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 certain 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 87.

The Juvelen property in Uppsala was acquired and taken possession of during the year. 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 assets in the balance sheet. At 31 December, right-of-use agreements 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.

Higher property values

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

Large investments in property projects

City	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	2,669	72	56,500	Dec 2021	49 ²⁾	LEED
Gothenburg	Platinum	2,600	1,052	40	53,700	Dec 2022	67 ³⁾	LEED
Sundbyberg	Kronan 1	1,680	350	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	51 ⁴⁾	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
Total major property projects		11,881	5,930	50			69	
Stockholm	Sergelgatan	1,500	213	14		Mar 2023	- ⁵⁾	LEED
Other projects		966	610					
Total		14,347	6,753					

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.

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.

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. Since spring 2018, Vasakronan has had 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. As a result, the average fixed-interest tenor increased and was 5.8 years (4.7) at year end. 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.

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 funding consisting of green bonds, green commercial paper and green loans increased during the period to 47% (35) of the total loan portfolio.

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
Total		66,638	100

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
Total volume of Green Finance Instruments	25,762
Total volume of Green Assets - Green Pool	33,318
Remaining approved borrowing capacity	7,555

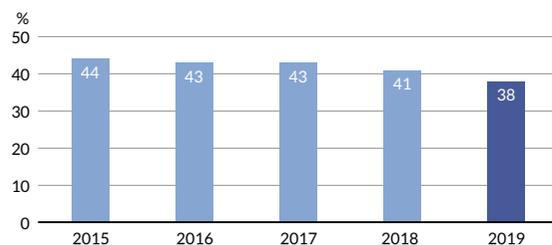
Consolidated statement of changes in equity

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

Equity

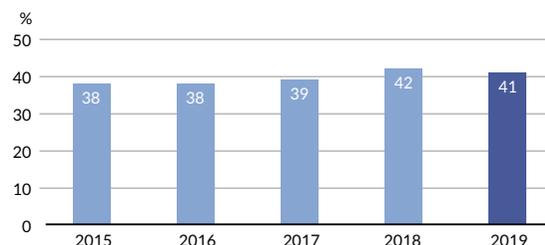
Equity increased during the period to SEK 70,156 million (60,271) due to positive comprehensive income of SEK 13,911 million (12,894). The equity/assets ratio was 41% (42) and the loan-to-value ratio was 38% (41). During the year, Vasakronan invested in two partially owned companies, which means that equity contains shares attributable to minority owners.

Loan-to-value (LTV) ratio



At 31 December

Equity/assets ratio



At 31 December

Consolidated cash-flow statement

Amounts in SEK million	2019	2018 ¹⁾	Note
Operating activities			
Operating surplus	5,207	4,869	
Central administration	-113	-101	
Add back amortisation and depreciation	12	12	
Adjustment for other non-cash items	-13	-9	6.7
Cash flow from operating activities before interest and tax	5,093	4,771	
Interest paid ²⁾	-1,194	-1,069	
Interest received	3	3	
Taxes paid	-147	-138	
Cash flow before changes in working capital	3,755	3,567	
Increase (-)/decrease (+) in operating receivables	-213	-190	
Increase (+)/decrease (-) in operating liabilities	287	258	
Cash flow from operating activities	3,829	3,635	
Investing activities			
Investments in existing property	-4,440	-3,335	4.2
Property acquisitions	-977	-634	4.2
Property divestments	1,550	2,526	
Other PPE, net	-3	-9	
Acquisition of intangible assets	-12	-7	
Dividends from joint ventures	309	162	
Cash flow from investing activities	-3,573	-1,297	
Cash flow after investing activities	256	2,338	
Financing activities			
Dividends and Group contributions	-4,000	-4,000	7.3
Raised debt: interest-bearing liabilities	35,874	34,908	
Repayment of debt: interest-bearing liabilities	-30,709	-32,223	
Change in collateral	214	253	
Redemption of financial instruments	-335	-484	
Cash flow from financing activities	1,044	-1,546	
Cash flow for the period	1,300	792	
Opening balance, cash and cash equivalents	2,215	1,423	
Cash flow for the period	1,300	792	
Closing balance, cash and cash equivalents	3,515	2,215	6.3

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

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

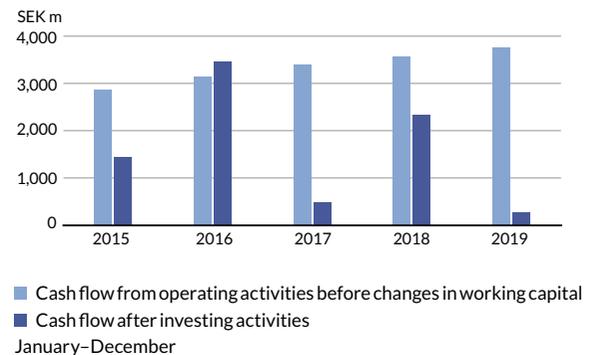
Comments to the consolidated cash-flow statement

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 3,755 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 2019

Property	City	Buyer	Purchase price, SEK m	Transfer date
Nya Vattentornen 2 and 4	Lund	Wihlborgs	1,259	February 2019
Järva 2:7	Stockholm	Sporhallen i Solna	2	April 2019
Telefonfabriken 7	Stockholm	Einar Matsson Projekt	210	May 2019
Regndroppen	Malmö	Skanska	85	Dec 2019
Total property value			1,556	
Transaction costs, as well as deduction for deferred tax			-6	
Total purchase price			1,550	

Agreed divestments to be completed

Property	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 2019

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

Parent Company financial statements

INCOME STATEMENT

Amounts in SEK million	2019	2018	Note
Net sales	503	484	
Operating expenses	-639	-605	2.3-4
Capital gain on sales	3	341	4.2
EBIT	-133	220	
Financial items			
Profit from participations in subsidiaries	6,982	7,192	8.2
Result from participations in joint ventures	0	0	
Interest income	841	67	2.5
Interest expense	-1,260	-1,107	2.5
Profit before value changes and tax	6,430	6,372	
Change in value of financial instruments	-881	13	6.5
Appropriations	-300	-	8.3
Profit before tax	5,249	6,385	
Tax	-84	-109	3.1
Profit for the year	5,165	6,276	
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the year recognised in profit or loss	5,165	6,276	
Other comprehensive income	-	-	
Total comprehensive income for the year	5,165	6,276	

BALANCE SHEET

Amounts in SEK million	2019	2018	Note
ASSETS			
Non-current assets			
Equipment	7	11	4.3
Shares and participations in subsidiaries	37,635	30,660	7.1
Receivables from subsidiaries	37,093	9,820	
Shares and participations in joint ventures	1	1	7.2
Receivables from joint ventures	130	165	
Deferred tax assets	459	137	3.2
Derivatives	642	214	6.4
Other non-current receivables	169	267	6.4
Total non-current assets	76,136	41,275	
Current assets			
Accounts receivable	0	0	5.1
Receivables from subsidiaries	4,565	32,448	
Receivables from joint ventures	0	0	
Current tax assets	0	78	
Derivatives	27	39	6.4
Other current receivables, prepaid expenses and accrued income	615	470	5.2
Cash and cash equivalents	3,506	2,212	6.3
Total current assets	8,713	35,247	
TOTAL ASSETS	84,849	76,522	

CHANGE IN EQUITY

Amounts in SEK million	Share capital ¹⁾	Retained earnings	Total equity
Equity, opening balance at 1 Jan 2018	4,000	5,200	9,200
Profit for the year	-	6,276	6,276
Comprehensive income for the year	-	6,276	6,276
Dividend	-	-4,000	-4,000
Equity, closing balance at 31 Dec 2018	4,000	7,476	11,476
Equity, opening balance at 1 Jan 2019	4,000	7,476	11,476
Profit for the year	-	5,165	5,165
Comprehensive income for the year	-	5,165	5,165
Dividend	-	-4,000	-4,000
Equity, closing balance at 31 Dec 2019	4,000	8,641	12,641

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

BALANCE SHEET

Amounts in SEK million	2019	2018	Note
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	4,000	4,000	
	4,000	4,000	
<i>Unrestricted equity</i>			
Retained earnings	3,476	1,200	
Profit for the year	5,165	6,276	
	8,641	7,476	
Total equity	12,641	11,476	
Untaxed reserves	486	186	8.3
Non-current liabilities			
Interest-bearing liabilities	53,682	45,956	6.2
Liabilities to subsidiaries	728	-	
Derivatives	2,725	2,200	6.4
Other non-current liabilities	383	72	6.4
Provision for pensions	6	7	
Total non-current liabilities	57,524	48,235	
Current liabilities			
Interest-bearing liabilities	12,956	15,131	6.2
Accounts payable	3	7	
Current tax liabilities	84	-	
Liabilities to subsidiaries	391	790	
Derivatives	70	20	6.4
Other current liabilities, accrued expenses and deferred income	694	677	5.3
Total current liabilities	14,198	16,625	
TOTAL EQUITY AND LIABILITIES	84,849	76,522	

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).

CASH-FLOW STATEMENT

Amounts in SEK million	2019	2018	Note
Operating activities			
EBIT	-133	220	
Add-back of amortisation, depreciation and impairment	5	4	
Adjustment for other non-cash items	-5	-342	6.7
Cash flow from operating activities before interest and tax	-133	-118	
Interest paid	-1,161	-1,117	
Interest received	840	67	
Taxes paid	-33	-138	
Cash flow before changes in working capital	-487	-1,306	
Increase (-)/decrease (+) in operating receivables	2,950	-1,584	
Increase (+)/decrease (-) in operating liabilities	244	-565	
Cash flow from operating activities	2,707	-3,455	
Investing activities			
Acquisitions of equipment	-2	-1	
Divestments of equipment	3	3	
Acquisition of shares in subsidiaries	0	0	
Divestment of shares in subsidiaries	1,210	328	
Dividends received from subsidiaries	5,616	5,463	
Shareholders' contributions paid	-9,284	-	
Cash flow from investing activities	-2,457	5,793	
Cash flow after investing activities	250	2,338	
Financing activities			
Dividends and Group contributions to Parent Company	-4,000	-4,000	7.3
Raised debt: interest-bearing liabilities	35,874	34,908	
Repayment of debt: interest-bearing liabilities	-30,709	-32,223	
Change in collateral	214	253	
Redemption of financial instruments	-335	-484	
Cash flow from financing activities	1,044	-1,546	
Cash flow for the period	1,294	792	
Opening balance, cash and cash equivalents	2,212	1,420	
Cash flow for the period	1,294	792	
Closing balance, cash and cash equivalents	3,506	2,212	6.3

Proposed appropriation of profits

The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject to adoption by the AGM on 4 May 2020.

The following profit is at the disposal of the AGM:		The Board proposes that the earnings be appropriated as follows:	
Retained earnings	SEK 3,476,433,583	Dividend to shareholders, SEK 150 per share	SEK 6,000,000,000
Profit for the year	SEK 5,165,128,432	To be carried forward	SEK 2,641,562,015
Total	SEK 8,641,562,015	Total	SEK 8,641,562,015

A dividend of SEK 6 billion has been proposed to the General Meeting. The Board finds that the proposed dividend is justifiable in terms of the assessment criteria stipulated in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act regarding operations, scope and risks as well as consolidation requirements, liquidity and general position.

Notes

Notes, pertaining to the Group and Parent Company. All amounts are given in SEK million, if not otherwise stated.

NOTE 1 General information and accounting policies

1.1 General information

The Vasakronan Group's operations comprise the ownership, management and development of properties with the aim of providing owners with a high and stable long-term return. The Parent Company Vasakronan AB (publ) has personnel employed to manage and administer the Group's properties. The Parent Company's assets mainly comprise shares and participations in the companies that own the properties.

Parent Company domiciled in Stockholm; Vasakronan AB (publ) Corp. Reg. No: 556061-4603. Address: Mäster Samuelsgatan 56, Box 30074, SE-104 25 Stockholm, Sweden

Vasakronan AB is owned by Vasakronan Holding AB, corporate registration number 556650-4196, which is owned in turn in equal shares by the First, Second, Third and Fourth Swedish National Pension Funds.

The annual accounts and consolidated accounts were approved by the Board for publication on 23 March 2020 and will be submitted to the Annual General Meeting for adoption on 4 May 2020.

1.2 Accounting policies

This section provides an overview of the policies applied in the preparation of these financial statements. Refer to the respective note for information about specific items. All amounts are stated in SEK million, unless otherwise stated. Amounts pertain to the 1 January to 31 December period for income-statement items and 31 December for balance-sheet items.

Basis for preparation of the financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as determined on 31 December 2019 and as adopted by the EU together with the interpretations issued by the IFRS Interpretations Committee (IFRIC), and in accordance with the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Corporate Groups and the Annual Accounts Act. These policies were consistently applied for all years presented, unless otherwise stated. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant, are disclosed in more detail in the respective note.

Consolidated accounts

The consolidated financial statements have been prepared applying a historical cost convention, except for the measurement of investment properties, and certain financial assets and liabilities, which are measured at fair value.

Group companies are entities over which Vasakronan exercises a controlling influence. Subsidiaries are companies owned directly by Vasakronan AB (publ). A "controlling influence" entails that the Parent Company is exposed to, or is entitled to, variable returns from its investment, and can also affect the returns from the subsidiary by means of its influence. Group companies are consolidated from the date on which controlling influence is transferred to the Group, and they are deconsolidated from the date that control ceases.

Initial recognition of Group companies in the consolidated financial statements follows the acquisition method. Any surplus comprising the difference between compensation paid and the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill.

When a company is acquired, the acquisition meets the criteria for either an asset acquisition or a business combination. A transaction qualifies as an asset acquisition if it pertains to properties, with or without leases, but excluding an organisation and the administrative processes required for property management. Other acquisitions are business combinations. The management determines for each acquisition which criteria have been met. The assessment is that all acquisitions in 2019 and 2018 were asset acquisitions.

Intra-Group transactions, balances, and any unrealised gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

Joint ventures

All joint arrangements are classified as joint ventures since the agreement terms or the entities' legal forms entitle the participants to the net assets of the related arrangement. Joint ventures are companies where, through partnership agreements with one or more parties, Vasakronan shares controlling influence with one or more parties.

Holdings in joint ventures are recognised using the equity method. This means that the consolidated carrying amount of the holding is adjusted with Vasakronan's share of profit for the year and any dividends received, and accordingly, the Group's participation in joint ventures is thus recognised in the consolidated income statement. When losses in a joint venture exceed the Group's share, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the joint venture.

Intra-Group gains and losses as a result of transactions with these companies are eliminated in relationship to the Group's holding. Adjustments have been made where the accounting policies of joint ventures do not correspond with those of the Group.

Leases

Until 31 December 2018, leases of assets where the Group comprised the lessee were essentially classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. Due to the transition to IFRS 16 from 1 January 2019, all material leases that extend for more than 12 months are recognised as right-of-use assets and financial liabilities. For Vasakronan these leases comprise land leases and ground rent agreements. Lease payments are allocated between amortisation and interest, with the interest recognised in profit or loss over the lease period pursuant to the effective interest method.

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.

Payments associated with short-term leases for equipment or vehicles, and all leases of low-value assets are recognised expenses in profit or loss.

Provisions

Provisions comprise reliable estimates of amounts that reflect formal or constructive obligations for the Group as a result of earlier events.

Provisions are classified as current liabilities if payment can be deferred for up to 12 months after the balance-sheet date, otherwise provisions are classified as non-current liabilities.

Critical judgements in applying the Group's accounting policies

The preparation of financial statements in accordance with generally accepted accounting principles requires that the management and Board make judgements and assumptions that affect the amounts recognised for assets, liabilities, income and expenses, as well as other information disclosed. These judgements are based on experience and assumptions that are considered reasonable in view of the prevailing circumstances. The most significant in preparing the company's financial reports are as follows:

- Fair value of investment properties, Note 4.2 on pages 87–88
- Criteria for business combinations and asset acquisitions, page 79
- Recoverable amount for goodwill, Note 4.1 on page 87

New or amended accounting standards

From 1 January 2019, 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. The Group's material leases pertain to land leases and ground rent agreements. From 1 January 2019, each of these leases will be recognised as an asset together with a corresponding liability.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTE 2 Revenue, income and expenses**2.1 Segment reporting****§ Accounting policies – segment reporting**

Segmentation is based on how the management and the chief operating decision-maker (CODM) monitor and control operations. Vasakronan conducts operations in four regions: Stockholm, Gothenburg, Malmö and Uppsala, which correspond to the operating segments reported.

The management is responsible for allocating resources and assessing the performance of the operating segments. Vasakronan has determined that the CODM is the CEO of the Parent Company and the Group's management collectively as the Management Team.

The allocation of results by segment is conducted down to net operating income level, and thereafter only items pertaining directly to investment properties. Other revenue and costs are assessed as Group-wide and

are not allocated by segment. Items directly attributable to investment properties are also segmented in the balance sheet. Other assets, and equity and liabilities, are assessed as essentially Group-wide.

Income statement	Stockholm		Gothenburg		Malmö		Uppsala		Group-wide		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Rental revenue	4,464	4,156	1,325	1,280	692	761	559	521	-	-	7,040	6,718
Operating expenses	-406	-414	-105	-108	-102	-120	-69	-69	-	-	-682	-711
Repairs and maintenance	-73	-63	-19	-16	-15	-15	-12	-14	-	-	-119	-108
Property administration	-198	-178	-75	-75	-58	-63	-46	-41	-	-	-377	-357
Property tax	-441	-342	-121	-98	-60	-61	-33	-26	-	-	-655	-527
Ground rents and land leases	-	-129	-	-9	-	-8	0	0	-	-	-	-146
Property expenses	-1,118	-1,126	-320	-306	-235	-267	-160	-150	-	-	-1,833	-1,849
Operating surplus	3,346	3,030	1,005	974	457	494	399	371	-	-	5,207	4,869
Central administration	-	-	-	-	-	-	-	-	-113	-101	-113	-101
Result from participations in joint ventures	-	-	-	-	-	-	-	-	1,105	159	1,105	159
Financial income	-	-	-	-	-	-	-	-	4	3	4	3
Financial expenses	-	-	-	-	-	-	-	-	-1,135	-1,046	-1,135	-1,046
Interest expenses, ground rents and land leases	-138	-	-2	-	-7	-	-	-	-	-	-147	-
Profit before value changes and tax											4,921	3,884
Change in value of investment properties	10,704	7,625	1,721	2,231	490	380	355	415	-	-	13,270	10,651
Depreciation of land lease agreements	-	-	-7	-	-	-	-	-	-	-	-7	-
Change in value of financial instruments	-	-	-	-	-	-	-	-	-881	13	-881	13
Divested/impaired goodwill	-	-36	-	-10	-74	-16	-	-	-	-	-74	-62
Profit before tax											17,229	14,486
Balance sheet	Stockholm		Gothenburg		Malmö		Uppsala		Group-wide		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investment properties	105,113	91,617	28,149	25,630	13,010	13,196	9,799	8,492	-	-	156,071	138,935
of which, investments during the year	3,000	2,004	801	731	242	412	397	188	-	-	4,440	3,335
of which, acquisitions/sales during the year	-208	-990	-3	-1,020	-918	-263	556	345	-	-	-573	-1,928
Ground rent agreements and land leases	4,945	-	52	-	246	-	-	-	-	-	5,243	-
Goodwill	1,047	1,047	435	435	346	420	80	80	-	-	1,908	1,982
Other assets	-	-	-	-	-	-	-	-	6,957	4,284	6,957	4,284
Total assets	111,105	92,664	28,636	26,065	13,602	13,616	9,879	8,572	6,957	4,284	170,179	145,201

2.2 Rental revenue

§ Accounting policies – rental revenue

The Group's revenue primarily consists of rental revenue and additional rental charges, which are invoiced in advance and allocated over a straight line so that only the portion that falls due during the period is recognised as revenue. IFRS 15 – Revenue from Contracts with Customers entered force 1 January 2018. The Group's revenue is essentially rental revenue, which is recognised pursuant to IAS 17 Leases. Vasakronan has chosen to view media, property tax and other expenses as an integrated part of rental revenue, since they are not independent services. In those cases where Vasakronan acts as the tenant's representative, the services are invoiced for separately. When applicable, recognised revenue is reduced by the cost of incentives. Larger rent discounts are allocated in a straight line over the term of the agreement. Surrender premia paid by tenants in conjunction with vacating leases prior to lease expiry are recognised as revenue in conjunction with the termination of the agreement and when no commitments remain for Vasakronan, which generally arises on vacation of the premises.

Rental agreements classified as operating leases and properties leased out under operating leases are included in investment properties.

Change in the Group's rental revenue

Income statement 2018	6,718
Change in comparable property holdings	376
Development properties	3
Acquired properties	16
Properties sold	-73
Income statement 2019	7,040

Lease portfolio expiry structure	No. of contracts	Annual rent
Expires within 1 year ¹⁾	2,482	1,283
2021	879	1,186
2022	802	1,349
2023	402	1,004
2024	155	550
More than 5 years	608	1,821
Total	5,328	7,193

1) Of which, 1,175 residential leases with annual rents amounting to SEK 101 million.

At year end, the average remaining term to maturity for the lease portfolio was 3.9 years (4.2). Of contracted rents, 95% (95) pertained to commercial leases and 5% (5) to leases for residential and parking facilities. There are some 4,150 commercial leases (4,250) allocated across tenants in a number of different industries, no single tenant accounts for more than 3% of rental revenue. Public sector tenants account for 24% (24) of contracted rents. Credit loss exposure is reduced through analysis of tenants' credit ratings for new lettings and on an ongoing basis; when needed, requirements are set for collateral.

2.3 Costs

The Group's costs mainly encompass direct property expenses and administration costs.

Costs recognised in profit or loss	Group	
	2019	2018
Property expenses excl. admin.	-1,456	-1,492
Property administration	-377	-357
Central administration	-113	-101
Total	-1,946	-1,950

Expenses allocated by category	Group	
	2019	2018
Repairs and maintenance	-119	-108
Property tax	-655	-527
Ground rents	-	-146
Other direct property expenses	-676	-706
Personnel costs	-422	-415
Depreciation	-11	-12
Other external expenses	-63	-36
Total	-1,946	-1,950

The operations of the Parent Company consist of Group-wide functions and management of properties owned by other Group companies. The property management costs are invoiced to the property-owning Group companies as property administration. Central administration costs are recognised in the Parent Company and relate to the costs associated with the Group management, property investments, financing and central marketing.

Administration	Group	
	2019	2018
Personnel costs	-291	-289
Procured services	-88	-79
IT	-56	-43
Marketing	-18	-14
Depreciation, equipment	-5	-7
Other	-32	-26
Total	-490	-458

Auditors' fees	Group/ Parent Company	
	2019	2018
Audit engagement	1.4	1.4
Audit activities other than the audit engagement	0.3	0.3
Tax advice	0.1	0.1
Other	0.3	0.4
Total	2.1	2.2

The audit engagement refers to the statutory audit required of the auditors in order to be able to submit an auditors' report.

2.4 Employees, personnel costs and remuneration to the Board

§ Accounting policies – Employee compensation

Remuneration of employees as vested and comprises salaries, paid holiday, paid sick leave and other benefits as well as pensions. Pensions are based on defined-contribution or defined-benefit pension plans. For defined-contribution pension plans a fixed premium is paid to a separate legal entity and the Group expenses the resulting cost as the benefit is vested. For defined-benefit pension plans, the employee is guaranteed an amount on retirement. Vasakronan applies IAS 19 for these.

The recognised commitment for defined-benefit obligations is calculated by an independent actuary at the present value of future disbursements discounted by the interest rate on high-quality mortgage bonds with corresponding maturities to the term of the actual pension obligation. Actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

Employees

All of the Group's staff are employed by the Parent Company, Vasakronan AB. In 2019, the average number of employees was 308 (313), of these 139 (143) were women and 169 (170) men. More details regarding the number of employees is available in the Group's sustainability reporting.

Vasakronan's senior executives refers to the 12 individuals who, together with the CEO, comprise the Management Team, refer to page 109. At the balance-sheet date, the gender breakdown of the Group's senior executives was as follows: 6 (6) women and 7 (7) men, and for the Board: 6 (5) women and 3 (4) men.

Salaries and other benefits

Salaries and other benefits for the CEO and other senior executives consist only of fixed salaries. Variable compensation can be paid to other employees based on the operational focus areas, which for 2019 were net operating income, occupancy rate, area let, major projects and customer satisfaction. The Group has a standardised model for variable compensation, whereby the maximum outcome is capped at two months' salary. A provision has been made in the annual accounts for an estimated outcome corresponding to one month's salary and was established on an individual basis in Q1 2020. Variable compensation for the 2018 financial year was distributed during the year and was also capped at two months' salary. The average outcome corresponded to 1.2 months' salary.

Salaries, other benefits and social security costs	Group/ Parent Company	
	2019	2018
Senior executives	32	30
Other employees	196	194
Total salaries and benefits	228	224
Pension costs	88	88
Social security costs	96	95
Total	412	407

Remuneration to the Board

Remuneration to the Board is determined by resolution of the AGM. From the 2018 AGM, Board fees are paid as salary, previously it was possible for Board members to invoice as a sole trader or through their companies. Board members employed at one of the Swedish national pension funds or at Vasakronan receive no Board fees.

Senior executives 2019 (SEK 000)	Basic salary/Board and committee fees ¹⁾	Other benefits ²⁾	Pension costs	Total
Chairman of the Board				
Ulrika Francke	770	-	-	770
Other Board members				
Jan-Olof Backman ³⁾	133	-	-	133
Ann-Sofi Danielsson	380	-	-	380
Christel Kinning	280	-	-	280
Rolf Lydahl ⁴⁾	164	-	-	164
Magnus Meyer ⁵⁾	140	-	-	140
Kia Orback Pettersson ⁶⁾	140	-	-	140
	2,007			2,007
Chief Executive Officer Johanna Skogestig				
1 Nov-31 Dec	776	6	196	978
Chief Executive Officer Fredrik Wirdenius				
1 Jan-31 Oct	5,492	51	2,337	7,880
1 Nov-31 Dec	1,070	10	468	1,548
Other senior executives	22,798	415	12,047	35,260
	30,136	482	15,048	45,666
Total	32,143	482	15,048	47,673

Senior executives 2018 (SEK 000)	Basic salary/Board and committee fees ¹⁾	Other benefits ²⁾	Pension costs	Total
Chairman of the Board				
Ulrika Francke ⁷⁾	359	–	–	359
Mats Wäppling ⁸⁾	348	–	–	348
Other Board members				
Jan-Olof Backman	265	–	–	265
Ann-Sofi Danielsson	291	–	–	291
Christel Kinning	265	–	–	265
Rolf Lydahl	328	–	–	328
	1,856			1,856
Chief Executive Officer Fredrik Wirdenius	6,310	57	1,791	8,158
Other senior executives	21,963	373	11,060	33,396
	28,273	430	12,851	41,554
Total	30,129	430	12,851	43,410

1) Remuneration to employees pertains to remuneration paid in 2019, while remuneration to the Board pertains to Board fees as adopted by the AGM.

2) Other benefits pertain primarily to costs for group health insurance and group life insurance.

3) Pertains to fees paid in 2019. Jan-Olof Backman stepped down from the Board in conjunction with the May 2019 AGM.

4) Pertains to fees paid in 2019. Rolf Lydahl stepped down from the Board in conjunction with the May 2019 AGM.

5) Magnus Meyer was elected to the Board at the May 2019 AGM. Board fees amount to SEK 280,000 per year.

6) Kia Orback Petterson was elected to the Board at the May 2019 AGM. Board fees amount to SEK 280,000 per year.

7) Ulrika Francke was elected to the Board at the May 2018 AGM. Board fees amount to SEK 660,000 per year, Audit Committee fees to SEK 26,000 per year and fees as Chairman of the Remuneration Committee to SEK 32,000 per year.

8) Pertains to fees paid in 2018. Mats Wäppling stepped down from the Board in conjunction with the May 2018 AGM.

Pensions

The pension rights of salaried employees are covered pursuant to the defined-benefit BTP pension plan (the occupational pension plan for Swedish bank employees), which is financed through payments to SPP and, according to a statement from the Swedish Financial Reporting Board UFR 10, this comprises a multi-employer plan.

The following applied for the CEO until 31 October 2019: The CEO's employment contract extended until the age of 62. The pension terms and conditions adhered to the defined-benefit BTP plan, and were calculated based on a pension age of 65. During the contracted employment period, a supplementary and defined-contribution pension provision was also made. If the provision amounted to less than 30% of pensionable monthly salary, a supplementary payment was made up to that level. Settlement was carried out by the end of February, the year after the settlement year.

The following applied for the CEO from 1 November 2019: Pensionable salary consists of the applicable base salary and holiday pay. The pension provision is 30% of pensionable salary with a pension age of 65.

Other senior executives have a "10-pointer" pension solution through the BTP plan, and are calculated based on a retirement age of 65.

Terms and conditions

The following applied for the CEO until 31 October 2019: A notice period of six months. In the event that notice was given by the company, the notice period was 12 months and the CEO would then receive severance pay corresponding to 12 months' salary.

The following applied for the CEO from 1 November 2019: In the event of termination of employment, a mutual notice period of six months applies. In the event of notice being given by the company, or due to some other reason for immediate dismissal, further severance pay corresponding to 12 months' salary is due in addition to the benefits during the notice period.

Other senior executives are subject to a mutual notice period of six months. If employment is terminated by the company, the senior

executive is entitled to severance pay of 12 months' salary, unless the executive is aged over 50 at the time, in which case severance pay is increased to 18 months' salary.

If the CEO or other senior executives receive remuneration from other employment, the severance pay is reduced by a corresponding amount. If the employment is terminated by the CEO or other senior executive, no severance pay is due.

Provision for pensions

The pension solutions primarily encompass retirement, disability and survivors' pensions, and are held in either defined-contribution or defined-benefit pension plans. Defined-contribution pension plans consist of BTPK and ITPK, and defined-benefit plans comprise BTP which is secured through insurance with SPP, as well as a number of retirement and survivors' obligations secured with Skandia.

When Vasakronan was founded as a company in 1993, it took over the defined-benefit pension obligations from Byggnadsstyrelsen, which were administered by the National Government Employee Pensions Board (SPV) and have mainly been secured with KPA. Moreover, Vasakronan has a defined-benefit ITP secured through insurance with Alecta, which is recognised in accordance with the Swedish Financial Reporting Board's statement UFR10 as a defined-contribution pension. The obligation in Alecta has been agreed previously and no new premiums or fees were paid. At the end of the financial year, Alecta had a consolidation ratio of 148 (142).

Under IAS 19, all defined-benefit pension rights are vested on a straight-line basis over the period of employment. This means that the pension costs in the consolidated income statement consist of an estimated value which could differ from the actual paid-up pension premiums recognised in the Parent Company. The present value of pension obligations and the fair value of plan assets are recognised net in the consolidated balance sheet.

Pension costs in the income statement	Group		Parent Company	
	2019	2018	2019	2018
Pension costs, defined-contribution	67	70	35	38
Pension costs, defined-benefit	15	13	53	50
Separate payroll tax on pension costs	20	18	22	20
Total pension costs in the income statement	102	101	110	108
Of which recognised as property administration	82	80		
Of which recognised as central administration	20	21		

Pension costs in other comprehensive income, excl. tax

Actuarial gains(-)/losses(+), incl. payroll tax	41	18		
Restriction for surplus in pension plan with asset cap, incl. payroll tax	-5	-8		
Total pension costs in other comprehensive income, excl. tax	36	10		

Net debt defined-benefit pensions, Group	Group			
	2019	2018	2019	2018
Change in the defined-benefit obligation				
Present value of the pension obligation, opening balance	433	419		
Pension rights vested through service ¹⁾	14	12		
Interest on pension obligation ¹⁾	9	9		
Pension disbursements	-17	-19		
Actuarial gains(-)/losses(+) on pension obligations ²⁾	56	12		
Present value of the obligation, closing balance³⁾	495	495	433	433
Change in plan assets				
Fair value of plan assets, opening balance	-377	-370		
Interest income ¹⁾	-8	-8		
Paid-in premiums	-22	-20		
Pension disbursements	16	19		
Return on plan assets excluding interest income ²⁾	-22	2		
Fair value of plan assets, closing balance	-413	-413	-377	-377
Restriction for surplus in pension plan with asset cap		8		11
Other pension obligations		7		6
Separate payroll tax on net pension debt		22		18
Net debt, defined-benefit pensions		119		91

1) Recognised in profit or loss.

2) Recognised in other comprehensive income.

3) Expected weighted-average duration for the obligation's present value at 31 December 2019 is 18.57 years (17.21).

The plan assets mainly comprise shares, interest-bearing securities and participations in funds.

The difference between the actual and the expected return amounted to SEK 22 million (negative: 2) and was recognised as the return on plan assets excluding interest income.

Net actuarial gains and losses after tax amounted to SEK 29 million (8) and were recognised in other comprehensive income under the alternative rule in IAS 19.

The Group's payments to defined-benefit plans are expected to amount to SEK 21 million in 2020.

Actuarial and financial assumptions (%):

	Group	
	2019	2018
Discount rate	1.5	2.1
Inflation	2.0	2.0
Expected annual wage growth	3.5	3.5
Expected annual increase in pension disbursements	2.0	2.0
Expected annual increase in income base amount	3.0	3.0

The discount rate corresponds to the interest rate on mortgage bonds and is the single assumption that has the largest impact on the size of the pension obligation. A 1 percentage point change in the discount

rate would, for example, result in a SEK 81 million change in the present value of the pension obligation.

2.5 Financial income and expenses

§ Accounting policies – Financial income and expenses

Financial income encompasses interest income on bank funds, receivables, financial investments and dividend income. Expenses consist of interest expense and other costs arising in conjunction with borrowing, such as arrangement fees and administrative expenses. The net effect of exchange-rate differences on financial items is recognised as an income or expense depending on the outcome. Financial income and expenses are recognised in profit or loss in the period in which they arise. Financial expenses pertaining to major new construction, extensions or redevelopments are capitalised in the balance sheet as investments during the production period.

Net financial items

Net financial items is not affected by the market values of contracted interest-rate derivatives, which are used to adjust fixed-interest periods, since they are recognised as changes in value under their own item. Refer to Note 6.4 for more information.

Financial income and expenses	Group		Parent Company	
	2019	2018	2019	2018
Interest income	4	3	4	3
Interest income from subsidiaries	-	-	837	64
Other financial income	0	0	0	0
Total financial income	4	3	841	67
Interest expense	-1,194	-1,042	-1,192	-1,041
Interest expense to subsidiaries	-	-	-20	-
Capitalised interest	107	62	-	-
Other financial expenses	-48	-66	-48	-66
Total financial expenses	-1,135	-1,046	-1,260	-1,107
Net financial items	-1,131	-1,043	-419	-1,040

The average interest rate for the loan portfolio over the period is used for capitalising interest expense. In 2019, the average interest rate was 1.8% (1.7).

NOTE 3 Tax

§ Accounting policies – Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except where the underlying transaction is recognised in other comprehensive income or directly in equity, in these cases the accompanying tax effect is also included.

The current income tax charge is calculated on the taxable income for the period and recognised as an expense or income in profit or loss. Taxable income differs from profit in the form of adjustments for non-taxable income and non-deductible items.

Current tax is tax that is to be paid or received in the current year adjusted with any current tax attributable to previous periods.

Deferred tax is recognised according to the balance sheet method, and deferred tax liabilities and tax assets are recognised in the balance sheet for all temporary differences that arise between the carrying amount and the tax base of an asset or liability. The carrying amounts for deferred tax assets and tax losses are tested at each reporting date and reduced if it is no longer likely that sufficient taxable profits will be available to be utilised fully or in part.

Deferred income tax is calculated based on tax rates and tax laws that have been enacted or substantively enacted by the balance-sheet date and, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The temporary difference that arises from the initial recognition of assets or liabilities in an asset acquisition is not recognised as deferred tax.

Tax on profit for the year	Group		Parent Company	
	2019	2018	2019	2018
Current tax	-230	-120	-196	0
Deferred tax	-3,090	-1,464	112	-109
Total tax on profit for the year	-3,320	-1,584	-84	-109

3.1 Summary of tax expense/income

Tax expense	Group		Parent Company	
	2019	2018	2019	2018
Recognised profit before tax	17,229	14,486	5,249	6,385
Tax on profit according to current tax rate, 21.4% (22.0)	-3,687	-3,187	-1,123	-1,405
Tax attributable to previous fiscal years	6	0	0	0
Tax effect of:				
Non-taxable sale of subsidiaries	182	323	-1	102
Divested goodwill	-16	-13	-	-
Non-taxable dividend	119	35	1,202	1,202
Impairment of participations	-	-	-109	0
Non-deductible interest expenses	-53	-	-49	-
Other non-taxable income/non-deductible costs	0	-1	0	-1
Effect of lowered tax rates on deferred tax	-	1,259	-	-7
Effect as a result of lowered tax rates on deferred tax	129	-	-4	-
Other adjustments	0	0	0	0
Tax expense recognised	-3,320	-1,584	-84	-109
Effective tax rate, %	19.3	10.9		

Current tax for 2019 has been calculated based on a nominal tax rate of 21.4%, while deferred tax has been calculated using a lower corporate tax rate of 20.6% in accordance with the government's decision to change the corporate tax rate from 1 January 2019. In 2018, the calculation of current tax was based on a tax rate of 22% and the calculation of deferred tax was based on a tax rate of 20.6%.

Properties can be divested directly or indirectly through the divestment of the property-owning subsidiary. Gains from the sale of property are taxable while gains from the sale of companies are in most cases free of taxes.

3.2 Deferred tax

Deferred tax liability	Opening balance		Recognised in profit or loss		Recognised directly in equity		Closing balance	
	2019	2018	2019	2018	2019	2018	2019	2018
Group								
Derivatives	-347	-480	-112	133	-	-	-459	-347
Investment properties	18,550	17,247	3,083	1,303	-	-	21,633	18,550
Untaxed reserves	80	53	69	27	-	-	149	80
Tax losses	-1	-1	-7	0	-	-	-8	-1
Other temporary differences	4	5	57	1	-7	-2	54	4
Total deferred tax	18,286	16,824	3,090	1,464	-7	-2	21,368	18,286
Parent Company								
Derivatives	-347	-480	-112	133	-	-	-459	-347
Investment properties	210	234	-	-24	-	-	- ¹⁾	210
Total deferred tax	-137	-246	-112	109	-	-	-459	-137

1) The change for the year pertained to deferred tax attributable to wholly owned general and limited partnerships divested to other Group companies.

3.3 Market value of deferred tax

The deferred tax liability is calculated in the balance sheet using a nominal tax rate and in the case of a market valuation of the deferred tax liability would probably result in a lower value than the carrying amount in the balance sheet. When calculating the EPRA triple net asset value (NNNAV), the fair value is calculated at 30% of the nominal tax rate of 20.6%, in other words 6.2%, which results in deferred tax of SEK 6,421 million. For more guidance, refer to the key metrics on page 146 and the definition for NNNAV on page 148.

3.4 Depreciation

Vasakronan recognises investment properties at fair value in the consolidated accounts. However, tax legislation permits depreciation of 2–5% for buildings, 5% for land improvements and 20–30% of the fixtures and fittings of a building or of the type of land improvement that constitutes the building and land inventory. Land may not be depreciated.

NOTE 4 Assets

4.1 Intangible assets

§ Accounting policies – intangible assets

Goodwill

The goodwill that arises when preparing the consolidated accounts comprises the difference between any consideration paid and the fair value of the net assets acquired. The Group's goodwill mainly arose from business acquisitions performed by Vasakronan and is recognised in accordance with IFRS 3 Business Combinations. In the Group, goodwill is mainly attributable to the difference between nominal and calculated tax for business combinations and is thus entirely linked to the deferred tax. This item changes if a property with goodwill is divested. When a property is sold, or alternatively if a need for impairment arises, goodwill attributable to the property is eliminated and recognised as "divested/impairment goodwill."

Other intangible assets

In addition to goodwill, the Group's intangible assets include brands acquired through business combinations that are valued at fair value at the acquisition date as well as investments during the year in certain new technical platforms.

Impairment testing

The useful lives for goodwill and the brand have been assessed as indefinite and therefore not subject to amortisation. Instead, their values are tested annually or on any indication of a need for impairment. Goodwill arising on acquisitions that are not considered asset acquisitions is tested for each property or balance-sheet item for which goodwill was allocated at the acquisition date.

Goodwill

The value of goodwill is tested each quarter to ensure the carrying amount for the property does not exceed the recoverable amount. The recoverable amount is mainly impacted by the assessed market value of deferred tax. The company management bases its assessment mainly on observable market data for completed transactions. When establishing the fair value for goodwill at the end of 2019, when marked-to-market deferred tax averaged 6.2% (6.2).

Other intangible assets

The value of the brand is tested annually or on any indication of a decline in value to identify any need for impairment and to then recognise the brand at cost less any accumulated impairments.

Intangible assets	Group					
	Goodwill		Other intangible assets		Total	
	2019	2018	2019	2018	2019	2018
Opening balance	1,982	2,045	107	100	2,089	2,145
Divested/impairment goodwill	-74	-62	-	-	-74	-62
Acquisitions for the year	-	-	11	7	11	7
Amortisation for the year	-	-	-2	-1	-2	-1
Closing balance	1,908	1,983	116	106	2,024	2,089

Goodwill decreased SEK 74 million (62) in conjunction with the sale of properties and companies in 2019.

4.2 Investment properties

§ Accounting policies – investment properties

Vasakronan's properties are held to generate rental revenue and capital appreciation, and are therefore classified as investment properties. The term investment properties includes land and buildings, land improvements, building and land installations, and ongoing projects. Investment properties are recognised at fair value in the balance sheet, which is determined by the management based on the properties' market values. Changes in the fair value are recognised as realised and unrealised value changes in profit or loss. Vasakronan applies IFRS 13 Fair Value Measurement – Level 3 Unobservable inputs for the asset or liability.

On initial recognition, property is recognised at cost, including directly attributable transaction costs, and thereafter at fair value at each reporting date.

Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the expenditure will accrue to the Group, in other words, when the expenditure adds value. Other repairs and maintenance costs are expensed when incurred.

In the case of new construction, extensions or redevelopments, interest expense during the production period is capitalised in accordance with IAS 23 Borrowing Costs, see Note 6.2.

Measurement

Fair value comprises the market value based on the most likely outcome of a sale with a normal marketing period in the open property market.

To establish the properties' fair value at each reporting date, market valuations are conducted for all properties. The valuation process is governed by a valuation policy under which all properties are valued by external parties at year end and mid year, and valued internally at the end of the first and third quarters. If an agreement has been signed regarding the purchase and sale of a property, the agreed property value is used as the market value in the next quarterly accounts.

External valuations are conducted pursuant to RICS Valuation – Global Standards (the Red Book). In parallel with the external valuation, an internal control of the reasonableness of this valuation is carried out. In 2019, the external valuation was conducted by Cushman & Wakefield in Gothenburg and Stockholm, and by Forum Fastighetsekonomi in Malmö and Uppsala.

Valuation assumptions

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

The cost of capital and requirements for yields are based on the valuers' experience-based assessments of market return requirements for comparable properties. The projections of future cash flows take into consideration the use of the object, its age and maintenance status. Rent payments are based on existing rental contracts and on their expiry, rent levels at market rates are assumed. Cost for operation, maintenance and administration are based on actual costs in combination with projections and experience from comparable objects. Future investments have been assessed based on actual requirements. The external valuers inspect each property every three years.

Valuation assumptions	2019 Average
Inflation assumption	2.0%
Cost of capital – cash flow	5.97%
Cost of capital – residual value	6.17%
Yield requirement – residual value	4.15%
Long-term vacancy rate	4.72%
Operating and maintenance costs, year 1	SEK 410 sq. m.
Investments, year 1	SEK 2,003 sq. m.
Market rent (at zero vacancies)	SEK 3,506 sq. m.

Yield requirement – residual value per sub-market	Interval	Average
Central Stockholm	3.25–5.25	3.85
Stockholm's inner suburbs	3.95–7.00	4.87
Gothenburg	3.65–4.30	4.05
Malmö	4.10–5.45	4.67
Uppsala	4.60–5.60	4.99

Change in value of investment properties	2019	Group 2018
Development properties	2,136	834
Transactions	47	369
Investment properties:		
Changed yield requirement	4,538	2,219
Change in market rents	6,549	7,229
Total change in value	13,270	10,651

The properties sold in 2019 are detailed on page 75. The total rental value for properties sold was SEK 114 million. Over the year, sales in a corporate wrapper have resulted in a gain of SEK 3 million (341) in the Parent Company.

Investment properties	2019	Group 2018
Opening balance	138,934	126,875
Investments	4,440	3,335
Acquisitions, consideration	977	594
Sales, consideration	-1,550	-2,521
Change in value	13,270	10,651
Closing balance	156,071	138,934
Fiscal values	47,887	46,234

Sensitivity analysis

The following table illustrates the effects on the market value of changes in each factor.

Sensitivity analysis	Change in assumption	Value impact, SEK m	Value impact, %
Yield requirement and cost of capital	+1 percentage point	-29,250	-18.7
Yield requirement and cost of capital	-1 percentage point	47,807	30.6
Long-term vacancy rate	+/- 1 percentage point	-/+1,710	-/+1.1
Operating and maintenance costs	+/- SEK 25 sq. m.	-/+1,247	-/+0.8
Market rents	+/- SEK 50 sq. m.	+/-2,494	+/-1.6

Undertakings	2019	2018
Capital expenditure investment properties	7,238	6,325

4.3 Equipment

§ Accounting policies – equipment

Equipment mainly comprises office equipment, which is recognised at cost less accumulated depreciation and any impairment losses. Equipment is depreciated using the straight-line method over a five-year period and residual values are assessed as negligible and not taken into consideration. Depreciation is calculated from the time the asset is taken into use.

Assets that are subject to depreciation are reviewed for impairment whenever an indication arises that the carrying amount may not be recoverable. The impairment is established as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Equipment	Group		Parent Company	
	2019	2018	2019	2018
Cost:				
Opening balance	131	124	66	70
Acquisitions	8	12	2	1
Sales and disposals	-10	-5	-9	-5
Closing balance – cost	129	131	59	66
Depreciation:				
Opening depreciation	-87	-78	-55	-51
Depreciation for the year	-11	-12	-5	-7
Sales and disposals	9	3	8	3
Closing balance – depreciation	-89	-87	-52	-55
Closing balance	40	44	7	11

NOTE 5 Operating receivables and liabilities

Accounts receivable are recognised net after provisions for doubtful receivables and the amount reflects the sum expected to be recovered based on the circumstances known at the balance-sheet date. The payment period for accounts receivable is short and fair value corresponds to amortised cost less accumulated impairment.

Other current receivables, prepaid expenses and accrued income are recognised at carrying amounts as the payment period is short.

5.1 Accounts receivable	Group		Parent Company	
	2019	2018	2019	2018
Tenant receivables	50	60	0	0
Provision for doubtful receivables	-15	-31	0	0
Closing balance	35	29	0	0

The Group reported losses of SEK 1 million (12) for the impairment of tenant receivables.

5.2 Other current receivables, prepaid expenses and accrued income	Group		Parent Company	
	2019	2018	2019	2018
Accrued interest income	240	173	240	173
Accrued rent discounts	86	103	-	-
Deposit account	298	271	298	271
VAT adjustment	12	18	-	-
Prepaid operating expenses	21	37	-	-
Other items	457	235	77	26
Closing balance	1,114	837	615	470

5.3 Other current liabilities, accrued expenses and deferred income	Group		Parent Company	
	2019	2018	2019	2018
Prepaid rental revenue	1,235	1,206	-	-
Accrued interest expense	481	324	481	324
Accrued expenses for ongoing projects	509	394	-	-
VAT	162	197	11	12
Deposits	300	271	-	1
Accrued operating expenses	31	43	-	-
Property tax	81	36	-	-
Vacation pay, social security expenses and employee withholding taxes	53	50	53	50
Other items	262	338	149	290
Closing balance	3,114	2,859	694	677

NOTE 6 Financing and capital structure**6.1 Goals for financial operations**

Owning and developing properties is a capital-intensive business. Interest expense is one of the Group's major cost items and access to cost-efficient financing is strategically important. Vasakronan finances its activities through owners' capital or through external borrowing, the division being decided by weighting the requirements for returns and financial stability.

Vasakronan's financial objective is, within set frameworks and with restrictions, to diversify its financing structure in terms of tenors and financing sources to thereby secure its required funding at the lowest possible cost.

Credit rating

In May 2019, Moody's confirmed the rating of A3 with a stable outlook. The rating is based on the high quality of the property portfolio, healthy financial metrics and the links to the company's owners, the First, Second, Third and Fourth Swedish National Pension Funds.

§ Accounting policies – Financial instruments**Financial instruments**

Financial instruments are defined as any form of agreement or contract that gives rise to a financial asset or liability. Financial assets in the balance sheet are: accounts receivable, receivables from joint ventures, cash and cash equivalents, and derivatives. Financial liabilities comprise: accounts payable, borrowings and derivatives.

The Group's financial assets are assigned the following categories in accordance with IFRS 9:

- Equity instruments: measured at FVTOCI
- Derivatives: measured at FVTPL
- Debt instruments: measured at FVTPL, or through the other comprehensive income alternative, in accordance with the cost, since the aim of the instrument is the basis for its classification

Fair value estimation

The fair value of financial instruments traded on an active market is based on market valuations obtained from current market data. The bid price is used for financial assets and the put price for financial liabilities.

Method and decision data

- Derivatives are calculated by discounting future contracted cash flows with the actual market interest rate for the respective tenor
- Financial liabilities are calculated by discounting future contracted cash flows at the current market interest rate
- Accounts receivable and accounts payable are based on their nominal values, in other words, consideration is taken to any estimated credits

Financial risks and reporting

Financing and financial risks are managed pursuant to guidelines set by Vasakronan's Board. The Group is exposed to financing risk, interest-rate risk, credit risk and currency risk in its financing operations.

Financial policy

Goals, governing principles and allocation of responsibilities across treasury operations are set in Vasakronan's financial policy. The policy regulates the risk mandate and the principles for calculating, reporting, following up and controlling financial risks. In accordance with the policy, the duality principle applies in conjunction with transactions in so far as the individual who conducts and registers a transaction does not have authority to control and administer the funds pertaining to the trans-

action. Authority to conclude business transactions is regulated through powers of attorney with the respective counterparty. The financial policy is evaluated on an ongoing basis and adopted each year by the Board.

All financial operations are conducted by a central finance function to ensure efficient management and control of the company's financial risks and to enable the utilisation of economies of scale.

Summary, compliance with financial policy	Policy	31 Dec 2019
Financing risk		
Loan-to-maturity	min. 2 years	5.2
Loans maturing, 12 months	max. 40%	19%
Credit commitments and cash/loans maturing 12 months	at least 100%	166%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	4.6
Fixed-interest period	min. 2 years	5.8
Fixed-interest maturity within 12 months	max. 55%	32%
Currency risk		
Currency exposure with no foreign currency assets	No exposure	met
Currency exposure with foreign currency assets	max 1% of total assets	met
Credit risk		
Counterpart's rating	min. A-, or BBB+ with CSAs	met

6.2 Breakdown of funding sources, share of total loan portfolio

	Loan limit	Nominal amount base currency	Amount utilised	Share, %
Commercial paper	25,000		7,235	11%
Bonds, SEK	62,999 ¹⁾		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		11,603	17%
NIB and EIB	4,827		4,827	7%
Credit facility from owners	18,000		-	-
Total			66,638	100

1) The amount corresponds to EUR 6 billion and encompasses all currencies.

Summary of liabilities arising from financing activities – Group	Opening balance	Loan repayments	New borrowings	Repayment premiums/ discounts	Exchange-rate differences	Closing balance
Commercial paper	6,157	-18,288	19,366	-	-	7,235
Bonds, SEK	26,729	-9,325	7,500	5	-	24,909
Bonds, NOK	10,162	-529	325	-	403	10,361
Bonds, EUR	305	-	4,280	-	-1	4,584
Bonds, JPY	-	-	835	-	26	861
Bonds, AUD	-	-	529	-	-3	526
Bonds, USD	-	-	1,770	-	-38	1,732
Secured bank loans	12,907	-2,567	1,269	-6	-	11,603
Unsecured bank loans	4,827	-	-	-	-	4,827
Total	61,087	-30,709	35,874	-1	387	66,638

Exchange-rate differences and repayment premiums/discounts are non-cash items.

Loan terms and conditions

- Agreements for commercial paper and bank loans contain an ownership covenant that allows lenders to terminate the loan and require repayment unless the First, Second, Third and Fourth Swedish National Pension Funds collectively or separately own at least 51% of Vasakronan. A similar ownership covenant is included in bond agreements whereby the bondholder can require repayment if a change in ownership, as above, should lead to a downgrade of the company's rating by at least one level
- The bank loan agreements also contain a covenant specifying that the interest coverage ratio may not fall below a multiple of 1.5

- Unsecured loan agreements also include covenants stating that the LTV may not exceed 65%
- The bond is subject to a covenant that covered financing may not exceed 40% of the Group's total assets

Carrying amount

Interest-bearing liabilities are recognised at amortised cost, which is reported in the above tables.

6.3 Financial risks

Currency risk

Currency risk pertains to unfavourable changes in exchange rates that impact the Group's financial position. When borrowing, all currency risk is to be eliminated and the exchange rate for interest payments and loan repayments of foreign currency loans hedged using currency swaps. Where assets in foreign currency exist, currency exposure (net of assets and liabilities in foreign currencies) is permitted corresponding to a maximum of 1% of the company's total assets.

At 31 December 2019, borrowing in foreign currency amounted to NOK 9,720 million (9,700), EUR 437 million (30), JPY 10,000 million (-), AUD 80 million (-) and USD 185 million (-).

Financing and liquidity risk

Financing risk pertains to the long-term risk that fulfilling the Group's capital requirements and refinancing loans outstanding becomes more difficult or expensive, for example through limitation to several different types of financing sources. This risk is limited since the average remaining tenors for interest-bearing liabilities may not be less than two years. Vasakronan has a credit facility that extends indefinitely from the First, Second, Third and Fourth Swedish National Pension Funds, whereby the owners commit to supply the company with liquidity. The agreement has a volume of SEK 18 billion and a notice period of 24 months.

Cash and cash equivalents are recognised at nominal values and include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Liquidity risk pertains to Vasakronan's risk of having insufficient cash funds or credit to meet its payment obligations. The risk is balanced since the relationship between credit commitments, cash funds and loans maturing within 12 months must be not less than 100%.

The maturity analysis is based on amounts for future undiscounted cash flows related to financial receivables and liabilities, including interest, allocated over the period until the contractual maturity date. The closing interest rates for the respective loans and derivatives form the basis for estimating future cash flows for all liabilities. The closing exchange rate is used for currency derivatives.

Interest-rate risk

Changes in market interest rates and credit margins influence borrowing expenses. Vasakronan's finance function limits the risk by maintaining an average fixed-interest tenor of at least two years. Interest-rate risk is reflected by the interest coverage ratio which, pursuant to the financial policy, should always exceed a multiple of 2.0 over the last 12 months.

Liquidity risk - maturity analysis

Group	2019				2018			
	0-1 year	1-2 years	2-5 years	>5 years	0-1 year	1-2 years	2-5 years	>5 years
Assets								
Accounts receivable	35	-	-	-	29	-	-	-
Other receivables	1,114	-	-	-	837	-	-	-
Cash and cash equivalents	3,515	-	-	-	2,215	-	-	-
Total	4,664	-	-	-	3,081	-	-	-
Liabilities¹⁾								
Bonds	-5,978	-9,623	-15,786	-16,994	-8,349	-7,543	-17,120	-6,494
Bank loans	-661	-698	-7,811	-8,164	-1,209	-619	-7,209	-9,465
Commercial paper	-7,235	-	-	-	-6,155	-	-	-
Interest-rate derivatives	-553	-555	-1,534	-1,504	-587	-610	-1,856	-2,053
Currency derivatives – inflows	1,308	224	1,639	8,881	786	1,282	4,149	6,540
Currency derivatives – outflows	-1,184	-118	-1,344	-8,431	-611	-1,143	-3,752	-5,927
Accounts payable	-220	-	-	-	-118	-	-	-
Total	-14,523	-10,770	-24,836	-26,212	-16,243	-8,633	-25,788	-17,399

1) Excl. Liabilities, leaseholds and land leases.

Cash and cash equivalents	Group		Parent Company	
	2019	2018	2019	2018
Cash and cash equivalents	3,515	2,215	3,506	2,212
Closing balance	3,515	2,215	3,506	2,212

Maturity structure current and non-current interest-bearing liabilities in the Group and Parent Company	Group/Parent Company			
	Fixed-interest Amount	Share, %	Loan-to-maturity Amount	Share, %
0-1	21,062	32	12,956	19
1-2	652	1	9,050	14
2-3	3,201	5	8,516	13
3-4	1,800	3	6,954	10
4 years or more	39,923	59	29,162	44
Closing balance	66,638	100	66,638	100
of which				
Interest-bearing liabilities – floating rate	19,833			
Interest-bearing liabilities – fixed rate	46,805			

1) The credit facility 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 72 for more information.

6.4 Derivatives

Derivatives are recognised in the balance sheet at the contract date and are measured on an ongoing basis at fair value pursuant to Level 2 in IFRS 13. All derivatives are recognised as assets when fair value is positive and as liabilities when negative. Gains or losses arising from changes in value are recognised in profit or loss. Derivatives may only be used for risk management within the framework of the financial policy and the electricity trading policy, and are used primarily for controlling fixed-interest tenors and balancing the following risk areas:

Risk area	Derivative contracts
Interest-rate risk	Interest-rate swaps, inflation-linked swaps
Currency risk	Currency swaps
Price risk - electricity	Electricity forwards

Derivative contracts in the consolidated and Parent Company balance sheets

Derivatives - financial assets	2019	2018
Interest-rate swaps, currency swaps	664	220
Electricity derivatives	5	33
Closing balance	669	253

Derivatives - financial liabilities	2019	2018
Interest-rate swaps, currency swaps, inflation-linked swaps	-2,795	-2,220
Closing balance	-2,795	-2,220

Net Derivatives	-2,126	-1,967
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To reflect counterparty risk, derivatives are adjusted to fair value through the CVA (Credit Value Adjustment) and DVA (Debt Value Adjustment) components. The CVA shows Vasakronan's credit risk in the event of the counterparty defaulting while the DVA reflects the company's own risk of default. Calculation of the valuation adjustment is based on the expected exposure, probability of default and recovery rates for exposed credits. At 31 December 2019, the net value was SEK 38 million (24) and is included in the value of interest-rate swaps.

Credit risk

Credit risk pertains to the risk that Vasakronan's counterparty is unable to discharge its commitments in conjunction with liquidity management and using financial derivatives. This risk is limited by working with a number of different counterparties. The financial policy also states that:

- Derivative agreements are signed with counterparties that have a credit rating of at least A- on Standard & Poor's rating scale or BBB+ with CSAs
- Cash and cash equivalents may only be invested with selected counterparties that have a credit rating of at least BBB on Standard & Poor's rating scale or alternatively Baa2 on Moody's rating scale
- The duration of liquidity investments may not exceed six months
- ISDA agreements are required that allow offsetting of payables and receivables from the same counterparty

Counterparty risk - derivative contracts

As part of managing counterparty risks in derivative contracts, the Group has entered into credit support annexes (CSAs) to International Swaps and Derivatives Association (ISDA) agreements. The annexes are mutual and both parties undertake to post cash collateral for deficit and surplus values in derivative contracts outstanding. As of 31 December 2019, the Group has received and posted such collateral.

Non-current receivables	Group		Parent Company	
	2019	2018	2019	2018
Deposits, CSAs	113	213	113	213
Other non-current receivables	61	57	56	54
Closing balance	174	270	169	267

Other non-current liabilities	Group		Parent Company	
	2019	2018	2019	2018
Deposits, CSAs	326	19	326	19
Liabilities to subsidiaries	-	-	728	-
Other non-current liabilities	59	57	57	53
Closing balance	385	76	1,111	72

6.5 Financial instruments

Fair value corresponds to carrying amounts for the following financial instruments: accounts receivable, accounts payable, derivatives and cash and cash equivalents. Fair value for other financial instruments is established using the current yield curve along with a borrowing

margin, which currently results in a lower interest rate than that contracted for the loan. Recognition at fair value would increase the Group's liabilities by SEK 1,048 million and reduce equity by SEK 824 million. All investments in financial instruments are intended to be held till maturity.

Classification of financial instruments, Group	Loans and accounts receivable		Financial assets/liabilities at FVTPL		Other financial liabilities		Total carrying amount		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Financial assets										
Accounts receivable	35	29	-	-	-	-	35	29	35	29
Deposits, CSAs	113	213	-	-	-	-	113	213	113	213
Derivatives	-	-	669	253	-	-	669	253	669	253
Cash and cash equivalents	3,515	2,215	0	0	-	-	3,515	2,215	3,515	2,215
Total	3,663	2,457	669	253	-	-	4,332	2,710	4,332	2,710
Financial liabilities										
Bonds	-	-	-	-	42,973	37,196	42,973	37,196	43,722	37,401
Bank loans	-	-	-	-	16,430	17,734	16,430	17,734	16,730	17,895
Commercial paper	-	-	-	-	7,235	6,157	7,235	6,157	7,234	6,153
Liabilities, leaseholds and land leases	-	-	-	-	5,244	-	5,244	-	5,244	-
Accounts payable	-	-	-	-	220	118	220	118	220	118
Deposits, CSAs	-	-	-	-	326	19	326	19	326	19
Derivatives	-	-	2,795	2,220	-	-	2,795	2,220	2,795	2,220
Total	-	-	2,795	2,220	72,428	61,224	75,223	63,444	76,271	63,806

Change in value of financial instruments	Group/Parent Company	
	2019	2018
Interest-rate derivatives	-518	470
Early settlement of derivatives	-335	-484
Valuation allowances for foreign currency loans	-387	38
Valuation allowances for currency derivatives	387	-38
Electricity derivatives	-28	27
Total	-881	13

6.6 Pledged assets and contingent liabilities

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

Vasakronan is a limited partner in Stora Ursvik KB and its responsibility for the company's undertakings is limited to an amount equivalent to the invested capital of SEK 46 million (46). The Parent Company's contingent liabilities of SEK 0 million (488) pertain to liabilities at the

Group's general and limited partnerships in which the Parent Company is a partner.

For the Järvastaden AB joint venture, Vasakronan has issued surety of SEK 241 million (241) for the performance of the implementation agreement with Svenska Kraftnät.

Pledged assets and contingent liabilities	Group		Parent Company	
	2019	2018	2019	2018
Property deeds	11,625	13,049	None	None
Contingent liabilities	287	287	None	488

6.7 Adjustment for non-cash items

Adjustment for non-cash items	Group		Parent Company	
	2019	2018	2019	2018
Estimated defined-benefit pension costs	-8	-8	-	-
Sales/discontinuation of Group companies	-	-	-3	-341
Result from participations in joint ventures	-2	-	-	-
Equipment sales	-3	-1	-2	-1
Total	-13	-9	-5	-342

NOTE 7 Group structure**7.1 Shares and participations in subsidiaries**

Shares and participations in subsidiaries	Parent Company	
	2019	2018
Opening balance	30,660	30,610
Shareholders' contributions	9,284	-
Acquisitions	0	-
Settlement of earnings shares	-593	35
Sales	-1,206	13
Impairment	-512	-
Reversed impairment	2	2
Closing balance	37,635	30,660
Of which, assets	37,635	30,660

Companies in the Vasakronan AB Group	Shares/ participations ¹⁾	Share of equity, % ²⁾	Carrying amount in Parent Company	
			2019	2018
Civitas Holding AB, 556459-9164, Stockholm	500	100	30,106	24,685
Vasakronan Fastigheter AB, 556474-0123, Stockholm	500	100	-	-
Vasakronan Holdingfastigheter AB, 556611-6850, Stockholm	1,000	100	-	-
Vasakronan Inom Vallgraven 22:3 AB, 556879-7012, Malmö	500	100	-	-
Vasakronan Malmöfastigheter AB, 556376-7267, Stockholm	5,000	100	-	-
Handelsbolaget Gotic, 969622-2844, Trelleborg	100	100	-	-
Ankarspik 115 AB, 559122-1519, Stockholm	500	100	-	-
Fastighets AB Luxor, 556059-7139, Stockholm	2,000	100	-	-
Vasakronan IC AB, 556497-7279, Stockholm	50	100	-	-
Vasakronan Vattenled A, 556577-9088, Stockholm	1,000	100	-	-
Vasakronan Priorinnan 5 AB, 559073-2151, Stockholm	500	100	-	-
Mabrabo AB, 556339-0227, Stockholm	10,000	100	-	-
Vasakronan Kista Science Tower AB, 556649-8043, Stockholm	1,000	100	-	-
Kymlinge Utvecklings AB, 556647-7583, Stockholm	1,000	100	-	-
Vasakronan Kista Science Tower KB, 969660-7820, Stockholm	100	100	-	-
Vasakronan Uppsalafastigheter AB, 556651-1092, Stockholm	1,000	100	-	-
Kungspinnen I AB, 556701-4278, Stockholm	1,000	100	-	-
Frösunda Hus I AB, 556704-9183, Stockholm	1,000	100	-	-
Frösunda Hus II AB, 556704-9175, Stockholm	1,000	100	-	-
Frösunda Hus III AB, 556704-6213, Stockholm	1,000	100	-	-
Vasakronan Priorinnan 2 AB, 556675-2423, Stockholm	1,000	100	-	-
Vasakronan Ängen AB, 556637-3550, Stockholm	1,000	100	-	-
Vasakronan Hakberget AB, 556745-5695, Stockholm	1,000	100	-	-
Vasakronan Trähus AB, 556715-4850, Stockholm	1,000	100	-	-
Vasakronan Hammarby Gård 12 AB, 556766-4007, Stockholm	1,000	100	-	-
Vasakronan Boländerna 7:4 AB, 556297-1696, Stockholm	1,000	100	-	-
Vasakronan Fålhagen 1:39 AB, 556876-3204, Stockholm	1,000	100	-	-
Vasakronan Sejen 3 AB, 556837-6742, Stockholm	500	100	-	-
Vasakronan Fastighetsutveckling AB, 556532-9108, Stockholm	1,000	100	-	-
Järvatorget AB, 556548-5546, Stockholm	1,000	100	-	-
Vasakronan Utvecklings AB, 556611-6900, Stockholm	1,000	100	-	-
Vasakronan Ullevifastigheter Holding AB, 556718-7884, Stockholm	1,000	100	-	-
Vasakronan Ullevifastigheter AB, 556718-6704, Stockholm	1,000	100	-	-
Ullevi Park Holding 1 i Göteborg AB, 556718-6688, Stockholm	1,000	100	-	-
Ullevi Park 1 i Göteborg AB, 556718-6621, Stockholm	1,000	100	-	-
Vasakronan Skänegatan AB, 556870-5791, Stockholm	500	100	-	-
Vasakronan Hekla AB, 559088-2196, Stockholm	500	100	-	-
Vasakronan Hekla Fastigheter AB, 559091-2340, Stockholm	500	100	-	-
Vasakronan Markholding AB, 556675-1771, Stockholm	1,000	100	-	-
Vasakronan Diktaren 1 AB, 556943-7584, Stockholm	500	100	-	-
Ankarspik 41 AB, 556761-8763, Stockholm	1,000	100	-	-

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

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

Companies in the Vasakronan AB Group	Shares/ participations ¹⁾	Share of equity, % ²⁾	Carrying amount in Parent Company	
			2019	2018
Fastighets AB Gesimsen Grön, 556011-7698, Stockholm	50,000	100	1,892	1,778
Fastighets AB Svava, 556268-6658, Uppsala	500,000	100	-	-
Vasakronan Uppsala City AB, 556057-0896, Uppsala	75,000	100	-	-
Aktiebolaget Nepos, 556238-9105, Uppsala	500	100	-	-
Uppsala Science City AB, 556250-5346, Uppsala	300,000	100	-	-
Uppsala Science Park KB, 916512-8126, Uppsala	200	100	-	-
Vasakronan Blåmannen AB, 556825-9302, Stockholm	500	100	1,110	3
Vasakronan Stockholmsstuten AB, 556820-7798, Stockholm	500	100	611	0
Vasakronan Kaninen 30 AB, 556740-3604, Stockholm	1,000	100	473	15
Vasakronan Bassängkajen AB, 556696-1362, Stockholm	1,000	100	367	214
Fastighets Aktiebolaget Telefonfabriken, 556577-4535, Stockholm	1,000	100	360	322
Vasakronan Inom Vallgraven 22:16 AB, 556865-4163, Stockholm	500	100	333	180
KB Positionen 2, 969666-7485, Stockholm	1,000	100	278	278
RTB Reval KB, 969635-4886, Stockholm	200	100	-	-
Ankarskruv 1 AB, 556339-0839, Stockholm	1,000	100	251	98
Agilia Förvaltnings AB, 556651-1852, Stockholm	1,000	100	-	-
KB Inom Vallgraven 22:15 Göteborg, 916445-7039, Stockholm	200	100	-	-
Arkaden Göteborg KB, 969646-3448, Stockholm	200	100	-	-
Allmänna Pensionsfondens Fastighets nr 53 KB, 969646-3836, Stockholm	200	100	-	-
Fastighets AB Skjutsgossen nr 8 & Co KB, 916502-7971, Stockholm	105	100	-	550
Nisseshus Nr 1 HB, 916587-3424, Stockholm	-	100	-	310
Allmänna Pensionsfondens Fastighets nr 63 KB, 969646-7522, Stockholm	200	100	-	173
Förvaltningsbolaget Alvikshus HB, 916501-8004, Stockholm	-	100	-	147
Fastighetsbolaget Brödrtorget & Co KB, 989200-4418, Stockholm	100	100	-	63
Allmänna Pensionsfondens Fastighets nr 12 KB, 969646-4016, Stockholm	200	100	-	61
Vasakronan Nordstaden 10:20 AB, 556865-4205, Stockholm	500	100	214	99
Fastighets Aktiebolaget Bodega, 556031-4246, Stockholm	3,000	100	213	213
Fastighets AB Gesimsen, 556482-7318, Stockholm	1,000	100	-	-
KB Radio Östra, 916625-7007, Stockholm	1,000	100	-	-
Vasakronan Kaninen 32 AB, 556740-3612, Stockholm	1,000	100	173	97
AB Studentskrapan, 556611-6868, Stockholm	1,000	100	171	95
Position Stockholm AB, 556577-3818, Stockholm	1,000	100	158	120
Vasakronan Värtan Exploatering AB, 556984-3963, Stockholm	500	100	-	-
Vasakronan Stapelbädden 3 AB, 556740-2614, Stockholm	500	100	151	75
Vasakronan Magasinet 1 AB, 556692-9146, Stockholm	1,000	100	151	151
Vasakronan Inom Vallgraven 20:14 AB, 556865-4361, Stockholm	500	100	135	59
Vasakronan Heden 22:19 AB, 556859-5291, Stockholm	500	100	113	113
AP Fastigheter AB, 556417-5858, Stockholm	100,000	100	98	593
Vasakronan Ankarspik 47 AB, 556772-0676, Stockholm	1,000	100	-	-
Vasakronan Magasin XAB, 559016-1450, Stockholm	500	100	-	-
Ankarspik 100 AB, 559016-1427, Stockholm	500	100	-	-
Vasakronan Nordstaden 21:1 AB, 556875-2918, Stockholm	500	100	90	52
Vasakronan Jungmannen 1 AB, 556646-7089, Stockholm	1,000	100	88	50
Allmänna Pensionsfondens Fastighets AB, 556355-6835, Stockholm	500	100	60	60
Vasakronan Starkströmmarna AB, 556771-7920, Stockholm	1,000	100	39	4
Allmänna Pensionsfondens Fastighets nr 59 KB, 969646-4032, Stockholm	200	100	-	-
Nacka Strand Förvaltnings Aktiebolag, 556034-9150, Stockholm	500	100	0	2
Gotic AB, 556708-2101, Stockholm	50,000	100	0	0
Vasakronan Nedo AB, 556772-2805, Stockholm	500	100	0	0
Vasakronan Invest AB, 559172-8950, Stockholm	500	100	0	-
Idun Real Estate Solutions AB, 559016-1245, Stockholm	1,012	51	-	-
Beyond Us AB, 559016-1559, Stockholm	500	100	-	-
Tmpl Work AB, 556761-8961, Stockholm	1,000	60	-	-
Total			37,635	30,660

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

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

7.2 Shares and participations in joint ventures

Shares and participations in joint ventures	Group		Parent Company	
	2019	2018	2019	2018
Opening balance	366	368	1	1
Settlement of earnings shares	798	-3	0	0
Sales	0	-	-	-
Closing balance	1,164	365	1	1

Joint ventures	Corp. Reg. No.	Reg. office	Share of equity, %	Shares/ participations	Carrying amount	Other owners
Companies that pursue the long-term development of development rights at Järvafältet						
Järvastaden AB	556611-6884	Solna	50	500	771	Skanska
Ursvik Exploaterings AB	556611-6892	Stockholm	50	5,000	0	Bonava
Stora Ursvik KB	969679-3182	Stockholm	50	50	392	Bonava
Companies for property development at Värtahamnen						
Värtan Fastigheter AB	556678-0267	Stockholm	50	1,000	0	Fabege
Värtan Fastigheter KB	969601-0793	Stockholm	50	1	1	Fabege
Total					1,164	

7.3 Related parties

Related parties	Transactions
Parent Company	An ordinary dividend of SEK 4,000 million was paid to the Parent Company.
Parent Company shareholders	The First and Third Swedish national pension funds lease premises under market terms and conditions. Vasakronan has a subscription commitment from the First, Second, Third and Fourth Swedish National Pension Funds for its commercial paper, refer to page 72. At the end of 2019, the Third Swedish National Pension Fund had bond holdings with Vasakronan of SEK 90 million.
Board of Directors	Refer to Note 2.4 for details of remuneration. No Board member has participated directly or indirectly in any business transaction with Vasakronan. The Board is presented on page 108.
Management Team	Refer to Note 2.4 for details of remuneration. No senior executive has participated directly or indirectly in any business transaction with Vasakronan. The management are presented on page 109.
Subsidiaries	Specified in Note 7.1
Group companies	Specified in notes 7.1 and 8.1.
Joint ventures	Specified in Note 7.2

NOTE 8 Parent Company

The Parent Company applies the same accounting policies as the Group in accordance with RFR 2, Accounting for Legal Entities. This means that the IFRS are applied together with the deviations presented in the Parent Company's accounting policies.

- The Parent Company's functional currency is Swedish krona (SEK), which is also the reporting currency for the Parent Company and the Group.
- Shares in subsidiaries are recognised using the cost method. Should the carrying amount exceed the consolidated fair value of the subsidiaries, impairment is charged to profit or loss. Investment properties are measured at fair value when calculating the consolidated value, refer to Note 4.2. Earlier impairment is reversed when it is no longer justified. Carrying amounts are tested each quarter against the subsidiaries' equity.
- Dividends are recognised when the entitlement to receive payment is considered certain.
- Income from the sale of subsidiaries is recognised when the risks and benefits associated with the holding in the subsidiary have transferred to the buyer.
- Group contributions paid to the owner Vasakronan Holding AB are treated as dividends and are recognised in equity.
- Group contributions received and paid from and to subsidiaries are recognised as profit from participations in subsidiaries in profit or loss.

8.1 Intra-Group transactions

Of the Parent Company's purchases during the financial year, 3% (5) pertained to purchases from Group companies. Intra-Group costs mainly comprised rent.

Of the Parent Company's sales during the financial year, 99% (99) pertained to sales to Group companies. Intra-Group revenue comprises the property management costs invoiced by the Parent Company to the property-owning Group companies.

8.2 Profit from participations in subsidiaries

Profit from participations in subsidiaries	Parent Company	
	2019	2018
Group contributions received and paid	1,875	1,037
Dividends from participations in subsidiaries	5,616	5,463
Profit from participations in subsidiaries	-	689
Impairment and reversal of impairment in participations in subsidiaries	-509	3
Total	6,982	7,192

Profit from participations in subsidiaries pertains to earnings generated by general and limited partnerships owned by Vasakronan AB.

8.3 Appropriations and untaxed reserves

Appropriations and untaxed reserves	Parent Company	
	2019	2018
Appropriations		
Provision to tax allocation reserve	-300	-
Total	-300	-
Untaxed reserves		
Tax allocation reserve, 2015 fiscal year	44	44
Tax allocation reserve, 2017 fiscal year	142	142
Tax allocation reserve, 2019 fiscal year	300	-
Total	486	186

NOTE 9 Dividend per share

The dividend distributed in 2019 for the previous year amounted to SEK 4,000 million (SEK 100 per share).

At the AGM on 4 May 2020, the Board will propose a dividend of SEK 6,000 million, corresponding to SEK 150 per share.

NOTE 10 Events after the balance-sheet date

After the balance-sheet date, the global economy slowed dramatically as a result of the spread of the novel coronavirus in large parts of the world, with resulting disturbances in the financial markets. Vasakronan is following market developments carefully. The company has a strong financial position and considerable liquidity reserves. The earnings forecast and objectives for 2020 were not updated after year end.

Auditor's report

To the general meeting of the shareholders of Vasakronan AB (publ), corporate identity number 556061-4603

Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Vasakronan AB (publ) for the year 2019 except for the corporate governance statement on pages 102–109. The annual accounts and consolidated accounts of the company are included on pages 64–101 and 110 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 102–109. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Audit scope

Vasakronan is the leading property company in Sweden with investment properties valued at SEK 156 billion. The company's strategy is to manage and develop commercial investment properties in Stockholm, Gothenburg, Uppsala and Malmö.

Our audit has a group approach which includes audits of all the significant investment properties within the group. This group approach means that the significant business processes for the financial reporting in the group, such as rental income, purchasing, payroll and valuation process is audited centrally from a group perspective even though the investment properties legally is in several legal entities. As 96% of the group assets consist of investment properties that are valued at fair value, the audit's main focus is to evaluate if the Annual report reflects the investment properties' book value according to the company's valuation principles and that these principles are according to IFRS.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of fair value of investment properties that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our audit approach



Materiality

Overall group materiality: SEK 850 million, representing 0.5% of the group's total assets.

Scope

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

Key Audit Matter

Valuation of investment properties.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of Vasakronan, the accounting processes and controls, and the industry in which the group operates

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	SEK 850 million
How we determined this level	A threshold representing 0.5% of the Group's total assets.
Rational for the materiality benchmark applied	We chose total assets as the benchmark due to the fact that, in our view, this is the benchmark against which the performance of a group, over time, is most commonly measured. We have chosen 0.5% of total assets and this is a generally accepted benchmark and is in our view an acceptable overall materiality level.

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

Key audit matter

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Valuation of investment properties

We refer to the Administration Report and the description of the Vasakronan group's summary of important accounting and valuation principles in Note 1.2, as well as referring to Note 4.2, Changes in the values of investment properties.

As at 31 December 2019, The value of the investment properties totaled SEK 156,1 billion. Investment properties comprise a significant portion of the balance sheet and the valuation of these properties is inherently subjective and is the object of company management's judgements as regards, for example, the location of the specific property, its condition and future rental income. Valuation objects incurring a major degree of uncertainty in terms of their market value assessment are comprised of ongoing development projects properties.

The valuation of all of the investment properties is executed at the end of each year and every six months by external valuers, Cushman & Wakefield and Forum Fastighetsekonomi. At the end of the other quarters, the properties are valued internally. The valuations are executed on the basis of The Royal Institute of Chartered Surveyors' ("RICS") valuation standards and processes which are based on an adopted, established valuation policy. In addition, Vasakronan has an internal process for the quality assurance of the external valuations as at year-end and after the first six months of the financial year. These internal quality assurance processes include an analysis and control of the data taken from the company's systems and registered in the valuation models as regards, for example, rental levels, surface area, vacancy levels and also includes an overall analysis of the value development of each property. These valuations are assessed both centrally and in consultation with the respective property managers.

In determining the fair value of the properties, the valuers consider current information regarding the specific property, such as the rental agreements in place, rental income and operating costs. In order to achieve a final valuation, the valuers apply assumptions and undertake judgements on future yields, net operating expenses and estimated market rents, and these assumptions and judgments are impacted by the direct yield requirements in place and by comparable market transactions.

The significance of the estimations and judgments applied in establishing the fair value of the investment properties, together with the fact that the amounts are significant, implies that the valuation of the investment properties comprises a Key Audit Matter in the audit.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Amongst other things, our audit has focused on the company's internal control and quality assurance as regards the externally executed valuations as at 31 December 2019. The audit team, including our valuation specialists, have obtained copies of and examined a selection of the valuation reports and have ensured that the valuations comply with Vasakronan's guidelines for valuations and with the correct valuation methods.

The external valuers' work are based on the same calculation model as applied by Vasakronan, which implies that the company's quality assurance of the external valuations is facilitated. We have assessed the external valuers' competence and experience and have also studied the groups' valuation agreements with the external valuers to determine if there are any circumstances in the agreements which could impact the valuers' objectivity or if there are any limitations to their work.

In addition, we have tested, on a sample basis, company management's input data registered in the valuation models and taken from the company's systems. This was done to ensure that the information for the investment property valuations applied in the external valuations is correct and fair.

We have had meetings with the individuals responsible for the valuations in which important assumptions and judgments have been discussed. Our work has focused on the largest investment properties in the portfolio, development project properties and on the properties incurring the largest variations in value compared with previous quarters. We have assessed the applied yield requirements used by the external valuers by comparing the estimated intervals of the expected yield requirements and thresholds with the available market data for the current markets. We have also assessed the reasonableness of other assumptions which are not directly comparable based on available public data. In the case the assumptions and parameters have been outside our initial expectation, these deviations have been discussed with representatives of the company and additional audit evidence has been obtained as support for the applied assumptions.

The valuations are based on assessments and incur, inherently, a degree of uncertainty. Based on our audit, it is our assessment that the assumptions applied by Vasakronan are within a reasonable interval. Based on our audit, we have not identified any significant observations to report to the Audit Committee.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–63, 102–109, 115–134, 136–140, 142–149. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditor's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Vasakronan AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements

which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 102–109 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB was elected auditor of Vasakronan AB by the general meeting of the shareholders on the 7 May 2019 and has been the company's auditor since the 28 April 2016.

Stockholm 23 March 2020

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg

Authorized Public
Accountant
Lead Partner

Daniel Algotsson

Authorized Public
Accountant