

Interim Report Q2

January–June 2020

- > Rental revenue increased to SEK 3,467 million (3,439). For comparable property holdings, the increase was 2% (5). Rent discounts provided due to Covid-19 had a negative impact of SEK 59 million on revenue.
- > New lettings corresponding to 84,000 square metres (129,000) and an annual rent of SEK 389 million (473) were contracted and net lettings amounted to SEK 134 million (171).
- > The occupancy rate increased to 93.8% (93.1) at the end of the period. Of total vacancies, 1.7 percentage points (2.6) were attributable to ongoing projects and development properties.
- > The operating surplus amounted to SEK 2,543 million (2,579). For comparable property holdings, the increase was 0.3% (6).
- > Profit before value changes and tax decreased to SEK 1,540 million (2,781). The change was primarily due to lower earnings from joint ventures, loss of SEK 290 million (profit: 891) due to a lower expected volume for development rights.
- > The change in property value amounted to a decline of SEK 1,208 million (increase: 4,626), corresponding to a 0.7% (increase: 3.4) decrease in value. The decline in value pertained essentially to the retail properties segment.
- > At the end of the period, the portfolio value amounted to SEK 157,455 million (144,215).
- > The value change in derivatives amounted to SEK 217 million (negative: 1,268), primarily due to falling long market interest rates in Norway.
- > Profit after tax amounted to SEK 360 million (5,030).

Rental revenue,
comparable property
holdings, %

+2

Occupancy rate, %

93.8

Value change in
properties, %

-0.7

Profit after tax, SEK m

360

Amounts in SEK million	Jan–Jun 2020	Jan–Jun 2019	Apr–Jun 2020	Apr–Jun 2019	Jul 2019– Jun 2020	Jan–Dec 2019
Rental revenue	3,467	3,439	1,703	1,715	7,068	7,040
Operating surplus	2,543	2,579	1,256	1,300	5,171	5,207
Profit before value changes and tax	1,540	2,781	604	1,813	3,680	4,921
Change in value of investment properties	-1,208	4,626	578	3,908	7,436	13,270
Profit after tax	360	5,030	511	4,214	9,239	13,909
Cash flow from operating activities before changes in working capital	1,586	1,753	846	945	3,588	3,755
Market value of properties	157,455	144,215	157,455	144,215	157,455	156,071
Occupancy rate, %	93.8	93.1	93.8	93.1	93.8	94.1
Surplus ratio, %	73	75	74	76	73	74
Interest coverage ratio, multiple	4.2	4.4	4.1	3.9	4.6	4.6
Loan-to-value (LTV) ratio, %	38	41	38	41	38	38
Closing EPRA NRV, SEK m	92,834	81,391	92,834	81,391	92,834	91,742
Closing EPRA NTA, SEK m	86,199	75,655	86,199	75,655	86,199	85,205
Closing EPRA NDV, SEK m	67,283	58,752	67,283	58,752	67,283	67,416
Environmental certification, share of total area, %	85	85	85	85	85	85
Energy intensity on closing date, kWh/sq. m.	87	99	87	99	87	92

“We are well-equipped as a company both operationally and financially.”



Stable second quarter

The first six months of 2020 have been an extraordinary time for our society. Just over three months have passed since Sweden geared up in response to Covid-19. Our city centres and Vasakronan's properties quickly emptied of people when the Public Health Agency of Sweden issued guidelines on social distancing recommending those able to work from home do so. This has affected how people move in and around our properties and it has also impacted our customers' operations, as well as Vasakronan's itself.

Healthy lettings and a solid occupancy rate

We began the year strongly with record letting volumes and presented our best ever operating surplus in the first quarter. This also laid the foundation for healthy half-year earnings.

The strong rental market we noted at the start of the year has changed and become more cautious for natural reasons. Nonetheless, we signed new contracts during the second quarter for SEK 111 million or 35,000 square metres. In these market conditions, being able to present such a strong performance in underlying operations is worthy of particular note. Moreover, we also have solid occupancy rates for our properties, both project and investment.

Needless to say, the pandemic has hit industries that rely on people meeting each other, such as retail and restaurants, the hardest. For Vasakronan, this has meant that the past few months have entailed close dialogues with those of our customers that have experienced the greatest loss in sales. Altogether, this concerns approximately 500 contracts. We have reached agreements with the majority of these customers based on various preconditions and requirements.

However, the majority of Vasakronan's rental revenue comes from offices operating in a great number of industries. This is an asset given that the effects of Covid-19 are affecting businesses extremely unevenly. Additionally, having successfully developed our property portfolio and our property and customer offering several years ago means we can meet accelerating demand for more flexible premises and contract solutions in a good way.

Good liquidity and a higher share of green financing

We remain strong financially. Together with new bank loans, bond issues and strong cash flow from operating activities, the

deferral of the proposed dividend have all contributed to Vasakronan's strong liquidity. We have also increased the share of green financing and have raised loans from the Nordic Investment Bank and the European Investment Bank. In May, Moody's affirmed our credit rating of A3, with a stable outlook. This confirms Vasakronan's high-quality properties and strong tenant portfolio, which contains a high percentage of public sector tenants.

A sustainable business model

The pandemic and the risk for a more long-term downturn reminds us of the importance of having a sustainable business model. For Vasakronan, this means creating financial value and securing capital over time, but never at the expense of people or the environment. To achieve this, we must work even harder and conscientiously to reach the company's target of an entirely climate-neutral value chain by 2030. This is a difficult target that in practice means that we must reduce our climate impact in project operations and reduce the climate impact arising from our tenants' premises. We are working tangibly with challenging targets and activities within four areas: energy, transportation, material and waste.

Nobody knows how long we will need to work differently in light of the spread of Covid-19 or how long and deep the possible economic downturn will be. I am therefore humble ahead of the future, but I am highly confident that we as a company are well-equipped, both financially and operationally.

Operationally, we focus on what we are actually able to affect our offering. And it is strong. We have properties in locations where people want to be, and we offer the flexible office and contract solutions that are in market demand. This will remain a strength, even during more uncertain market conditions.

We also have employees who provide incredible contributions by supporting our customers and ensuring that our properties and projects are taken care of in the best possible way. I am proud of how the organisation has quickly adapted to the rapid changes in the market and, with great professionalism and enormous commitment, secured our long-term profitability.

Stockholm, 10 July 2020

Johanna Skogestig, Chief Executive Officer

Vasakronan second quarter

Strong new lettings

Despite market concern and uncertainty, Vasakronan has succeeded well with new lettings and renegotiations. During the quarter, new lettings corresponding to 35,000 square metres (36,000) and an annual rent of SEK 111 million (146) were signed. At one property on Bohusgatan in Gothenburg, a six-year contract has been signed with the Swedish Police Authority for 1,600 square metres. At one of the Hötorgshusen buildings on Sergelgatan in Stockholm, the restaurant chains Bockholmsgruppen and Bastard Burgers have signed leases totalling 1,200 square metres, with opening scheduled for spring 2021. Sergelgatan and parts of the Hötorgshusen buildings are currently undergoing a two-phase extensive renovation scheduled to be completed in 2023.

Moreover, renegotiations and lease extensions completed during the quarter corresponded to 92,000 square metres (113,000) and annual rent of SEK 260 million (360), resulting in an increase on the previous rent payable of 7.0% (15.8). The Swedish Medical Products Agency has extended its lease at the Uppsala Science Park property for slightly more than 20,000 square metres for a period of six years and Försäkringskassan (the Swedish Social Insurance Agency) has signed a six-year extension to its lease at the Godset property in Sundbyberg for 7,300 square metres.

Net lettings amounted to negative SEK 10 million (positive: 4) and the occupancy rate was 93.8% (93.1) at the end of the quarter.

Close dialogues with tenants

The second quarter was marked by a sharp downturn in the economy, even if prospects brightened somewhat toward the end of the quarter as a result of some restrictions being lifted. Just under 20% of Vasakronan's rental revenue derives from the sectors initially most affected by the pandemic: restaurants, consumer durable retailing and businesses connected with tourism. Vasakronan was quick to offer monthly payment of quarterly rents and a deferral of rent payments to the hardest hit tenants. Moreover, during the quarter, some 500 of Vasakronan's tenants received discounts amounting to SEK 107 million, of which the state defrayed SEK 48 million. Accordingly, Vasakronan's earnings were charged with SEK 59 million for the quarter. Moreover, a provision of SEK 10 million has been made for doubtful receivables. At the end of the period, only a few discounts had been provided for the third quarter.

High-quality project portfolio

Vasakronan's project portfolio amounted to SEK 15 billion, of which SEK 9 million, or 58%, had been capitalised at the end of the quarter. Despite the pandemic, work on projects has continued without any major disruption and all larger projects are progressing as planned. The occupancy rate for larger projects was close to 80% (55). Continued interest has been noted for the projects' premises and demand for space-efficient and flexible offices is expected to remain stable even after the coronavirus crisis.

The Priorn property in central Malmö was completed during the quarter. The property encompasses some 13,000 square metres and is 70% let. The largest tenants include COWI, Region Skåne and E.ON.

Stable financial position

In May, Moody's affirmed Vasakronan's rating of A3 with a stable outlook. The rating is a key prerequisite for reaching the financial objective of having as diversified a financing structure as possible, in terms of tenors and sources of funding.

During the quarter, Vasakronan issued bonds for SEK 3.7 billion, of which more than 90% were green bonds. The company is currently the Nordic region's largest issuer of green corporate bonds. Vasakronan signed a SEK 2 billion green loan agreement with the EIB in the quarter. The entire proceeds of the loan are to be allocated to the new construction and redevelopment projects: Celsius, Nattugglan, Magasin X, Nya Kronan and Nöten.

As in the preceding quarter, the assessment is that the company remains on stable footings, even in the case of a more protracted economic downturn.

Continued climate focus

Vasakronan's climate efforts are based on the road map¹⁾ prepared at the end of 2019 with the aim of achieving climate neutrality by 2030. The main focus of the work is on the areas of energy, transportation, materials and waste. Energy consumption at properties is one of the most important areas in our efforts to reduce the company's climate impact. The property sector accounts for slightly more than 30% of society's energy consumption and, as a property owner, Vasakronan therefore plays a key role in reducing energy consumption and in participating in the transition to a 100% renewable energy system. For many years, Vasakronan has worked with reducing energy consumption at properties and energy-related emissions have already been significantly reduced. Ahead of 2020, a target was set for reducing energy consumption in the property portfolio by a further 5%. By the end of the period the consumption was reduced as much as 6%.

Solar energy is currently the most cost-effective solution in terms of producing energy ourselves. In 2020, the company's goal is to increase the number of installations to 75. By the end of the half year, the number of installations in operation had risen to 70. Vasakronan completed a solar park in Uppsala during the quarter. On entering into operation in August, it will deliver around 4 GWh of electricity on an annual basis, making it a welcome addition to Uppsala's grid, where occasional electricity shortages arise due to low transmission capacity.

Second quarter results

Profit before value changes and tax amounted to SEK 604 million (1,813). The outcome was due to, inter alia, a decline in the result from participations in joint ventures to a loss of SEK 284 million (profit: 892) due to a lower expected volume of development rights. The change in the value of property during the quarter was 0.4% (2.8), corresponding to SEK 578 million (3,908) and value changes in derivatives amounted to negative SEK 449 million (negative: 641). Profit after tax for the quarter was SEK 511 million (4,214). Cash flow from operating activities totalled SEK 845 million (805) for the quarter.

1) Vasakronan's "Climate neutral road map for 2030," available at www.vasakronan.se

Market

Negative economic trend

Economies around the globe have been hard hit by the pandemic's progress and the restrictions taken to reduce its spread. In both the US and Europe, GDP has fallen sharply and unemployment rose dramatically during the second quarter of the year. The latest report from the National Institute of Economic Research (NIER) estimates that Sweden's GDP will decline by around 10% in the second quarter of this year. At the end of the second quarter, Sweden and other countries started to relax their restrictions. Market activity has therefore risen slightly and a small recovery is expected over the remainder of the year.

During the spring, employment fell heavily in Sweden as a result of the economic downturn, even if employment has been supported through short-time work furloughs. The NIER forecasts unemployment reaching 9% at the end of the year. According to Statistics Sweden and Evidens, employment in the office sector in the metropolitan regions is expected to decline 3% in 2020 before rising 2% in 2021. However, considerable uncertainty remains regarding the projections of the NIER, Statistics Sweden and Evidens.

The retail sector, particularly consumer durables, is one of the sectors hardest hit by the crisis. Despite a slight brightening in the economy, the sales downturn is expected to continue due to a negative outlook leading to lower willingness to buy among households. The June HUI Research report projects a decline in the consumption of consumer durables, including e-commerce, of 1.0% in 2020. Moreover, Vasakronan's city retail index shows a general decline for consumer durables in physical stores, mainly for clothing and footwear.

Stabilised financial market

2020 started with historically low credit margins and high activity levels in the capital markets. However, sentiment switched at the beginning of March due to concerns regarding Covid-19 and its potential impact on the global economy. The Swedish capital market was closed for new issues for a few weeks in March, before major companies such as Vasakronan issued bonds at the end of the month. Since then, conditions in the

capital market have gradually improved with, as a consequence, larger issue volumes and declining credit margins. To support the markets, central banks around the world decided to add liquidity for banks and for companies. Sweden's central bank, the Riksbank, acted by lending to banks and through buying securities, including new instruments for the Riksbank, such as commercial paper. From this autumn, the Riksbank can also buy corporate bonds. At its July meeting, the Riksbank decided to keep the repo rate unchanged at 0%.

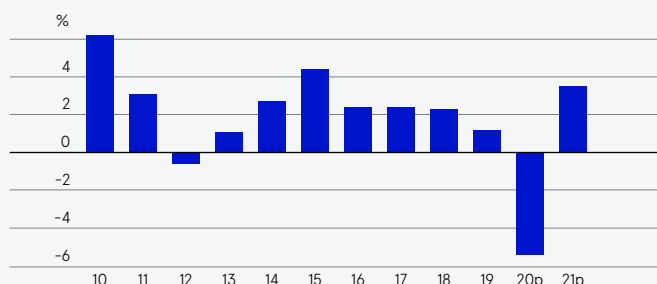
Cautious transaction market

According to data provided by Cushman & Wakefield, transactions were completed in the Swedish property market for slightly more than SEK 70 billion in the first half of the year, compared with SEK 80 billion in the corresponding period last year. Transaction numbers have declined since the outbreak of the pandemic. Market uncertainty together with increased difficulty in obtaining financing has led to transactions being postponed or taking longer to complete.

The office rental market remained strong in the first months of 2020 across all of Vasakronan's regions. However, the market became more cautious following the outbreak. At the end of the period, market rents for offices are assessed as remaining at unchanged levels compared with the end of the year. At the start of the year, yield requirements continued to fall before rising at the end of March due to uncertainty about the effects of Covid-19. At the end of the period, yield requirements for offices were at about the same levels as at the year end.

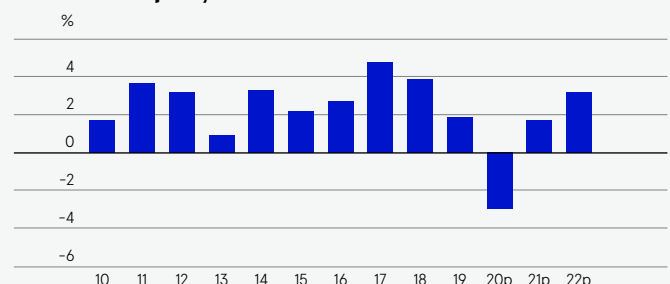
Requirements for yields for retail properties are assessed as having risen slightly during the quarter. A slight downturn in rent levels was noted, mainly in Stockholm. The downturn had been noted prior to the outbreak of the pandemic as a result of the rising threat of e-commerce to physical retailing.

Growth slowdown



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

Office employment



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

Consolidated income statement

Amounts in SEK million	Jan–Jun 2020	Jan–Jun 2019	Apr–Jun 2020	Apr–Jun 2019	Jul 2019– Jun 2020	Jan–Dec 2019
Rental revenue	3,467	3,439	1,703	1,715	7,068	7,040
Operating expenses	-352	-349	-155	-152	-685	-682
Repairs and maintenance	-60	-64	-29	-31	-115	-119
Property administration	-183	-186	-99	-102	-374	-377
Property tax	-328	-261	-163	-130	-722	-655
Total property expenses	-924	-860	-447	-415	-1,897	-1,833
Operating surplus	2,543	2,579	1,256	1,300	5,171	5,207
Central administration	-61	-55	-33	-29	-119	-113
Result from participations in joint ventures	-290	891	-284	892	-76	1,105
Financial income	5	2	2	1	7	4
Financial expenses	-578	-565	-298	-316	-1,148	-1,135
Interest expenses, ground rents and land leases	-79	-71	-39	-35	-155	-147
Profit before value changes and tax	1,540	2,781	604	1,813	3,680	4,921
Change in value of investment properties	-1,208	4,626	578	3,908	7,436	13,270
Depreciation of land lease agreements	-4	-4	-2	-2	-7	-7
Change in value of financial instruments	217	-1,268	-449	-641	604	-881
Divested/impaired goodwill	-	-74	-	-	-	-74
Profit before tax	545	6,061	731	5,078	11,713	17,229
Current tax	-114	-161	-48	34	-183	-230
Deferred tax	-71	-870	-172	-898	-2,291	-3,090
Profit for the period	360	5,030	511	4,214	9,239	13,909
Of which, attributable to non-controlling interests	-2	-	0	-	-4	-2
Total profit attributable to the Parent Company shareholders	362	5,030	511	4,214	9,243	13,911
Other comprehensive income						
<i>Items that may not be reclassified¹⁾</i>						
Pensions, revaluation	-	-	-	-	-41	-41
Restriction for surplus in pension plan with asset cap	-	0	-	0	5	5
Income tax on pensions	-	0	-	0	7	7
Other comprehensive income for the period, net of tax	-	0	-	0	-29	-29
Total comprehensive income for the period²⁾	362	5,030	511	4,214	9,214	13,882
Key metrics						
Surplus ratio, %	73	75	74	76	73	74
Interest coverage ratio, multiple	4.2	4.4	4.1	3.9	4.6	4.6

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

2) Since there are no material minority interests, the entire profit is attributable to the Parent Company's shareholders.
The absence of any potential shares means there is no dilutive effect.

Comments on the consolidated income statement

Rental revenue

Rental revenue amounted to SEK 3,467 million (3,439) for the period. In comparable property holdings, the increase was 2% (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. During the quarter, some 500 of Vasakronan's tenants received discounts amounting to SEK 107 million, of which the state will defray SEK 48 million. Accordingly, earnings were charged with discounts provided of SEK 59 million for the period. Moreover, a provision of SEK 10 million has been made for doubtful receivables.

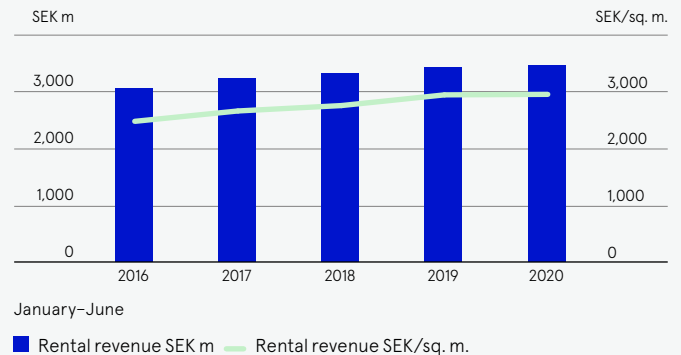
New lettings corresponding to 84,000 square metres (129,000) and annual rent of SEK 389 million (473) were contracted, of which 19% (21) impacted on revenue in 2020. The change in new lettings between the years was primarily due to letting to the Swedish Tax Agency in Nya Kronan in Sundbyberg, which was completed in the first quarter of 2019 for a total of 42,000 square metres.

At one property on Bohusgatan in Gothenburg, a six-year contract has been signed with the Swedish Police Authority for 1,600 square metres. At one of the Hötorgshusen buildings on Sergelgatan in Stockholm, the restaurant chains Bockholmsgruppen and Bastard Burgers have signed leases totalling 1,200 square metres, with opening scheduled for spring 2021. Sergelgatan and parts of the Hötorgshusen buildings are currently undergoing a two-phase extensive renovation scheduled to be completed in 2023.

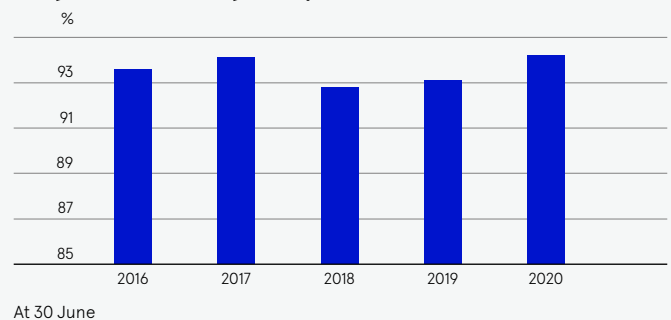
Renegotiations and lease extensions of 185,000 square metres (171,000) during the period corresponded to annual rent of SEK 485 million (542), resulting in an increase on the previous rent payable of 8.3% (13.9). The result of renegotiations for the period for leases related to offices amounted to 11.0% (16.2) and for retail the result was down 6.4% (up: 5.0). Of all the contracts up for renegotiation over the last period, 60% (70) of the tenants decided to extend their contracts.

Notice of termination was received during the period (tenant will be vacating) corresponding to annual rent of SEK 255 million (302), whereby net lettings amounted to SEK 134 (171) million.

Stable rental revenue SEK/sq. m.



Improved occupancy rate



Net lettings



Comments on the consolidated income statement (Cont.)

Contracted rent at the end of the year amounted to SEK 7,220 million (6,871) and the average remaining maturity was 3.9 years (4.0). The closing occupancy rate was 93.8% (93.1). Of total vacancies, 1.7 percentage points (2.2) were attributable to ongoing projects and development properties.

Property expenses

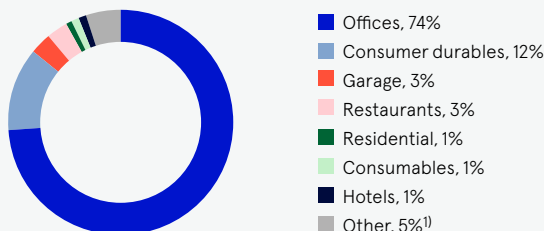
Property expenses amounted to SEK 924 million (expense: 860) for the period. For comparable property holdings, the increase in property expenses was 6% (3). The increase in comparable property holdings was due to the rise in property tax. In comparable property holdings, property expenses adjusted for property tax declined SEK 2 million. In the third quarter of 2019, 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.

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2020	621	576	8
2021	1,035	1,064	15
2022	819	1,412	20
≥2023	1,597	3,815	53
Total	4,042	6,867	96
Residential	1,178	102	1
Garage	–	251	3
Total	5,250	7,220	100

Maturity structure for contracted rent

Predominantly office tenants



Breakdown by sector, share of contracted rent

1) Other encompasses sectors including health and social care, sports and recreation facilities, and warehouses.

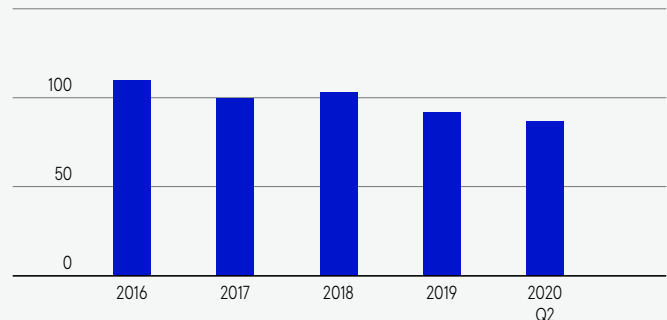
Widely distributed over many tenants

	Share in %
Swedish Police Authority	3
Ericsson	3
H&M	2
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
Åhléns	1
Handelsbanken	1
KPMG	1
TV4	1
Total	17

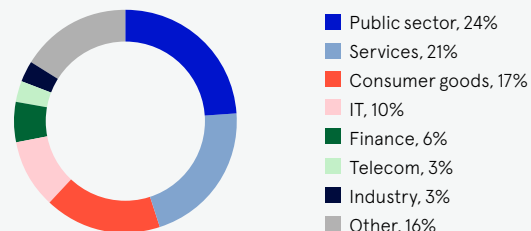
Largest tenants, share of contracted rent

Energy intensity

kWh/sq. m.



Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

Comments on the consolidated income statement (Cont.)

Operating surplus

The operating surplus decreased during the period to SEK 2,543 million (2,579), primarily due to changes in the portfolio. For comparable property holdings, the increase in operating surplus was 0.3% (6.2). The surplus ratio was 73% (75).

Administration

Property administration costs were SEK 183 million (expense: 186) and central administration costs were SEK 61 million (expense: 55). The increase was primarily due to higher costs for IT and personnel.

Result from participations in joint ventures

The result from participations in joint ventures amounted to a loss of SEK 290 million (profit: 891). The negative earnings for the period stemmed from a lower expected volume of development rights.

Net financial items

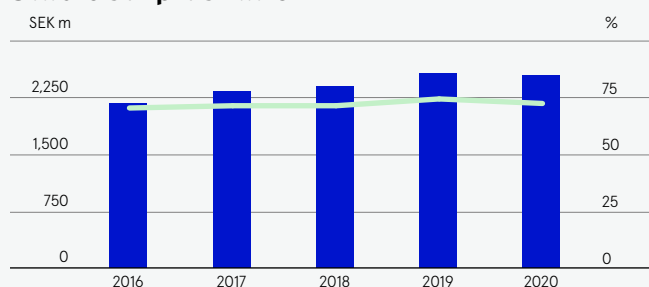
Net financial items amounted to an expense of SEK 573 million (expense: 563). The lower result was mainly due to higher borrowings compared with the corresponding period last year. The average interest rate for loans and derivatives amounted to 1.8% (1.8) at the end of the period.

The LTM interest coverage ratio amounted 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.

Profit before value changes and tax

Profit before value changes and tax amounted to SEK 360 million (5,030). The change was primarily due to the value trend for investment properties, which amounted to a decline of SEK 1,208 million (increase: 4,626).

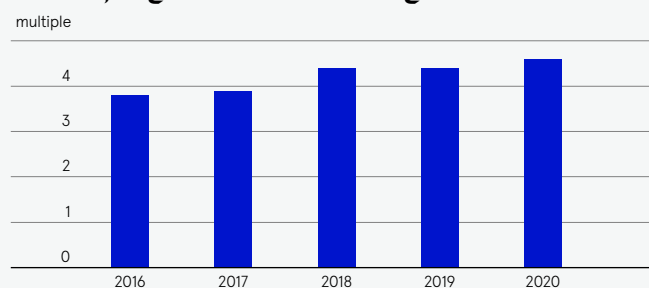
Stable surplus ratio



January–June

■ Operating surplus, SEK m — Surplus ratio, %

Stable, high interest coverage ratio



At 30 June, rolling 12-month period

Financial risks

	Financial policy in brief	Outcome, 30 June 2020
Financing risk		
Loan-to-maturity	min. 2 years	5.4
Loans maturing, 12 months	max. 40%	17
Credit commitments and cash/ loans maturing 12 months	min. 100%	209
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	4.6
Fixed-interest period	min. 2 years	6.0
Fixed-interest maturity within 12 months	max. 55%	27
Credit risk		
Counterpart's rating	min. A-, or BBB+ with CSAs	met
Currency risk		
Currency exposure	No exposure	met

Comments on the consolidated income statement (Cont.)

Change in value of investment properties

At 30 June 2020, the entire property portfolio had been valued by external appraisers Cushman & Wakefield or Forum Fastighetsekonomi. Altogether, the change in the property value amounted to a decrease of SEK 1,208 million (increase: 4,622), which corresponded to a 0.7% (increase: 3.4) decrease in value for the period. The average yield requirement used for valuation of the property portfolio was 4.17%, compared with 4.16% for corresponding properties at the end of 2019.

At 30 June 2020, the value decline in Vasakronan's retail properties was assessed at 5–10%. The scale of the decline depends, inter alia, on the percentage of office space included in the respective retail property. At the end of the period, the value impact on city centre office and public sector properties was assessed as limited. The project portfolio contributed positively to the value trend, while the value of the investment portfolio declined. The positive effect from projects was mainly due to lower deductions for completion risk.

Unpredictability regarding the pandemic's long-term effects on the rental market entail that the assumptions made in the valuations include an unusually high degree of uncertainty.

Change in value of financial instruments

The value change in derivatives amounted to SEK 217 million (negative: 1,268), which was mainly due to falling long market interest rates in Norway during the period.

Derivatives are primarily used to adjust the maturity structure in the loan portfolio and to hedge borrowings in foreign currencies. At the end of the period, the derivative portfolio amounted to SEK 72,276 million (69,963), of which SEK 53,037 million (54,376) comprised interest-rate derivatives and SEK 19,239 million (15,587) cross-currency derivatives.

Tax

The Group reported a total tax effect of an expense of SEK 185 million (expense: 1,031). Of the tax expense, an expense of SEK 114 million (expense: 161) was current tax and SEK 71 million (expense: 870) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments.

The effective tax rate for the quarter amounted to 22.2% (17.0).

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

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	-0.5	-0.3
Gothenburg	-1.4	-0.3
Uppsala	-0.2	0.0
Malmö	-1.6	-0.1
Total		-0.7

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	-1.0	-0.9
Development properties	0.9	0.2
Transactions		0.0
Total		-0.7

Factors impacting value

	Value impact, %
Yield requirement	-0.3
Market rents	-0.4
Total	-0.7

Consolidated balance sheet

Amounts in SEK million	30 Jun 2020	30 Jun 2019	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS					
Non-current assets					
Intangible assets	2,034	2,014	2,027	2,014	2,024
Property, plant and equipment (PPE)					
Investment properties	157,455	144,215	155,454	139,381	156,071
Leaseholds and land leases	5,170	5,046	5,257	5,063	5,243
Equipment	40	40	42	43	40
	162,665	149,301	160,753	144,487	161,354
Financial assets					
Shares and participations in joint ventures	842	1,256	1,157	365	1,164
Receivables from joint ventures	–	165	–	165	130
Derivatives	1,354	831	1,766	511	642
Other non-current receivables	231	57	263	60	174
Total financial assets	2,427	2,309	3,186	1,101	2,110
Total non-current assets	167,126	153,624	165,966	147,602	165,488
Current assets					
Accounts receivable	58	12	29	11	35
Receivables from joint ventures	0	0	130	0	0
Derivatives	6	39	44	26	27
Other current receivables, prepaid expenses and accrued income	1,655	1,509	1,712	1,283	1,114
Cash and cash equivalents	4,411	3,082	6,292	5,910	3,515
Total current assets	6,132	4,642	8,207	7,230	4,691
TOTAL ASSETS	173,258	158,266	174,173	154,832	170,179
EQUITY AND LIABILITIES					
Equity	70,518	61,302	70,007	61,088	70,156
Non-current liabilities					
Interest-bearing liabilities	56,058	51,598	52,614	49,987	53,682
Liabilities, leaseholds and land leases	5,171	5,046	5,258	5,063	5,244
Deferred tax liability	21,440	19,156	21,267	18,258	21,368
Derivatives	4,082	3,231	3,975	2,599	2,725
Other non-current liabilities	472	764	624	497	385
Provision for pensions	117	87	118	89	119
Total non-current liabilities	87,340	79,882	83,856	76,493	83,523
Current liabilities					
Interest-bearing liabilities	11,695	13,825	16,238	14,103	12,956
Accounts payable	48	47	117	238	220
Liabilities joint ventures	0	12	11	11	12
Current tax liabilities	42	3	25	70	128
Derivatives	62	48	194	6	70
Other current liabilities, accrued expenses and deferred income	3,551	3,147	3,725	2,823	3,114
Total current liabilities	15,400	17,082	20,310	17,251	16,500
TOTAL EQUITY AND LIABILITIES	173,258	158,266	174,173	154,832	170,179

Comments on the consolidated balance sheet

Intangible assets

Intangible assets primarily consist of goodwill. Goodwill has arisen from the recognition of deferred tax on property at the nominal tax rate on the date of the business combination, while the tax rate applied when calculating the purchase price for the acquisition was lower than the nominal rate. At 30 June 2020, goodwill was SEK 1,908 million (1,908).

The remaining portion of intangible assets comprised the value of the Vasakronan brand, which amounted to SEK 100 million (100). SEK 26 million (6) invested in technical platforms was recognised as an intangible asset.

Investment properties

At 30 June 2020, Vasakronan's entire property portfolio had been valued externally. The assessed market value of the property portfolio was SEK 157,455 million at the end of the period, compared with SEK 156,071 million at the end of 2019. The change in value during the period was a negative SEK 1,208 million (positive: 4,626) and net investments totalled SEK 2,592 million (655). A change in the yield requirement of +/- 0.25 percentage points would have a negative impact of 5.6/6.3% 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 of Vasakronan's 2019 Annual Report.

At 30 June 2020, a downward adjustment was made primarily to property values for shopping malls and retail properties, which are the segments most clearly affected by the measures taken to limit the spread of Covid-19.

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 73 percentage points (69) were rated LEED Gold or higher.

Leaseholds and land leases

Ground rent agreements are treated as perpetual rental agreements that are given market valuations. The market values are calculated by discounting future fees using a discount rate corresponding to between 3.00 and 3.75%.

For land leases, present values are calculated over the term of the contract by discounting future land leases by the market interest rate with a corresponding tenor to the contract.

At 30 June 2020, right-of-use agreements totalled SEK 5,170 million, compared with SEK 5,243 million at the year end.

Changed property values

SEK m	2020	2019
Opening value, 1 January	156,071	138,934
Investments	2,586	2,120
Acquisitions, consideration	6	-
Sales, consideration	0	-1,465
Change in value	- 1,208	4,626
Closing value, 30 June	157,455	144,215

Comments on the consolidated balance sheet (Cont.)

Large investments in property projects

Location	Property	Total investment, SEK m	Capitalised, SEK m	Share capitalised, %	Area of premises, sq. m.	Estimated completion date	Occupancy rate, % ¹⁾	Environmental certification
Stockholm	Sergelhuset	4,000	3,343	84	56,500	Dec 2021	74	LEED Platinum
Gothenburg	Platinan	2,600	1,350	52	53,700	Dec 2022	69	LEED Platinum
Sundbyberg	Kronan 1	1,680	616	37	42,700	Nov 2021	100	LEED Platinum
Stockholm, Solna Strand	Nöten 5	916	798	87	26,000	Dec 2020	60	LEED Gold
Stockholm	Nattugglan, block 2	800	223	28	15,000	Jun 2020	80	LEED Platinum
Malmö	Priorn 5	530	480	91	13,200	Apr 2020	71	LEED Platinum
Uppsala	Magasin X	530	141	27	11,500	Mar 2022	73 ²⁾	LEED Platinum
Uppsala	Kronåsen 1:1 Celsius	420	383	91	10,200	Oct 2020	92	LEED Platinum
Stockholm	Sperlingens Backe 45	300	78	26	3,900	Dec 2021	47	LEED Gold
Stockholm	Styrpinnen 15	290	290	100	4,300	Aug 2020	100	LEED Gold
Gothenburg	Strömshuset	270	58	21	10,500	Nov 2021	71	LEED Platinum
Stockholm, Solna	Diktaren	143	26	18	6,400	Aug 2021	100	-
Total major property projects		12,479	7,786	62			77	
Stockholm	Sergelgatan	1,500	372	25		Mar 2023	³⁾	LEED Gold
Other projects		1,243	739					
Total		15,222	8,897					

1) Calculated based on area.

2) Including Vasakronan Arena and Vasakronan's regional office, the occupancy rate amounts to around 98%.

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

Property projects

Ongoing property projects have a total investment volume of SEK 15,222 million (12,905), of which SEK 8,897 million (5,457) had been capitalised as of 30 June 2020. The occupancy rate for major projects was 77% (55) at the end of the period.

All projects are progressing as planned. No delays or disruptions were noted during the pandemic.

The Priorn property in central Malmö was completed during the quarter. The property encompasses slightly more than 13,000 square metres of office space and is 70% let.

Shares and participations in joint ventures

The value of holdings in the form of shares and participations in joint ventures amounted to SEK 842 million (1,164) at the end of the period. SEK 290 million of the change was attributable to the decrease in assessed future development rights and SEK 34 million to dividends received during the period.

Deferred tax

At 30 June 2020, the deferred tax liability was SEK 21,440 million (19,156) and pertained primarily to investment properties. The main reason for the change was the higher market value of the properties compared with the corresponding period last year.

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

Comments on the consolidated balance sheet (Cont.)

Liabilities, and cash and cash equivalents

Vasakronan strives to diversify borrowing by allocating across several different sources of funding and to achieve an even maturity structure for the company's borrowings. Since spring 2018, Vasakronan has had a public rating of A3, with a stable outlook, from the credit-rating agency Moody's. In May, Moody's confirmed the rating, which is evidence of the high quality of the company's property and rental portfolios. The strong rating provides access to financing in most markets and also access to longer tenors, in some cases as long as 25 years.

Interest-bearing liabilities, net of cash and cash equivalents, increased to SEK 63,342 million (62,341) during the period. As a result of lower borrowing through commercial paper, loans maturing within the next 12 months decreased to 17% (21) of interest-bearing liabilities, at the same time as loans maturing in five years or more rose to 42% (33). The average loan-to-maturity increased to 5.4 years (5.2) and the average loan-to-maturity taking into consideration unutilised credit commitments increased to 5.8 years (5.6).

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 4,411 million (3,082), unutilised credit facilities with the owners and the unutilised credit facility with the EIB together correspond to 209% (152) of loans maturing over the next 12 months. Of cash and cash equivalents, SEK 559 million (636) comprised deposits under CSAs.

During the period, the company issued debt equivalent to SEK 7.2 billion (8.8) in the bond market, distributed as follows: SEK 3.5 billion (3.9), JPY 1.4 billion (1.0), NOK 2,850 million (300), USD 20 million (–) and EUR 40 million (344). Of the total liability at the end of the period, 29% (24) consisted of borrowings in currencies other than SEK. Borrowing in foreign currencies is hedged through cross-currency interest-rate derivatives, which eliminates currency risk.

During the period, unsecured bank loans totalling SEK 750 million (–) and secured bank loans of SEK 1.6 billion (1.3) were raised. Total bank loans outstanding secured against mortgage deeds decreased to 7% (9) of the Group's total assets at the end of the period.

The proportion of loans with fixed-interest maturities within one year declined to 27% (36) and loans with fixed-interest maturities of five years or more increased to 55% (52) of interest-bearing liabilities. The average fixed-interest tenor had increased to 6.0 years (5.7) at the end of the period. The average interest rate for loans and derivatives amounted to 1.8% (1.8) at the end of the period.

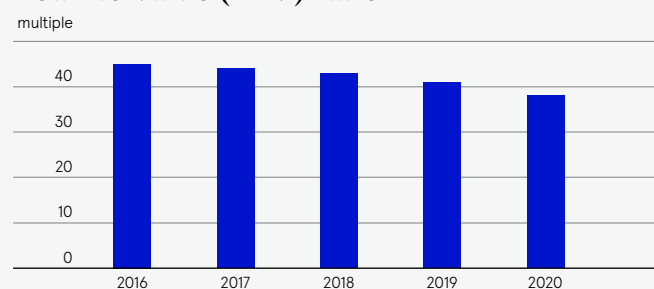
Longer fixed-interest tenors and loan-to-maturity

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0–1 year	18,609	27	11,695	17
1–2 years	1,517	2	8,191	12
2–3 years	2,700	4	7,818	12
3–4 years	1,799	3	6,924	10
4–5 years	5,897	9	4,393	7
5 years or more	37,231	55	28,732	42
Total	67,753	100	67,753	100

Breakdown of funding sources

SEK m	Nominal amount base currency, SEK m	Carrying amount, SEK m	Share, %
Commercial paper	–	5,159	8
Bonds, SEK	–	25,521	38
Bonds, NOK	11,570	11,151	16
Bonds, EUR	477	4,994	7
Bonds, JPY	11,400	988	1
Bonds, AUD	80	513	1
Bonds, USD	205	1,913	3
Secured bank loans	–	11,973	18
NIB and EIB	–	5,541	8
Total		67,753	100

Loan-to-value (LTV) ratio



At 30 June

Comments on the consolidated balance sheet (Cont.)

Green financing

During the period, Vasakronan has issued green bonds corresponding to a total of SEK 6.6 billion (7.3), making the company the Nordic region's largest issuer of green corporate bonds. A SEK 2 billion (-) green loan facility was also signed during the period with the European Investment Bank (EIB). Vasakronan has the option of drawing the loan over a three-year period in several tranches. The green loan facility is unsecured and provides Vasakronan with flexible financing with a maturity of up to 10 years. The loan facility supports the new construction and renovation of five properties in Stockholm and Uppsala. All of which have a low energy consumption and low climate impact. At the end of the period, the facility was unutilised. During the period, a new green secured bank loan was raised of up to SEK 1 billion (0.76).

The volume outstanding of green loans with the Nordic Investment Bank and the European Investment Bank totalled SEK 5,541 million (4,827) at the end of the period, and green secured bank loans amounted to SEK 1,760 million (760).

The percentage of green funding increased during the period to 58% (40) of the total loan portfolio, corresponding to an increase in green financing outstanding of SEK 13 billion compared with the corresponding period last year.

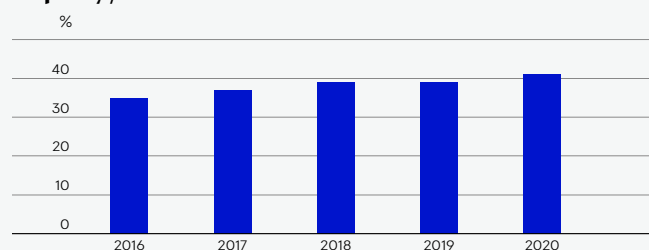
Equity

Equity increased during the period to SEK 70,518 million (61,302) as a result of comprehensive income of SEK 360 million (5,030). The equity/assets ratio was 41% (39) and the loan-to-value ratio was 38% (41) at the end of the period. The minority share of equity amounted to SEK 3 million (-).

Green financing under the framework

	Amounts in SEK million
Green commercial paper	860
Green bonds, SEK	21,488
Green bonds, NOK	3,601
Green bonds, EUR	2,915
Green bonds, JPY	959
Green bonds, AUD	529
Green bonds, USD	1,672
Total volume of Green Finance Instruments	32,024
Total volume of Green Assets – Green Pool	36,838
Remaining approved borrowing capacity	4,814

Equity/assets ratio



At 30 June

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 2019	4,000	4,227	52,044	60,271	0	60,271
Profit for the period	-	-	13,911	13,911	-2	13,909
Minority share	-	-	-	-	5	5
Other comprehensive income	-	-	-29	-29	-	-29
<i>Comprehensive income for the period</i>	-	-	13,882	13,882	3	13,885
Dividend	-	-	-4,000	-4,000	-	-4,000
Equity, closing balance at 31 Dec 2019	4,000	4,227	61,926	70,153	3	70,156
Equity, opening balance at 1 Jan 2020	4,000	4,227	61,926	70,153	3	70,156
Profit for the period	-	-	362	362	-2	360
Minority share	-	-	-	-	2	2
Other comprehensive income	-	-	-	-	-	-
<i>Comprehensive income for the period</i>	-	-	362	362	-	362
Equity, closing balance at 30 Jun 2020	4,000	4,227	62,288	70,515	3	70,518

Consolidated cash-flow statement

Amounts in SEK million	Jan–Jun 2020	Jan–Jun 2019	Apr–Jun 2020	Apr–Jun 2019	Jul 2019– Jun 2020	Jan–Dec 2019
Operating activities						
Operating surplus	2,543	2,579	1,256	1,300	5,171	5,207
Central administration	-61	-55	-33	-30	-119	-113
Add back amortisation and depreciation	5	6	3	3	11	12
Adjustment for other non-cash items	-4	-6	-2	-4	-11	-13
Cash flow from operating activities before interest and tax	2,483	2,524	1,224	1,269	5,052	5,093
Interest paid ¹⁾	-727	-595	-350	-294	-1,326	-1,194
Interest received	3	2	2	1	4	3
Taxes paid	-173	-178	-30	-31	-142	-147
Cash flow before changes in working capital	1,586	1,753	846	945	3,588	3,755
Increase (-)/decrease (+) in operating receivables	-473	-573	35	-201	-113	-213
Increase (+)/decrease (-) in operating liabilities	150	249	-36	61	188	287
Cash flow from operating activities	1,263	1,429	845	805	3,663	3,829
Investing activities						
Investments in existing property	-2,586	-2,120	-1,417	-1,134	-4,906	-4,440
Property acquisitions	-6	-	-6	-	-983	-977
Property divestments	-	1,465	-	208	85	1,550
Other PPE, net	-2	0	1	2	-5	-3
Acquisition of intangible assets	-11	-	-8	-	-23	-12
Dividends from joint ventures	34	-	34	-	343	309
Cash flow from investing activities	-2,571	-655	-1,396	-924	-5,489	-3,573
Cash flow after investing activities	-1,308	774	-551	-119	-1,826	256
Financing activities						
Dividend	-	-4,000	-	-4,000	-	-4,000
Raised debt: interest-bearing liabilities	21,360	21,326	10,612	8,937	35,908	35,874
Repayment of debt: interest-bearing liabilities	-19,135	-17,678	-11,574	-7,762	-32,166	-30,709
Change in collateral	210	584	-208	255	-160	214
Redemption of financial instruments	-231	-139	-160	-139	-427	-335
Cash flow from financing activities	2,204	93	-1,330	-2,709	3,155	1,044
Cash flow for the period	896	867	-1,881	-2,828	1,329	1,300
Opening balance, cash and cash equivalents	3,515	2,215	6,292	5,910	3,082	2,215
Cash flow for the period	896	867	-1,881	-2,828	1,329	1,300
Closing balance, cash and cash equivalents	4,411	3,082	4,411	3,082	4,411	3,515

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

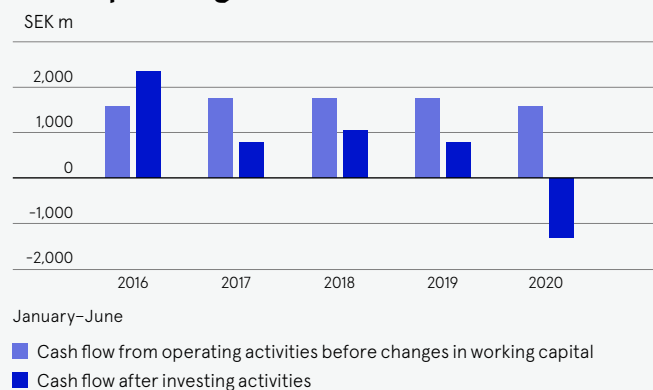
Comments to the consolidated cash-flow statement

Cash flow from operating activities before interest and taxes increased to SEK 2,483 million (2,524). Cash flow from operating activities before changes in working capital decreased to SEK 1,586 million (1,753) as a result of higher interest paid.

During the period, investments in existing properties amounted to SEK 2,586 million (2,120). Cash flow from investing activities amounted to a total outflow of SEK 2,571 million (outflow: 655), where the comparative figures were positively affected by property sales.

In total, net borrowing for the period amounted to SEK 2,225 million (3,648). Altogether, cash and cash equivalents increased SEK 896 million (867) and totalled SEK 4,411 million (3,082) at the end of the period.

Stable cash flow from operating activities



Property acquisitions

Acquisitions	City	Seller	Purchase price, SEK m	Occupancy
Innerstaden 30:79 and 30:3	Malmö	The City of Malmö	6	June 2020
Total property value				
Transaction costs, as well as deduction for deferred tax			-	
Total purchase price			6	

Property divestments

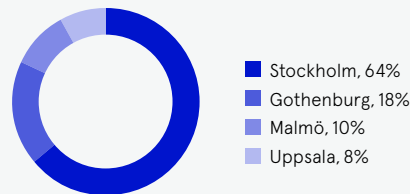
Agreed divestments to be completed	City	Buyer	Purchase price, SEK m	Transfer date
Smedjan 13 and 15	Malmö	Trianon	88	Dependent on detailed development plan
Total purchase price			88	

Vasakronan – in total and by region

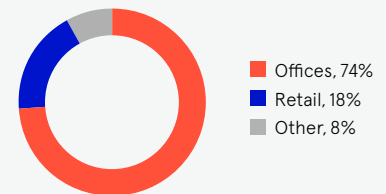
Total Vasakronan Jan–Jun

	2020	2019
Market value of properties, SEK m	157,455	144,215
Rental revenue, SEK m	3,467	3,439
Operating surplus, SEK m	2,543	2,579
Occupancy rate, %	94	93
Number of properties	174	173
Area, thousand sq. m.	2,330	2,318
Environmental certification, %	85	85

Contracted rent by geographic market



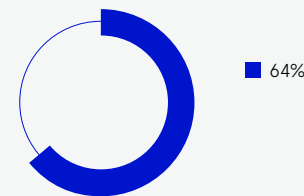
Contracted rent by property type



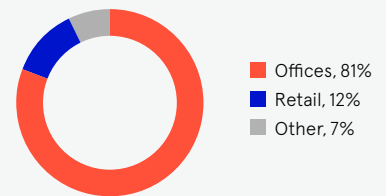
Stockholm Jan–Jun

	2020	2019
Market value of properties, SEK m	106,335	96,325
Rental revenue, SEK m	2,194	2,174
Operating surplus, SEK m	1,629	1,657
Occupancy rate, %	94	92
Number of properties	80	80
Area, thousand sq. m.	1,374	1,389
Environmental certification, %	82	81

Stockholm's share of the total



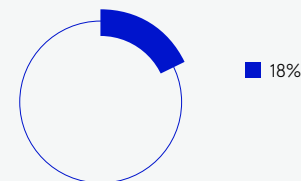
Stockholm by property type



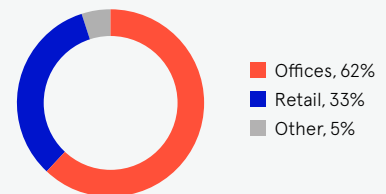
Gothenburg Jan–Jun

	2020	2019
Market value of properties, SEK m	28,229	26,763
Rental revenue, SEK m	642	640
Operating surplus, SEK m	479	492
Occupancy rate, %	95	95
Number of properties	34	34
Area, thousand sq. m.	403	403
Environmental certification, %	94	94

Gothenburg's share of the total



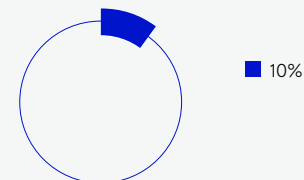
Gothenburg by property type



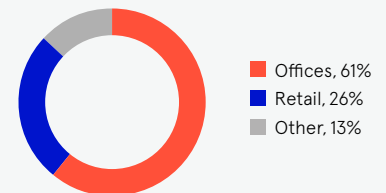
MALMÖ Jan–Jun

	2020	2019
Market value of properties, SEK m	12,889	12,251
Rental revenue, SEK m	347	350
Operating surplus, SEK m	233	235
Occupancy rate, %	88	92
Number of properties	33	33
Area, thousand sq. m.	309	290
Environmental certification, %	96	96

Malmö's share of the total



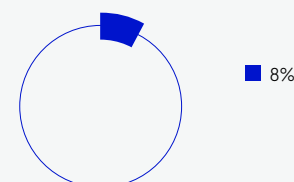
Malmö by property type



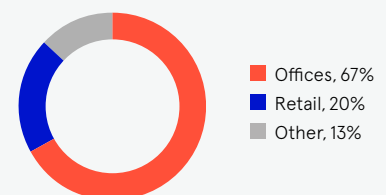
Uppsala Jan–Jun

	2020	2019
Market value of properties, SEK m	10,004	8,877
Rental revenue, SEK m	284	275
Operating surplus, SEK m	202	195
Occupancy rate, %	97	98
Number of properties	27	26
Area, thousand sq. m.	244	236
Environmental certification, %	78	77

Uppsala's share of the total



Uppsala by property type



Pertains to share of contracted rent

Pertains to share of contracted rent

Vasakronan AB

– Parent Company in summary

Income statement

Amounts in SEK million	Jan–Jun 2020	Jan–Jun 2019
Net sales	259	248
Operating expenses	-330	-312
Capital gain on sales	0	3
EBIT	-71	-61
Financial items		
Profit from participations in subsidiaries	2,584	2,355
Net interest	-209	-210
Change in value of financial instruments	217	-1,268
Profit before tax	2,521	816
Tax	14	359
Profit for the period	2,535	1,175

Statement of comprehensive income

Profit for the period recognised in profit or loss	2,535	1,175
Other comprehensive income		-
Total comprehensive income for the period	2,535	1,175

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 259 million (248), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered. The profit from participations in Group companies amounted to SEK 2,584 million (2,355) and pertained to dividends.

The change in the value of financial instruments amounted to SEK 217 million (negative: 1,268) due to lower long market interest rates in Norway. Profit before tax was SEK 2,521 million (816). Closing cash and cash equivalents amounted to SEK 4,400 million (3,072).

Balance sheet

Amounts in SEK million	30 Jun 2020	30 Jun 2019
ASSETS		
Non-current assets		
Equipment	5	10
Shares and participations in subsidiaries	37,634	39,141
Receivables from subsidiaries	40,472	38,168
Receivables from joint ventures	0	165
Shares and participations in joint ventures	0	1
Deferred tax assets	367	362
Derivatives	1,354	831
Non-current receivables	229	53
Total non-current assets	80,061	78,731
Current assets		
Receivables from subsidiaries	4,869	557
Derivatives	6	39
Current receivables	858	862
Cash and cash equivalents	4,400	3,072
Total current assets	10,133	4,530
TOTAL ASSETS	90,194	83,261
EQUITY AND LIABILITIES		
Equity	15,177	8,651
Untaxed reserves	486	186
Liabilities		
Interest-bearing liabilities	67,753	65,423
Derivatives	4,144	3,279
Non-interest-bearing liabilities	1,216	1,254
Liabilities to subsidiaries	1,418	4,468
Total liabilities	74,531	74,424
TOTAL EQUITY AND LIABILITIES	90,194	83,261

Other information

Personnel

The number of employees at the end of the period was 303 (309).

Risks and uncertainties

The Board of Directors and the CEO continuously strive to achieve the desired risk profile, based on the policy established by the Board. The policy contains uniform methods for identifying, valuing, taking responsibility for, managing and reporting risks. Vasakronan's risks are described in the 2019 Annual Report on pages 98–101.

During the first months of the coronavirus pandemic, Vasakronan's Management Team and Board met regularly to evaluate the effects of the pandemic on Vasakronan's operations. The risk areas identified comprised the risk of infection for tenants and staff, rental revenue, financing, development projects and property values. Numerous actions were taken to mitigate risks in these areas, which resulted in the effects over the short term being limited.

How the pandemic will affect the property market in the long term remains difficult to forecast at present.

Estimates and assessments

The preparation of financial statements in accordance with generally accepted accounting principles requires that the management makes assessments and assumptions that affect the amounts recognised in the accounts for assets, liabilities, income and expenses, as well as other information disclosed. The actual results may deviate from these assessments. The financial statements are particularly sensitive to assessments that provide the basis for the valuation of the investment properties. Refer to page 68 of Vasakronan's 2019 Annual Report for the sensitivity analysis.

Related-party transactions

Information pertaining to Vasakronan's related-party transactions is provided in Note 7.3 on page 96 of Vasakronan's 2019 Annual Report. At the end of the period, the Third Swedish National Pension Fund held bonds issued by Vasakronan to a value of SEK 490 million.

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

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Comparative figures in parentheses pertain to the corresponding amounts for the same period last year. The same accounting policies, valuation principles and calculation methods as the ones used in the most recently issued annual report have been applied. Refer to Vasakronan's 2019 Annual Report, pages 79–98.

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

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

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

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

Vasakronan's activities have been organised according to the geographic regions of Stockholm, Gothenburg, Malmö and Uppsala. These regions thus represent the four operating segments used for reporting purposes. Refer to page 80 of Vasakronan's Annual Report.

Alternative performance measures

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

The APMs used in Vasakronan's interim report are defined and motivated on page 22. Pages 20–21 also include a breakdown of specific performance measures where this is required.

Significant events after the end of the period

No significant events have taken place after the end of the period.

Stockholm, 10 July 2020

Johanna Skogestig,
Chief Executive Officer

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

For more information about this interim report, please contact:

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Key metrics

	Jan–Jun 2020	Jan–Jun 2019	Apr–Jun 2020	Apr–Jun 2019	Jul 2019– Jun 2020	Jan–Dec 2019
Property-related information						
Closing economic occupancy rate, %	93.8	93.1	93.8	93.1	93.8	94.1
Surplus ratio, %	73	75	74	76	73	74
Investments in existing projects, SEK m	2,586	2,120	1,417	1,134	4,906	4,440
Property acquisitions, SEK m	6	–	6	–	983	977
Property divestments, SEK m	–	-1,465	–	-208	-85	-1,550
Net investments, SEK m	2,592	655	1,423	926	5,804	3,867
Closing market value of property, SEK m	157,455	144,215	157,455	144,215	157,455	156,071
Closing area, thousand sq. m.	2,325	2,318	2,325	2,318	2,325	2,322
Closing number of properties	174	173	174	173	174	174
Environmental certification at closing date, %	85	85	85	85	85	85
Energy intensity on closing date, kWh/sq. m.	87	99	87	99	87	92
Financial metrics						
EBITDA margin, %	70	71	71	72	74	75
Interest coverage ratio, multiple	4.2	4.4	4.1	3.9	4.6	4.6
Closing equity/assets ratio, %	41	39	41	39	41	41
Closing loan-to-value ratio, %	38	41	38	41	38	38
Average fixed-interest tenor, years	6.0	5.7	6.0	5.7	6.0	5.8
Average loan-to-maturity ¹⁾ , years	5.4	5.2	5.4	5.2	5.4	5.2
Closing EPRA NRV, SEK m	92,834	81,391	92,834	81,391	92,834	91,742
Closing EPRA NTA, SEK m	86,199	75,655	86,199	75,655	86,199	85,205
Closing EPRA NDV, SEK m	67,283	58,752	67,283	58,752	67,283	67,416
Closing average interest rate, %	1.8	1.8	1.8	1.8	1.8	1.7
Closing net interest-bearing liabilities, SEK m	63,342	62,341	63,342	62,341	63,342	63,123
Cash flow before changes in working capital, SEK m	1,586	1,753	846	945	3,588	3,755
Net interest-bearing liabilities/EBITDA ²⁾	–	–	–	–	12.1	12.0
Other						
Closing number of employees	303	309	303	309	303	304

1) Excluding unutilised credit commitments.

2) Only reported for rolling 12-month periods and full years.

Basis for key metrics

	Jan–Jun 2020	Jan–Jun 2019	Apr–Jun 2020	Apr–Jun 2019	Jul 2019– Jun 2020	Jan–Dec 2019
1. EPRA NRV, SEK m						
Equity	70,518	61,302	70,518	61,302	70,518	70,156
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908	-1,908	-1,908
Add back derivatives	2,784	2,841	2,784	2,841	2,784	2,126
Add back recognised deferred tax	21,440	19,156	21,440	19,156	21,440	21,368
	92,834	81,391	92,834	81,391	92,834	91,742
2. EPRA NTA, SEK m						
Equity	70,518	61,302	70,518	61,302	70,518	70,156
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908	-1,908	-1,908
Add back other intangible assets	-126	-106	-126	-106	-126	-116
Add back derivatives	2,784	2,841	2,784	2,841	2,784	2,126
Add back recognised deferred tax	21,440	19,156	21,440	19,156	21,440	21,368
Deferred tax at fair value ¹⁾	-6,509	-5,630	-6,509	-5,630	-6,509	-6,421
	86,199	75,655	86,199	75,655	86,199	85,205
3. EPRA NDV, SEK m						
Equity	70,518	61,302	70,518	61,302	70,518	70,156
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908	-1,908	-1,908
Assess fair value of interest-bearing liabilities	-1,327	-642	-1,327	-642	-1,327	-832
	67,283	58,752	67,283	58,752	67,283	67,416
4. EBITDA, SEK m						
Operating surplus	2,543	2,579	1,256	1,300	5,171	5,207
Central administration	-61	-55	-33	-29	-119	-113
Cash flow from dividends from joint ventures	34	-	34	-	343	309
Ground rents and land leases	-83	-71	-41	-35	-162	-154
	2,433	2,453	1,216	1,236	5,233	5,249
5. EBITDA margin, %						
Rental revenue	3,467	3,439	1,703	1,715	7,068	7,040
EBITDA	2,433	2,453	1,216	1,236	5,233	5,249
	70	71	71	72	74	75
6. Interest coverage ratio, multiple						
EBITDA	2,433	2,453	1,216	1,236	5,233	5,249
Net financial items	-573	-563	-296	-315	-1,141	-1,131
	4.2	4.4	4.1	3.9	4.6	4.6
7. Net interest-bearing liabilities, SEK m						
Non-current interest-bearing liabilities	56,058	51,598	56,058	51,598	56,058	53,682
Current interest-bearing liabilities	11,695	13,825	11,695	13,825	11,695	12,956
Cash and cash equivalents	-4,411	-3,082	-4,411	-3,082	-4,411	3,515
	63,342	62,341	63,342	62,341	63,342	63,123
8. Loan-to-value ratio, %						
Net interest-bearing liabilities	63,342	62,341	63,342	62,341	63,342	63,123
Total assets excl. leaseholds and land leases	168,088	153,220	168,088	153,220	168,088	164,936
	38	41	38	41	38	38

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

Definitions

Area, sq. m.

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

Loan-to-value (LTV) ratio, %

Net interest-bearing liabilities divided by total assets less deductions for leaseholds and land leases on the closing date. Intended as an indication of the company's financial risk.

Central administration, SEK m

Costs at the Group level that are not directly related to property management, such as costs associated with the Group management team, property investments, financing and central marketing.

Operating surplus, SEK m

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

Net operating income, SEK m

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

EBITDA, SEK m

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

EBITDA margin, %

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

Energy intensity kWh/sq. m.

The annual total for energy consumption, adjusted to the level of a normal year, from heating, comfort cooling and property electricity,

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

EPRA NRV

(Net Reinstatement Value), SEK m
Recognised equity, adding back goodwill, derivatives and deferred tax. The metric shows the company's EPRA NAV, refer to the calculation on page 21.

EPRA NTA

(Net Tangible Assets), SEK m
Recognised equity adding back goodwill, derivatives and other intangible assets after adjustment for estimated actual deferred tax. Calculated on the basis of a 30% current tax rate, in other words 6.2%. The metric reflects the actual NAV. Refer to the calculation on page 21.

EPRA NDV

(Net Disposal Value), SEK m
Equity adjusted for goodwill and the fair value of interest-bearing liabilities as well as the full extent of deferred tax, refer to the calculation on page 21.

Property acquisitions, SEK m

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

Property divestments, SEK m

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

Net financial items

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

Average loan-to-maturity, years

The volume-weighted remaining maturity on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

Average interest rate, %

The volume-weighted interest rate

on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

Average fixed-interest tenor, years

The volume-weighted remaining maturity on fixed-interest rates on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

Average remaining term to maturity, years

The total contract value of commercial facilities divided by contracted rent for commercial facilities.

Rental value, SEK m

Contracted rent plus the assessed market rent for vacant premises.

Investments in existing projects, SEK m

Investments in ongoing projects. Intended as an indication of the company's investment volume.

Comparable property holdings

Properties included in holdings during the entire reporting period, and during the entire comparison period. Properties that were classified as development properties, or that were acquired or sold during the reporting period or comparison period are not included.

Contracted rent, SEK m

Total annual rent from contracts in effect as of the closing date.

Contracted rent by property type

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

Cash and cash equivalents, SEK m

Cash and bank balances, along with current investments with maturities of less than three months. Intended as an indication of the company's liquidity.

Environmental certification, %

Total area of properties that have obtained certification in accordance with BREEAM, LEED or Miljöbyggnad, divided by the area for the entire

property portfolio, on the closing date.

Net investments, SEK m

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

Net lettings, SEK m

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

Profit before value changes and tax, SEK m

Operating surplus less central administration, profit (loss) from participations in joint ventures and net interest. Intended as an indication of current earnings in the operations.

Net interest-bearing liabilities, SEK m

Interest-bearing liabilities less cash and cash equivalents. Intended as an indication of the company's financial risk, excluding IFRS 16.

Net interest-bearing liabilities/EBITDA, multiple

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

Interest coverage ratio, multiple

EBITDA in relation to net financial items. Intended as an indication of the company's sensitivity to fluctuations in interest rates.

Equity/assets ratio, %

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

Occupancy rate, %

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

Surplus ratio, %

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

Vasakronan in brief

Vasakronan is Sweden's largest property company. The portfolio comprises 174 properties with a total area of about 2.3 million square metres and a market value of SEK 157 billion. The properties encompass centrally located office and retail properties in Stockholm, Gothenburg, Malmö and Uppsala.

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

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

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

Financial Calendar

Reports

Interim report Jan–Sep 2020
Year-end report 2020
Annual Report 2020

4 November 2020
4 February 2021
March 2021