

Interim Report Q3

January–September 2020

- > Rental revenue amounted to a total of SEK 5,234 million (5,232). For comparable property holdings, the increase was 1% (7). Rent discounts provided during Q2 due to Covid-19 had a negative impact of SEK 59 million on revenue.
- > New lettings corresponding to 100,000 square metres (170,000) and an annual rent of SEK 453 million (706) were contracted and net lettings amounted to SEK 119 million (298).
- > The occupancy rate was 92.6% (93.1) at the end of the period. Of total vacancies 7.4%, 1.5 percentage points (2.3) were attributable to ongoing projects and development properties.
- > The operating surplus amounted to SEK 3,876 million (3,875). For comparable property holdings, the increase was 1% (7).
- > Profit before value changes and tax decreased to SEK 2,520 million (3,716). The change was primarily due to lower earnings from joint ventures, loss of SEK 294 million (profit: 887) due to a lower expected volume for development rights.
- > The change in property value amounted to a decline of SEK 863 million (increase: 6,769), corresponding to a 0.5% (increase: 5.0) 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 158,641 million (147,385).
- > The value change in derivatives amounted to SEK 292 million (negative: 1,713), primarily due to falling long market interest rates in Norway.
- > Profit after tax amounted to SEK 1,448 million (7,215).
- > A dividend of SEK 3,000 million (4,000) for the 2019 financial year has been proposed to the extraordinary general meeting

Rental revenue,
comparable property
holdings, %

+1

Occupancy rate, %

92.6

Value change
in properties, %

-0.5

Profit after tax, SEK m

1,448

Amounts in SEK million	Jan–Sep 2020	Jan–Sep 2019	Jul–Sep 2020	Jul–Sep 2019	Oct 2019– Sep 2020	Jan–Dec 2019
Rental revenue	5,234	5,232	1,767	1,793	7,042	7,040
Operating surplus	3,876	3,875	1,332	1,296	5,208	5,207
Profit before value changes and tax	2,520	3,716	979	935	3,725	4,921
Change in value of investment properties	-863	6,769	344	2,143	5,637	13,270
Profit after tax	1,448	7,215	1,087	2,185	8,142	13,909
Cash flow from operating activities before changes in working capital	2,563	2,700	977	947	3,527	3,755
Market value of properties	158,641	147,385	158,641	147,385	158,641	156,071
Occupancy rate, %	92.6	93.1	92.6	93.1	92.6	94.1
Surplus ratio, %	74	74	75	72	74	74
Interest coverage ratio, multiple	4.3	4.3	4.5	4.3	4.6	4.6
Loan-to-value (LTV) ratio, %	37	39	37	39	37	38
Closing EPRA NRV, SEK m	94,223	83,908	94,223	83,908	94,223	91,742
Closing EPRA NTA, SEK m	87,526	78,240	87,526	78,240	87,526	85,205
Closing EPRA NDV, SEK m	67,956	60,956	67,956	60,956	67,956	67,416
Environmental certification, share of total area, %	85	84	85	84	85	85
Energy intensity on closing date, kWh/sq. m., rolling 12 month					85	92

“Vasakronan is financially strong and we have stable earnings from property management”



Stable earnings trend

The economy looks brighter now than earlier in the summer but, as expected, the effects of Covid-19 remained in the third quarter. Many businesses are doing well but the effects of the pandemic vary across industries and companies. For Vasakronan, this means that our close, ongoing dialogues with our tenants continued throughout this period as well.

The market is cautious for obvious reasons. Despite this, I can say that there is both demand and a willingness to pay for good products in the right location. This is reflected in the lettings contracted during the quarter.

Within offices, most companies are continuing to offer their employees the opportunity to work remotely. This challenges the traditional view of what an office is and requires both managers and employees to adapt how they work. We have seen this in dialogues with our customers, who are showing increased interest in one of Vasakronan's core issues – how to design an office so it better meets needs for coordination and flexibility. Working remotely has highlighted the need of offices as meeting places, a development we had noticed previously but is now accelerating.

You can see from our city centres that many people are working from home. Even if the footfall in our retail streets increased in the third quarter, it is only on weekends that it borders on the levels we saw before the pandemic. This is a challenge for retail, which was already in a structural overhaul. At the same time, it is clear that the acute crisis we noted during the second quarter is more muted. Discussions about rent discounts are few and rent payments are largely back at the same level as before the pandemic.

High occupancy rate in projects

Vasakronan is one of the country's largest property developers. Our development projects have an occupancy rate of approximately 80% and they are well positioned in terms of location and content. Several projects are beginning stepwise completion and we are now entering a period of move-ins. This will have a positive effect on our rental revenue in the coming years. During the quarter, tenants like Embark Studios, the Swedish Council for Higher Education and Statistics Sweden will move in to their respective premises in the Styrpinnen block at Kungsträdgården in Stockholm and the Nöten property in Solna Strand.

Towards climate neutrality by 2030

Our climate efforts don't go on hold during a pandemic. To name just one example of this, thanks to a successful energy efficiency initiative, we reduced our energy consumption in the property portfolio by a further 7% in 2020.

Waste and recycling are also growing in importance, for our customers as well as the industry. That is why it is especially gratifying that Vinnova renewed financing for CCBuild, the Centre for Circular Construction. This is good news for Vasakronan, one of the initiators at CCBuild. It is essential that the entire industry jointly creates the conditions for recycling construction products on an industrial scale if we are to reach our goal of climate neutrality across the entire value chain by 2030.

Good access to financing

The positive signals we noted in the capital market before the summer continued during the autumn and there is a great deal of interest from Nordic as well as Asian investors in Vasakronan's bonds. Access to financing is good and at the end of the period the credit margins were once again historically low, as indicated by the transaction market and the considerable interest in real assets.

Financial strength with stable management earnings

To sum up, Vasakronan is financially strong and we have stable earnings from property management. Unfortunately, infection rates are increasing in society and, at the time of writing, the Public Health Agency of Sweden has once again issued stricter recommendations for our four regions. The full ramifications are difficult to predict and I am monitoring diligently the actual outcomes for people and businesses. Effects such as a more cautious rental market can be seen already. This will likely affect underlying rent growth moving forward. At the same time, we're working from a strong position, not least in our development projects that are now gradually being phased in to property management. This, in combination with our employees' outstanding expertise, a strong range of products and excellent properties in prime locations, makes me optimistic.

Stockholm, 4 November 2020

Johanna Skogestig,
Chief Executive Officer

Vasakronan third quarter

New lettings and renegotiations

Despite a cautious market, new lettings and renegotiations remained at a stable level. During the quarter, nearly 70 contracts for new lettings corresponding to 15,000 square metres (41,000) and an annual rent of SEK 64 million (233) were signed. The Kronan property in Sundbyberg, is now fully let after Vasakronan signed a ten-year add-on agreement with the Swedish Tax Agency for 900 square metres. The Swedish Tax Agency already leases just over 43,000 square metres of the property, which is under construction and will be ready for occupancy by autumn 2021. The Aura office property in Malmö has been fully let since the 4c Group signed a four-year lease for some 600 square metres.

During the quarter, repurchases were also made corresponding to 43,000 square metres (60,000) and an annual rent of SEK 156 million (230). The result of renegotiations for the quarter for leases related to offices amounted to 4.5% (12.2) and for retail the result was down 7.7% (up: 0). The Swedish Agency for Economic and Regional Growth has extended its lease of 4,000 square metres at Nattugglan in Söder, Stockholm for a period of five years and Intersport has signed a six-year extension to its lease at Köpmannen in Gothenburg for almost 1,500 square metres.

Net lettings for the quarter amounted to a loss of SEK 11 million (profit: 124) and the occupancy rate was 92.6% (93.1). Of total vacancies, 1.5 percentage points (2.3) were attributable to ongoing projects and vacant development properties.

Increased demand for flexible premises

During the pandemic, interest in flexible office solutions with shorter contracts has increased. Through the Smart & Klart concept, Vasakronan offers complete and fully equipped office space that is ready for occupancy on short notice, with rental agreements that have shorter notice periods.

Vasakronan has approximately 60 Smart & Klart premises in its property portfolio and an additional 14 are being planned. The premises vary in size between 70 square metres and eight workplaces to 2,500 square metres and 200 workplaces.

During the quarter, the consultants Alvarez, as well as Marsal Nordics, signed leases for Smart & Klart premises in Sergelhusen in central Stockholm. Sergelhusen, which will be finished in autumn 2021, offers a total of 2,200 square metres of Smart & Klart space across five different premises.

Completed development property

During the quarter Styrpinnen, also known as Bankpalatset, was completed at Kungsträdgården in central Stockholm. This was a total renovation of the property, as well as the construction of an all wood extension. The property encompasses

4,300 square metres and was fully let to Embark Studios upon completion.

Vasakronan's decided investment volume in the project portfolio amounted to approximately SEK 15 billion, of which SEK 9 million, or 63%, had been capitalised at the end of the quarter. The occupancy rate for larger projects was close to 80% (62), which represents an annual rental revenue of approximately SEK 1,000 million.

Manifestation for a safer work environment

Vasakronan is one of the country's largest developers. Building projects can be high-risk, and our ambition is to have no accidents or severe injuries at our building sites. Vasakronan therefore sets stringent requirements for its contractors in terms of construction site safety and has participated for several years in Håll Nollan – an organisation that works to ensure common sector standards for a secure and safe work environment in the construction sector. In September, Vasakronan's project Platinan in Gothenburg participated with others in a "safety push" in collaboration with Håll Nollan.

It was a manifestation that aimed to draw attention to the importance of a safer work environment and to highlight good examples of how collaboration and exchanging experiences leads to safer construction sites.

Third quarter results

During the quarter:

- Profit before value changes and tax amounted to SEK 979 million (935).
- The change in the value of property was 0.2% (1.5), corresponding to SEK 344 million (2,143).
- The value change in derivatives was SEK 75 million (-445).
- Profit after tax was SEK 1,087 million (2,185).
- Cash flow from operating activities totalled SEK 1,170 million (1,119).

Proposed dividend

Due to uncertainty in the credit market and difficulties predicting the consequences of the pandemic, the Board proposed in April to postpone dividends and to withdraw the previous dividend proposal of SEK 6,000 million.

It is now the Board's assessment that Vasakronan is stable financially and operationally, and proposes therefore an extraordinary general meeting to resolve on a dividend of SEK 3,000 million (4,000) for the 2019 financial year.

The market during the third quarter

Recovery during the quarter

As a result of the pandemic, Swedish GDP fell by a dramatic 8% during the second quarter. Several measures have been taken by the government as well as the Riksbank to soften the economic effects. These measures, in combination with a reduced spread of the virus and society's adaptation to the new conditions, resulted in a recovery during the third quarter. However, there is considerable uncertainty regarding how a second wave of the pandemic could effect the economy. No reversal in the labour market has been noted yet. Unemployment continues to grow and is expected to reach nearly 10% by the fourth quarter this year, according to the National Institute of Economic Research. According to Statistics Sweden and Evidens, office sector employment in the metropolitan regions is expected to decline 3% in 2020 before rising 2% in 2021.

The retail sector, particularly consumer durables, is one of the sectors hardest hit by the pandemic, even if the recovery during the third quarter brightened prospects somewhat. However, in its report from September, HUI Research estimates that consumption of consumer durables, including e-commerce, will increase 2.5% in 2020, which is a marked improvement compared with the earlier forecast from June, which showed a decline of 1%.

In parallel with the challenges of the pandemic, the industry is undergoing a digital transition, which means new participants and tight margins. Consumer durables are increasingly purchased online. This is also noted in Vasakronan's city retail index, which 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 essentially 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 and corporate bonds. At its September meeting, the Riksbank decided to keep the repo rate unchanged at 0%.

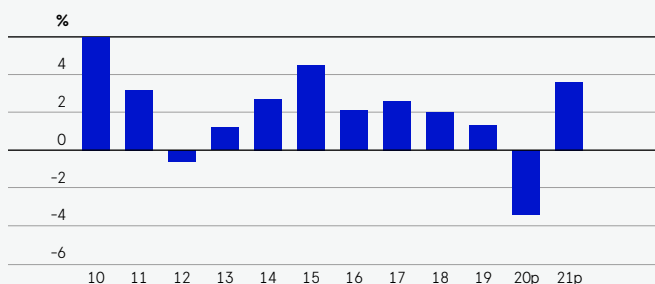
Cautious rental market

According to data provided by Cushman & Wakefield, transactions were completed in the Swedish property market for SEK 28 billion (59) in the third quarter. During the first nine months of the year, the transaction volume thus amounted to SEK 104 billion, compared with SEK 138 billion in the corresponding period last year. Residential property was the largest segment in terms of transaction volume. The majority of the transactions were conducted in Stockholm. Both Swedish and foreign investors have a great interest in acquiring properties with strong cash flows.

The office rental market started 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 the pandemic. However, at the end of the period, yield requirements for offices were at about the same levels as at the year end.

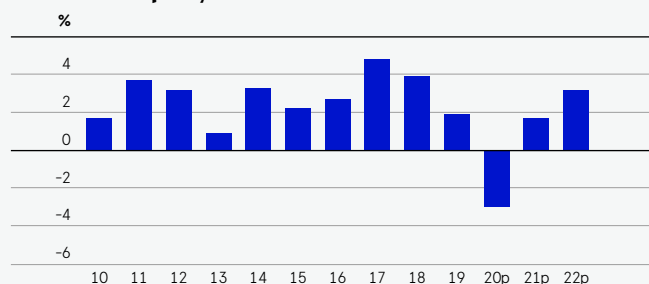
Requirements for yields for retail properties are assessed as having risen slightly since the beginning of the year. A certain downturn was noted in retail rent, primarily in Stockholm – a downturn that had been noted prior to the outbreak of the pandemic as a result of the rising threat of e-commerce 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–Sep 2020	Jan–Sep 2019	Jul–Sep 2020	Jul–Sep 2019	Oct 2019– Sep 2020	Jan–Dec 2019
Rental revenue	5,234	5,232	1,767	1,793	7,042	7,040
Operating expenses	-510	-514	-158	-165	-678	-682
Repairs and maintenance	-87	-88	-27	-24	-118	-119
Property administration	-263	-265	-80	-79	-375	-377
Property tax	-498	-490	-170	-229	-663	-655
Total property expenses	-1,358	-1,357	-435	-497	-1,834	-1,833
Operating surplus	3,876	3,875	1,332	1,296	5,208	5,207
Central administration	-89	-77	-28	-22	-125	-113
Result from participations in joint ventures	-294	887	-4	-4	-76	1,105
Financial income	8	3	3	1	9	4
Financial expenses	-863	-864	-285	-299	-1,134	-1,135
Interest expenses, ground rents and land leases	-118	-108	-39	-37	-157	-147
Profit before value changes and tax	2,520	3,716	979	935	3,725	4,921
Change in value of investment properties	-863	6,769	344	2,143	5,637	13,270
Depreciation of land lease agreements	-5	-5	-1	-1	-7	-7
Change in value of financial instruments	292	-1,713	75	-445	1,124	-881
Divested/impaired goodwill	0	-74	0	0	0	-74
Profit before tax	1,944	8,693	1,398	2,632	10,480	17,229
Current tax	-227	-110	-113	51	-347	-230
Deferred tax	-268	-1,368	-197	-498	-1,990	-3,090
Profit for the period	1,448	7,215	1,087	2,185	8,142	13,909
Of which, attributable to non-controlling interests	-3	0	-1	0	-5	-2
Total profit attributable to the Parent Company shareholders	1,451	7,215	1,088	2,185	8,147	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	-	-	-	-	5	5
Income tax on pensions	-	-	-	-	7	7
Other comprehensive income for the period, net of tax	-	-	-	-	-29	-29
Total comprehensive income for the period²⁾	1,451	7,215	1,088	2,185	8,118	13,882
Key metrics						
Surplus ratio, %	74	74	75	72	74	74
Interest coverage ratio, multiple	4.3	4.3	4.5	4.3	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 for the period amounted to SEK 5,234 million (5,232). For comparable property holdings, the increase was 1% (7). During the second quarter, some 500 of Vasakronan's tenants received discounts amounting to SEK 107 million, of which SEK 48 million will be covered by state aid. Accordingly, earnings were charged with Covid-related discounts provided of SEK 59 million for the period. During the period, a provision of SEK 12 million was made for doubtful receivables.

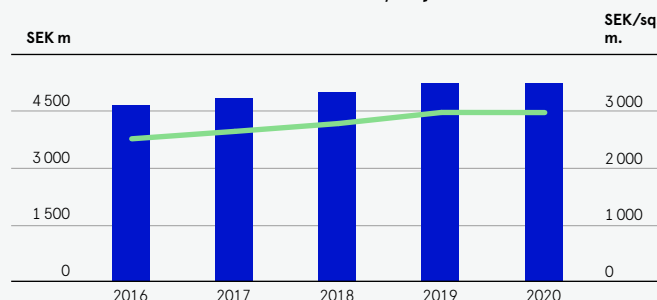
New lettings corresponding to 100,000 square metres (170,000) and annual rent of SEK 453 million (706) were contracted, of which 18% (16) impacted on revenue in 2020. Of the new lettings for the period, SEK 191 million (310) pertains to development properties.

At the Aura office property in Malmö, the 4c Group signed a four-year lease for some 600 square metres. At the Kronan property in Sundbyberg, Vasakronan signed a ten-year add-on agreement with the Swedish Tax Agency for 900 square metres. The Swedish Tax Agency already leases just over 43,000 square metres in Kronan, which is consequently fully let. The property, which is under construction, will be ready for occupancy by autumn 2021.

Notice of termination was received during the period (tenant will be vacating) corresponding to annual rent of SEK 334 million (409), whereby net lettings amounted to SEK 119 (298) million. Net lettings for the rolling 12-month period were 232 (310).

A repurchase of 228,000 square metres (230,000) during the period corresponding to annual rent of SEK 642 million (772), resulting in an increase on the previous rent payable of 6.6% (12.3). The result of renegotiations for the period for leases related to offices amounted to 9.6% (15.1) and for retail the result was down 6.9% (up: 2.2). Of all the contracts up for renegotiation over the last period, nearly 60% (68) of the tenants decided to extend their contracts.

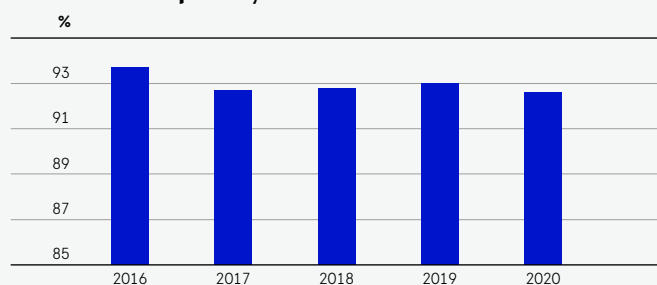
Stable rental revenue SEK/sq. m.



January–September

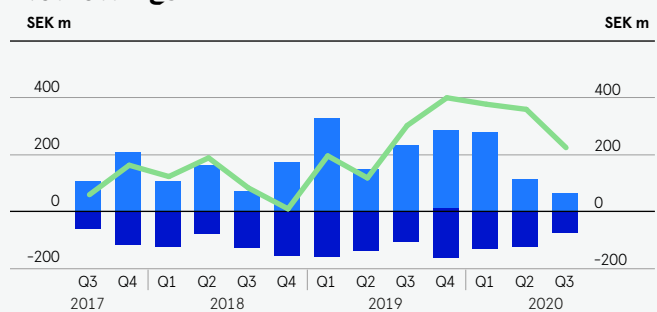
■ Rental revenue SEK m — Rental revenue SEK/sq. m.

Stable occupancy rate



At 30 September

Net lettings



■ New lettings, SEK m

■ Moves, SEK m — Net lettings, SEK m, rolling 12 month

Comments on the consolidated income statement (Cont.)

Contracted rent at the end of the year amounted to SEK 7,209 million (7,056) and the average remaining maturity was 3.9 years (4.0). The closing occupancy rate was 92.6% (93.1). Of total vacancies, 1.5 percentage points (2.3) were attributable to ongoing projects and development properties.

Property expenses

Property expenses amounted to SEK 1,358 million (expense: 1,357) for the period. In comparable property holdings, the property expenses decreased 1%, compared with an increase of 8% for the same period last year. The decrease was primarily due to lower tariff-based costs due to the mild winter and lower utilisation rates due to Covid-19.

Operating surplus

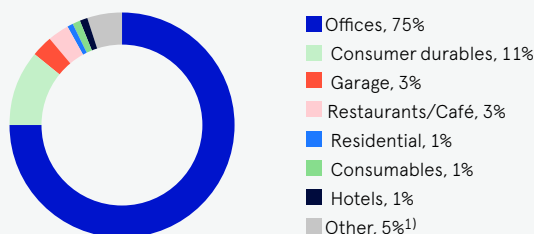
Operating surplus for the period amounted to SEK 3,876 million (3,875). For comparable property holdings, the increase in operating surplus was 1.0% (7.0). The surplus ratio was 74% (74).

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2020	263	360	5
2021	1,084	933	13
2022	886	1,420	20
≥2023	1,798	4,167	58
Total	4,031	6,880	96
Residential	1,178	102	1
Garage	-	227	3
Total	5,209	7,209	100

Maturity structure for contracted rent

Predominantly office tenants



Breakdown by sector, share of contracted rent

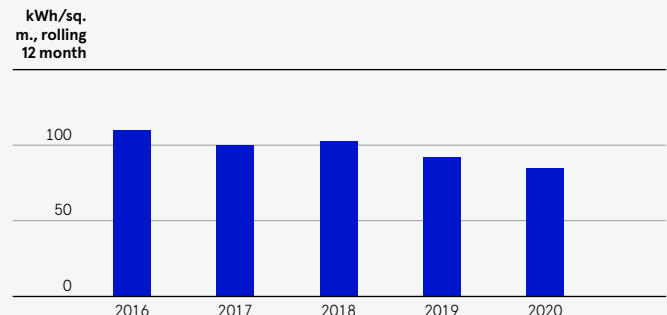
1) Other encompasses sectors including health and social care, sports and recreation facilities, and warehouses.

Widely distributed over many tenants

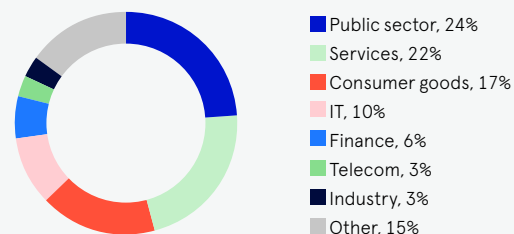
	Share in %
Swedish Police Authority	3
Ericsson	3
H&M	2
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
Åhléns	1
Handelsbanken	1
KPMG	1
TV4	1
Total	17

Largest tenants, share of contracted rent

Improved energy intensity



Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

Comments on the consolidated income statement (Cont.)

Administration

Property administration costs were SEK 263 million (expense: 265) and central administration costs were SEK 89 million (expense: 77). The increase was primarily due to higher development costs for digital investments and Arenan, Vasakronan's own co-working concept.

Result from participations in joint ventures

The result from participations in joint ventures amounted to a loss of SEK 294 million (profit: 887). The negative earnings for the period stemmed from a lower expected volume of development rights.

Net financial items

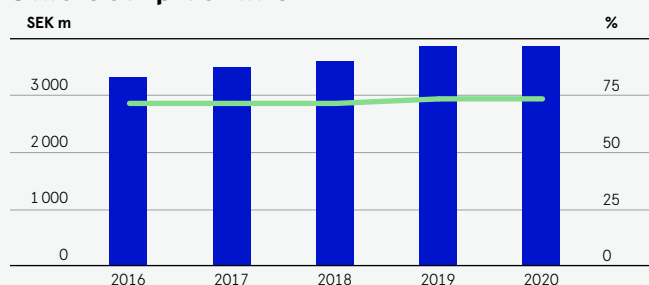
Net financial items for the period amounted to an expense of SEK 855 million (expense: 861). The average interest rate for loans and derivatives amounted to 1.7% (1.8) at the end of the period.

The LTM interest coverage ratio amounted to a multiple of 4.6 (4.6). According to the financial policy, the interest coverage ratio is not permitted to fall 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 2,520 million (3,716). The change was primarily due to a lower result from participations in joint ventures.

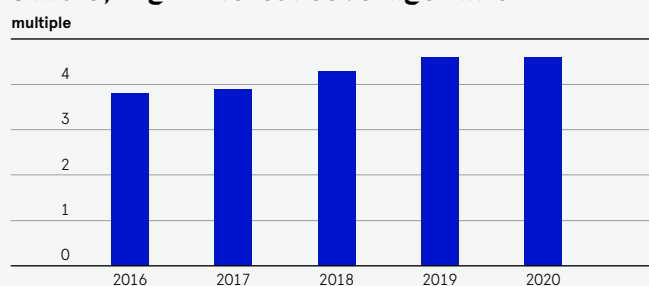
Stable surplus ratio



January–September

■ Operating surplus, SEK m — Surplus ratio, %

Stable, high interest coverage ratio



At 30 September, rolling 12-month period

Financial risks

	Financial policy in brief	Outcome, 30 September 2020
Financing risk		
Loan-to-maturity	min. 2 years	5.2
Loans maturing, 12 months	max. 40%	17%
Credit commitments and cash/loans maturing 12 months	min. 100%	211%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	4.6x
Fixed-interest period	min. 2 years	5.8 years
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 September 2020, the entire property portfolio had been valued internally. Altogether, the change in the property value amounted to a decrease of SEK 863 million (increase: 6,769), which corresponded to a 0.5% (increase: 5.0) decrease in value for the period. The average yield requirement used for valuation of the property portfolio was 4.16%, which was unchanged for corresponding properties at the end of 2019.

For the current year, 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 somewhat. The positive effect from projects was mainly due to lower completion risk and a favourable occupancy rate.

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 292 million (negative: 1,713), 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 72,424 million (73,799), of which SEK 52,537 million (57,186) comprised interest-rate derivatives and SEK 19,887 million (16,613) cross-currency derivatives.

Tax

The Group reported a total tax effect of an expense of SEK 496 million (expense: 1,478). Of the tax expense, an expense of SEK 227 million (expense: 110) was current tax and SEK 268 million (expense: 1,368) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments.

The effective tax rate for the period amounted to 25.5% (17.0). The difference from 20.6% depends materially on non-deductible interest as an effect of the new interest deduction limit rules.

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	-0.3	-0.2
Gothenburg	-0.9	-0.2
Uppsala	0.2	0.0
Malmö	-1.5	-0.1
Total		-0.5

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	-0.9	-0.7
Development properties	1.6	0.2
Transactions		0.0
Total		-0.5

Factors impacting value

	Value impact, %
Yield requirement	0.0
Market rents	-0.5
Total	-0.5

Consolidated balance sheet

Amounts in SEK million	30 Sep 2020	30 Sep 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS					
Non-current assets					
Intangible assets	2,039	2,013	2,034	2,014	2,024
Property, plant and equipment (PPE)					
Investment properties	158,641	147,385	157,455	144,215	156,071
Leaseholds and land leases	5,165	5,245	5,170	5,046	5,243
Equipment	38	40	40	40	40
	163,844	152,670	162,665	149,301	161,354
Financial assets					
Shares and participations in joint ventures	838	1,192	842	1,256	1,164
Receivables from joint ventures	0	165	-	165	130
Derivatives	1,356	1,215	1,354	831	642
Other non-current receivables	277	58	231	57	174
Total financial assets	2,471	2,630	2,427	2,309	2,110
Total non-current assets	168,354	157,313	167,126	153,624	165,488
Current assets					
Accounts receivable	112	35	58	12	35
Receivables from joint ventures	0	0	0	0	0
Derivatives	6	35	6	39	27
Other current receivables, prepaid expenses and accrued income	1,304	1,312	1,655	1,509	1,114
Cash and cash equivalents	4,096	3,373	4,411	3,082	3,515
Total current assets	5,518	4,755	6,132	4,642	4,691
TOTAL ASSETS	173,872	162,068	173,258	158,266	170,179
EQUITY AND LIABILITIES					
Equity	71,610	63,487	70,518	61,302	70,156
Non-current liabilities					
Interest-bearing liabilities	55,848	53,322	56,058	51,598	53,682
Liabilities, leaseholds and land leases	5,166	5,245	5,171	5,046	5,244
Deferred tax liability	21,637	19,653	21,440	19,156	21,368
Derivatives	4,122	3,879	4,082	3,231	2,725
Other non-current liabilities	367	1,160	472	764	385
Provision for pensions	116	85	117	87	119
Total non-current liabilities	87,256	83,344	87,340	79,882	83,523
Current liabilities					
Interest-bearing liabilities	11,444	11,649	11,695	13,825	12,956
Accounts payable	101	190	48	47	220
Liabilities joint ventures	-	12	0	12	12
Current tax liabilities	124	-	42	3	128
Derivatives	124	47	62	48	70
Other current liabilities, accrued expenses and deferred income	3,213	3,339	3,551	3,147	3,114
Total current liabilities	15,007	15,237	15,400	17,082	16,500
TOTAL EQUITY AND LIABILITIES	173,872	162,068	173,258	158,266	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 September 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 31 million (16) invested in technical platforms was recognised as an intangible asset.

Investment properties

At 30 September 2020, Vasakronan's entire property portfolio had been valued internally. The assessed market value of the property portfolio was SEK 158,641 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 863 million (positive: 6,769) and net investments totalled SEK 3,433 million (1,682). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 8.9 billion/positive SEK 10.0 billion on the value of the current property portfolio.

Market value is influenced by property-specific events during the period, such as new and renegotiated leases, properties being vacated and investments made. Consideration has also been taken for any assessed changes in market rents and yield requirements since the previous external valuation. A more comprehensive description of Vasakronan's property valuation methodology is available on page 87 of Vasakronan's 2019 Annual Report.

At 30 September, a downward adjustment was made primarily to property values for retail properties, which is the segment most clearly affected by the spread of Covid-19.

During the quarter, the Vildmannen 11 property in central Stockholm was divested to the newly formed company Arnhemmar Fastighets AB for almost SEK 230 million.

Changed property values

SEK m	2020	2019
Opening value, 1 January	156,071	138,934
Investments	3,655	3,145
Acquisitions	7	2
Sales	-229	-1,465
Change in value	-863	6,769
Closing value, 30 September	158,641	147,385

Environmental certification

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% (84) of our property portfolio was environmentally certified, of which 72 percentage points (70) 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 September 2020, right-of-use agreements totalled SEK 5,165 million, compared with SEK 5,243 million at the year end.

Comments on the consolidated balance sheet (Cont.)

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	4,000	3,566	89	56,500	Dec 2021	76	LEED Platinum
Gothenburg	Platinan	2,600	1,500	58	53,700	Mar 2022	71	LEED Platinum
Sundbyberg	Kronan 1	1,680	761	45	44,400	Nov 2021	100	LEED Platinum
Stockholm, Solna Strand	Nöten 5	916	807	88	26,000	Dec 2020	65	LEED Gold
Stockholm	Nattugglan, block 2	800	278	35	15,000	Jun 2022	80	LEED Platinum
Uppsala	Magasin X	530	188	35	11,500	Mar 2022	73 ²⁾	LEED Platinum
Uppsala	Kronåsen 1:1 Celsius	420	403	98	10,200	Oct 2020	98	LEED Platinum
Stockholm	Sperlingens Backe 45	300	81	27	3,900	Dec 2021	47	LEED Gold
Stockholm	Styrpinnen 15	290	290	100	4,300	Aug 2020	100	LEED Gold
Gothenburg	Strömshuset	270	87	32	10,500	Nov 2021	71	LEED Platinum
Stockholm, Solna	Diktaren	143	44	31	6,400	Aug 2021	100	–
Total major property projects		11,949	8,005	67			79	
Stockholm	Sergelgatan	1,500	453	30		Mar 2023	³⁾	LEED Gold
Other projects		1,320	838					
Total		14,769	9,296					

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 14,796 million (14,374), of which SEK 9,296 million had been capitalised as of 30 September 2020, compared with SEK 6,753 million at the year end. The occupancy rate for major projects was 79% (69) at the end of the period.

All projects are progressing as planned. No delays or disruptions were noted as a result of the pandemic.

The Styrpinnen property in central Stockholm was completed during the quarter. The property encompasses slightly more than 4,000 square metres of office space and is fully let.

Shares and participations in joint ventures

The value of holdings in the form of shares and participations in joint ventures amounted to SEK 838 million (1,164) at the end

of the period. SEK 294 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 September 2020, the deferred tax liability was SEK 21,673 million, compared with SEK 21,368 million at the year end. The deferred tax liability pertained primarily to investment 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.

Comments on the consolidated balance sheet (Cont.)

Liabilities, and cash and cash equivalents

Since spring 2018, Vasakronan has a public rating of A3, with a stable outlook, from the credit-rating agency Moody's. The rating was confirmed as unchanged in May 2020. This confirms the strength of the company's owners, high-quality properties and diversified tenant portfolio over many sectors that contains a high percentage of public operations. The strong rating reduces financing risk as it provides access to financing in most markets and also access to longer maturities, in some cases as long as 25 years.

Interest-bearing liabilities, net of cash and cash equivalents, increased to SEK 63,196 million, compared with SEK 63,123 million at year-end 2019. As a result of lower borrowing through commercial paper, loans maturing within the next 12 months decreased to 17% (19) of interest-bearing liabilities, while longer loans maturing in five years or more rose to 40% (37). The average loan-to-maturity increased to 5.2 years (5.2) at the end of the period and the average loan-to-maturity taking into consideration unutilised credit commitments increased to 5.6 years (5.6).

To 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 4,096 million (3,515), unutilised credit facilities with the owners and the unutilised credit facility with the European Investment Bank (EIB) together correspond to 211% (166) of loans maturing over the next 12 months. Of cash and cash equivalents, SEK 270 million (321) comprised deposits under CSAs.

During the period, the company issued debt equivalent to SEK 9.9 billion (12.4) in the bond market, distributed as follows: SEK 5.7 billion (6.5), JPY 1.4 billion (1.0), NOK 2.85 billion (0.3), USD 20 million (0.085), AUD 80 million (0.055) and EUR 40 million (0.0344). Of the total liability at the end of the period, 30% (26) consisted of borrowings in currencies other than SEK. Borrowing in foreign currencies is hedged through cross-currency interest-rate derivatives, which eliminates currency risk. Access to financing is assessed as very good and, at the end of the period, was in line with the level noted at the start of the year, prior to Covid-19.

During the period, unsecured bank loans totalling SEK 750 million (–) and secured bank loans of SEK 1.3 billion (1.3) were raised. Total bank loans outstanding secured against mortgage deeds decreased to 6% (8) 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% (28) and loans with fixed-interest maturities of five years or more increased to 53% (55) of interest-bearing liabilities. The average fixed-interest tenor had increased to 5.8 years (5.8) at the end of the period. At the end of the period, the average interest rate for loans and derivatives amounted to 1.7%, compared with 1.8% at the same time last year.

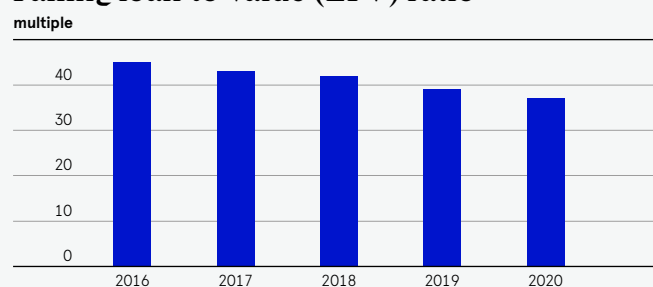
Fixed-interest tenors and loan-to-maturity

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0–1 year	18,199	27	11,444	17
1–2 years	1,842	3	8,309	12
2–3 years	2,488	4	8,292	12
3–4 years	4,299	6	7,264	11
4–5 years	4,742	7	5,284	8
5 years or more	35,722	53	26,699	40
Total	67,292	100	67,292	100

Breakdown of funding sources

SEK m	Nominal amount base currency, SEK m	Carrying amount, SEK m	Share, %
Commercial paper	–	5,238	8
Bonds, SEK	–	25,673	38
Bonds, NOK	11,570	11,026	17
Bonds, EUR	477	5,023	7
Bonds, JPY	11,400	969	1
Bonds, AUD	160	1,027	2
Bonds, USD	205	1,842	3
Secured bank loans	–	10,971	16
NIB and EIB	–	5,523	8
Total		67,292	100

Falling loan-to-value (LTV) ratio



At 30 September

Comments on the consolidated balance sheet (Cont.)

Green financing

During the period, Vasakronan has issued green bonds corresponding to a total of SEK 9.4 billion (10.8), making the company the Nordic region's largest issuer of green corporate bonds. A SEK 2 billion (–) green loan facility was also raised during the period with the EIB as well as a green secured bank loan of SEK 1 billion (0.76). At the end of the period, the facility with the EIB was unutilised.

The volume outstanding of green loans with the Nordic Investment Bank and the EIB totalled SEK 5,523 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 consisting of green bonds, green commercial paper and green loans increased during the period to 60% (44) of the total loan portfolio, corresponding to an increase in green financing outstanding of SEK 11 billion.

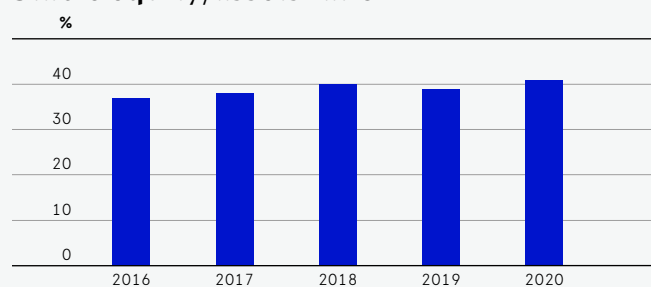
Equity

Equity increased during the period to SEK 71,610 million (70,156) as a result of comprehensive income of SEK 1,451 million (7,215). The equity/assets ratio was 41% (41) and the loan-to-value ratio was 37% (38) at the end of the period. The minority share of equity amounted to SEK 6 million (3).

Green financing under the framework

	Amounts in SEK million
Green commercial paper	970
Green bonds, SEK	22,115
Green bonds, NOK	3,601
Green bonds, EUR	2,915
Green bonds, JPY	959
Green bonds, AUD	1,030
Green bonds, USD	1,672
Total volume of Green Finance Instruments	33,262
Total volume of Green Assets – Green Pool	36,871
Remaining approved borrowing capacity	3,609

Stable equity/assets ratio



At 30 September

Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other contributed capital	Retained earnings	Total equity 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	–	–	1,451	1,451	–3	1,448
Non-controlling interests	–	–	–	–	6	6
Other comprehensive income	–	–	–	–	–	–
<i>Comprehensive income for the period</i>	–	–	1,451	1,451	–3	1,448
Equity, closing balance at 30 Sep 2020	4,000	4,227	63,377	71,604	6	71,610

Consolidated cash-flow statement

Amounts in SEK million	Jan–Sep 2020	Jan–Sep 2019	Jul–Sep 2020	Jul–Sep 2019	Oct 2019– Sep 2020	Jan–Dec 2019
Operating activities						
Operating surplus	3,876	3,875	1,333	1,296	5,208	5,207
Central administration	-89	-77	-28	-22	-125	-113
Add back amortisation and depreciation	7	9	2	3	10	12
Adjustment for other non-cash items	-5	8	-1	-2	-10	-13
Cash flow from operating activities before interest and tax	3,789	3,799	1,306	1,275	5,083	5,093
Interest paid ¹⁾	-1,028	-893	-301	-298	-1,329	-1,194
Interest received	5	3	2	1	5	3
Taxes paid	-203	-209	-30	-31	-232	-147
Cash flow before changes in working capital	2,563	2,700	977	947	3,527	3,755
Increase (-)/decrease (+) in operating receivables	-103	-399	370	174	83	-213
Increase (+)/decrease (-) in operating liabilities	-27	247	-177	-2	104	287
Cash flow from operating activities	2,433	2,548	1,170	1,119	3,714	3,829
Investing activities						
Investments in existing property	-3,655	-3,145	-1,069	-1,025	-4,950	-4,440
Property acquisitions	-7	-2	-1	-2	-982	-977
Property divestments	229	1,465	229	0	314	1,550
Other PPE, net	-1	-2	1	-2	-13	-3
Acquisition of intangible assets	-17	-	-6	-	-20	-12
Dividends from joint ventures	34	58	0	58	285	309
Cash flow from investing activities	-3,417	-1,626	-846	-971	-5,364	-3,573
Cash flow after investing activities	-984	922	324	148	-1,650	256
Financing activities						
Dividend	-	-4,000	-	0	-	-4,000
Raised debt: interest-bearing liabilities	28,115	29,110	6,755	7,784	34,879	35,874
Repayment of debt: interest-bearing liabilities	-26,179	-25,982	-7,044	-8,304	-30,906	-30,709
Change in collateral	-140	1,363	-350	779	-1,289	214
Redemption of financial instruments	-231	-255	0	-116	-311	-335
Cash flow from financing activities	1,565	236	-639	143	2,373	1,044
Cash flow for the period	581	1,158	-315	291	723	1,300
Opening balance, cash and cash equivalents	3,515	2,215	4,411	3,082	3,373	2,215
Cash flow for the period	581	1,158	-315	291	723	1,300
Closing balance, cash and cash equivalents	4,096	3,373	4,096	3,373	4,096	3,515

1) Interest paid includes interest on lease liabilities for ground rents and land leases.

Comments to the consolidated cash-flow statement

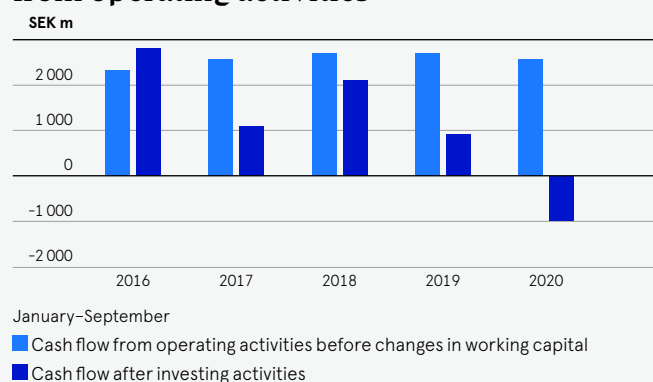
Cash flow from operating activities before interest and taxes increased to SEK 3,789 million (3,799). Cash flow from operating activities before changes in working capital decreased to SEK 2,563 million (2,700) as a result of higher interest paid.

During the period, investments in existing properties amounted to SEK 3,655 million (3,145).

Cash flow from investing activities amounted to a total outflow of SEK 3,417 million (outflow: 1,626), where the comparative figures were positively affected by property sales.

In total, net borrowing for the period amounted to SEK 1,936 million (3,128). Altogether, cash and cash equivalents increased SEK 581 million (1,158) and totalled SEK 4,096 million (3,373) 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			1	
Total purchase price			7	

Property divestments

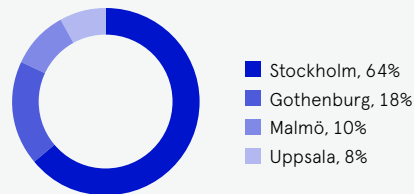
Sales	City	Buyer	Purchase price, SEK m	Transfer date
Vildmannen 11	Stockholm	Arnahammar Fastighets AB	230	Sep 2020
Total property value			230	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-1	
Total purchase price			229	
Agreed divestments to be completed				
Smedjan 13 and 15	Malmö	Trianon	88	Dependent on detailed development plan
Total purchase price			88	

Vasakronan – in total and by region

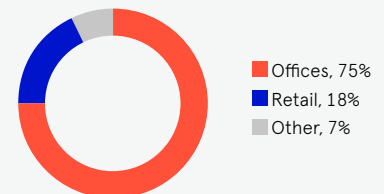
Total Vasakronan Jan–Sep

	2020	2019
Market value of properties, SEK m	158,641	147,385
Rental revenue, SEK m	5,234	5,232
Operating surplus, SEK m	3,876	3,875
Occupancy rate, %	93	93
Number of properties	171	173
Area, thousand sq. m.	2,329	2,328
Environmental certification, %	85	84

Contracted rent by geographic market



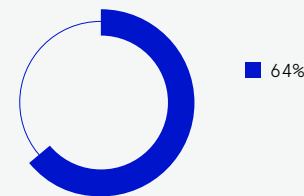
Contracted rent by property type



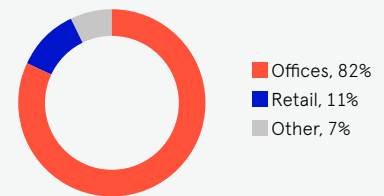
Stockholm Jan–Sep

	2020	2019
Market value of properties, SEK m	106,953	98,515
Rental revenue, SEK m	3,314	3,315
Operating surplus, SEK m	2,486	2,488
Occupancy rate, %	92	92
Number of properties	78	80
Area, thousand sq. m.	1,373	1,399
Environmental certification, %	82	81

Stockholm's share of the total



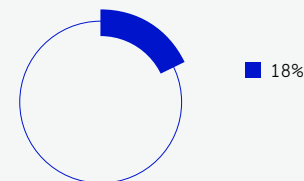
Stockholm by property type



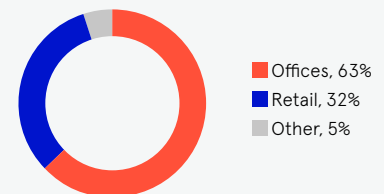
Gothenburg Jan–Sep

	2020	2019
Market value of properties, SEK m	28,663	27,263
Rental revenue, SEK m	967	981
Operating surplus, SEK m	726	744
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



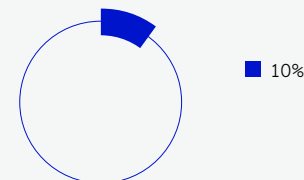
Gothenburg by property type



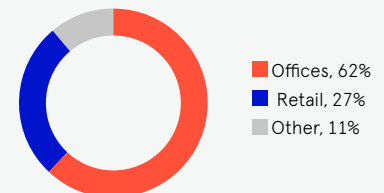
Malmö Jan–Sep

	2020	2019
Market value of properties, SEK m	12,930	12,458
Rental revenue, SEK m	526	521
Operating surplus, SEK m	358	346
Occupancy rate, %	88	92
Number of properties	33	33
Area, thousand sq. m.	309	290
Environmental certification, %	92	96

Malmö's share of the total



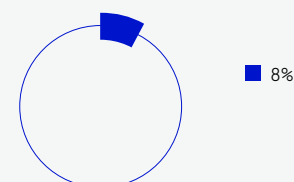
Malmö by property type



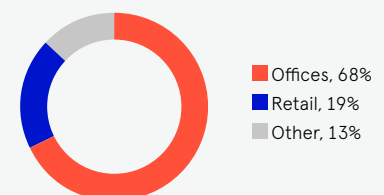
Uppsala Jan–Sep

	2020	2019
Market value of properties, SEK m	10,125	9,149
Rental revenue, SEK m	427	416
Operating surplus, SEK m	306	297
Occupancy rate, %	96	98
Number of properties	26	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–Sep 2020	Jan–Sep 2019
Net sales	370	358
Operating expenses	-477	-450
Capital gain on sales	-	3
EBIT	-107	-89
Financial items		
Profit from participations in subsidiaries	2,584	2,508
Net interest	-271	-327
Change in value of financial instruments	292	-1,713
Profit before tax	2,498	379
Tax	18	449
Profit for the period	2,516	828

Statement of comprehensive income

Profit for the period recognised in profit or loss	2,516	828
Other comprehensive income	-	-
Total comprehensive income for the period	2,516	828

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 370 million (358), 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 (2,508) and pertained to dividends.

The change in the value of financial instruments amounted to SEK 292 million (negative: 1,713) due to falling long market interest rates in Norway. Profit before tax was SEK 2,498 million (379). Closing cash and cash equivalents amounted to SEK 4,085 million (3,360).

Balance sheet

Amounts in SEK million	30 Sep 2020	30 Sep 2019
ASSETS		
Non-current assets		
Equipment	4	8
Shares and participations in subsidiaries	37,634	39,300
Receivables from subsidiaries	40,472	37,602
Receivables from joint ventures	0	165
Shares and participations in joint ventures	0	1
Deferred tax assets	352	424
Derivatives	1,356	1,215
Non-current receivables	274	54
Total non-current assets	80,092	78,769
Current assets		
Receivables from subsidiaries	4,611	484
Derivatives	6	35
Current receivables	1,014	880
Cash and cash equivalents	4,085	3,360
Total current assets	9,716	4,759
TOTAL ASSETS	89,808	83,528
EQUITY AND LIABILITIES		
Equity	15,158	8,304
Untaxed reserves	486	186
Liabilities		
Interest-bearing liabilities	67,292	64,971
Derivatives	4,246	3,926
Non-interest-bearing liabilities	1,037	2,019
Liabilities to subsidiaries	1,589	4,122
Total liabilities	74,164	75,038
TOTAL EQUITY AND LIABILITIES	89,808	83,528

Other information

Personnel

The number of employees at the end of the period was 297 (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. These actions are being continuously reevaluated based on the progress of the pandemic.

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 total 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, 4 November 2020

Johanna Skogestig,
Chief Executive Officer

For more information about this interim report, please contact:

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This information is of such a kind that Vasakronan AB (publ) is legally required to disclose pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication through the agency of the above contact person on 4 November 2020, at 2.00 p.m. CET.

Auditor's review report

Vasakronan AB (publ), Corp. ID. No. 556061-4603

Introduction

We have reviewed the summary financial information (interim report) for Vasakronan AB (publ) as of 30 September 2020 and for the nine-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has another focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, 4 November 2020

Ernst & Young AB

Katrine Söderberg

Authorised Public Accountant

Key metrics

	Jan–Sep 2020	Jan–Sep 2019	Jul–Sep 2020	Jul–Sep 2019	Oct 2019– Sep 2020	Jan–Dec 2019
Property-related information						
Closing economic occupancy rate, %	92.6	93.1	92.6	93.1	92.6	94.1
Surplus ratio, %	74	74	75	72	74	74
Investments in existing projects, SEK m	3,655	3,145	1,069	1,025	4,950	4,440
Property acquisitions, SEK m	7	2	1	2	982	977
Property divestments, SEK m	-229	-1,465	-229	0	-314	-1,550
Net investments, SEK m	3,433	1,682	841	1,027	5,618	3,867
Closing market value of property, SEK m	158,641	147,385	158,641	147,385	158,641	156,071
Closing area, thousand sq. m.	2,329	2,328	2,329	2,328	2,329	2,322
Closing number of properties	171	173	171	173	171	174
Environmental certification at closing date, %	85	84	85	84	85	85
Energy intensity on closing date, kWh/sq. m., rolling 12 month					85	92
Financial metrics						
EBITDA margin, %	71	72	72	72	74	75
Interest coverage ratio, multiple	4.3	4.3	4.5	4.3	4.6	4.6
Closing equity/assets ratio, %	41	39	41	39	41	41
Closing loan-to-value ratio, %	37	39	37	39	37	38
Average fixed-interest tenor, years	5.8	6.2	5.8	6.2	5.8	5.8
Average loan-to-maturity ¹⁾ , years	5.2	5.2	5.2	5.2	5.2	5.2
Closing EPRA NRV, SEK m	94,223	83,908	94,223	83,908	94,223	91,742
Closing EPRA NTA, SEK m	87,526	78,240	87,526	78,240	87,526	85,205
Closing EPRA NDV, SEK m	67,956	60,956	67,956	60,956	67,956	67,416
Closing average interest rate, %	1.7	1.8	1.7	1.8	1.7	1.7
Closing net interest-bearing liabilities, SEK m	63,196	61,598	63,196	61,598	63,196	63,123
Cash flow before changes in working capital, SEK m	2,563	2,700	977	947	3,527	3,664
Net interest-bearing liabilities/EBITDA ²⁾					12.1	12.0
Other						

1) Excluding unutilised credit commitments.

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

Basis for key metrics

	Jan–Sep 2020	Jan–Sep 2019	Jul–Sep 2020	Jul–Sep 2019	Oct 2019– Sep 2020	Jan–Dec 2019
Closing number of employees	297	309	297	309	297	304
1. EPRA NRV, SEK m						
Equity	71,610	63,487	71,610	63,487	71,610	70,156
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908	-1,908	-1,908
Add back derivatives	2,884	2,676	2,884	2,676	2,884	2,126
Add back recognised deferred tax	21,637	19,653	21,637	19,653	21,637	21,368
	94,223	83,908	94,223	83,908	94,223	91,742
2. EPRA NTA, SEK m						
Equity	71,610	63,487	71,610	63,487	71,610	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	-131	-105	-131	-105	-131	-116
Add back derivatives	2,884	2,676	2,884	2,676	2,884	2,126
Add back recognised deferred tax	21,637	19,653	21,637	19,653	21,637	21,368
Deferred tax at fair value ¹⁾	-6,566	-5,563	-6,566	-5,563	-6,566	-6,421
	87,526	78,240	87,526	78,240	87,526	85,205
3. EPRA NDV, SEK m						
Equity	71,610	63,487	71,610	63,487	71,610	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	-1,746	-623	-1,746	-623	-1,746	-832
	67,956	60,956	67,956	60,956	67,956	67,416
4. EBITDA, SEK m						
Operating surplus	3,876	3,875	1,332	1,296	5,208	5,207
Central administration	-89	-77	-28	-22	-125	-113
Cash flow from dividends from joint ventures	34	58	-	58	285	309
Ground rents and land leases	-123	-113	-40	-38	-164	-154
	3,698	3,743	1,264	1,294	5,204	5,249
5. EBITDA margin, %						
Rental revenue	5,234	5,232	1,767	1,793	7,042	7,040
EBITDA	3,698	3,743	1,264	1,294	5,204	5,249
	71	72	72	72	74	75
6. Interest coverage ratio, multiple						
EBITDA	3,698	3,743	1,264	1,294	5,204	5,249
Net financial items	-855	-861	-283	-298	-1,125	-1,131
	4.3	4.3	4.5	4.3	4.6	4.6
7. Net interest-bearing liabilities, SEK m						
Non-current interest-bearing liabilities	55,848	53,322	55,848	53,322	55,848	53,682
Current interest-bearing liabilities	11,444	11,649	11,444	11,649	11,444	12,956
Cash and cash equivalents	-4,096	-3,373	-4,096	-3,373	-4,096	-3,515
	63,196	61,598	63,196	61,598	63,196	63,123
8. Loan-to-value ratio, %						
Net interest-bearing liabilities	63,196	61,598	63,196	61,598	63,196	63,123
Total assets excl. leaseholds and land leases	168,706	156,823	168,706	156,823	168,706	164,936
	37	39	37	39	37	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.

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) for the past 12 months. 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 171 properties with a total area of about 2.3 million square metres and a market value of SEK 159 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

Year-end report 2020	4 February 2021
Annual Report 2020	March 2021
Annual General Meeting 2020	April 2021
Interim Report January–March	28 April 2021