

Year-end report

January–December 2020

Q4

- > Rental revenue amounted to a total of SEK 7,006 million (7,040). For comparable property holdings, the decrease was 1% (increase 7). The pandemic has had a total negative impact on revenue of SEK 139 million in terms of rent discounts, rent relief, provisions for doubtful rent receivables and reduced parking revenue.
- > New lettings corresponding to 119,000 square metres (220,000) and an annual rent of SEK 535 million (982) were contracted and net lettings amounted to negative SEK 18 million (positive: 426).
- > The result of renegotiations amounted to 7.3% compared with 11.8% last year.
- > The occupancy rate was 91.9% (94.1) at year end. Of total vacancies of 8.1%, 2.0 percentage points (1.6) were attributable to ongoing projects and development properties.
- > The operating surplus amounted to SEK 5,189 million (5,207). For comparable property holdings, the outcome was on a par with last year.
- > Profit before value changes and tax totalled SEK 3,577 million (4,921). The change was primarily due to lower earnings from joint ventures, loss of SEK 219 million (profit: 1,105) due to a lower expected volume for development rights.
- > The change in property value amounted to SEK 1,083 million (13,270), corresponding to a 0.8% (9.7) change in value.
- > At the end of the period, the portfolio value amounted to SEK 162,420 million (156,071).
- > The value change in derivatives amounted to SEK 167 million (negative: 881), primarily due to falling long market interest rates in Norway.
- > Profit after tax amounted to SEK 3,714 million (13,909).
- > A dividend of SEK 2,000 million (3,000), has been proposed to the Annual General Meeting.

Rental revenue,
comparable property
holdings, %

–1

Occupancy rate, %

91.9

Value change
in properties, %

0.8

Profit after
tax, SEK m

3,714

Amounts in SEK million	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
Rental revenue	7,006	7,040	1,772	1,808
Operating surplus	5,189	5,207	1,314	1,332
Profit before value changes and tax	3,577	4,921	1,057	1,205
Change in value of investment properties	1,083	13,270	1,946	6,501
Profit after tax	3,714	13,909	2,265	6,694
Cash flow from operating activities before changes in working capital	3,547	3,755	984	1,055
Market value of properties	162,420	156,071	162,420	156,071
Occupancy rate, %	91.9	94.1	91.9	94.1
Surplus ratio, %	74	74	74	74
Interest coverage ratio, multiple	4.4	4.6	4.7	5.6
Loan-to-value (LTV) ratio, %	41	40	41	40
Closing EPRA NRV, SEK m	94,656	91,742	94,656	91,742
Closing EPRA NTA, SEK m	87,735	85,205	87,735	85,205
Closing EPRA NDV, SEK m	69,450	68,909	69,450	68,909
Environmental certification, share of total area, %	85	85	85	85
Energy intensity on closing date, kWh/sq. m., rolling 12 month	83	92	83	92

“Our business has a stable foundation with favourable preconditions and I look forward with confidence to a new year.”



Stable earnings and strong cash flow

Covid-19 has dominated 2020, a year unlike any other. On closing the books, I can state that our operations remain on stable footings and that our operating activities delivered a performance on a par with the previous year.

The recommendations and restrictions have posed challenges for many companies and have also clearly impacted footfall in our city centres. During the quarter, we have therefore maintained close dialogues with our tenants, primarily retail, to bridge this challenging period in the best possible way from a business perspective. The consequence for us was an increase in total rent rebates for the year, some lost rental revenue and a decline in parking revenue.

Strong new lettings at the start of the year and a good result of renegotiations laid the groundwork for the healthy performance. At the same time, I can note that many operations have naturally put their expansion plans on hold. We noticed this in activity during the fourth quarter but also in dialogues with our existing tenants. At the same time, we are noting growing interest in more flexible lease solutions, such as turnkey offices, Smart & Klart and our co-working offering, Vasakronan Arena.

Strongly positioned property portfolio

Our extensive project portfolio is gradually being completed. We are strongly positioned with a high occupancy rate, which will impact our rental revenue from 2021 onward. In December, tenants like the Swedish Food Agency took up residence in their premises at the Celsius property in Uppsala Science Park. The same month, we opened our new head office and Arena Sergel in Stockholm. Other tenants will move in to Sergelhusen starting in the first quarter of 2021.

A sustainable business model

Climate is growing in importance. This is clear among tenants, among others, who increasingly often request information about the climate impact of a premises, data that we can collect, analyse and provide thanks to extensive levels of digitalisation. The climate is also coming into sharper focus in con-

struction projects. That is why we are working, undeterred and on broad fronts, to reduce the company's total impact. It is inspiring when our work is recognised, and during the quarter Sergelhusen received two prestigious environmental prizes, for achievements like successfully maximising recycling and preserving the concrete framework.

Positive value growth and sound finances

The extensive financial and monetary policy measures introduced during the year have had a stabilising effect on the capital market and resulted in improved loan terms and conditions. Access to financing is very good for Vasakronan and, at the end of the year, credit margins were at the lowest levels we have seen since the financial crisis of 2008. Interest in properties remains strong, which helps keep property valuations high. The gradual completion of our development properties is also having a positive effect on the value trend.

Good conditions

The increase in remote working has boosted the already ongoing development of greater variation, mobility and digitalisation and the question of offices has become key for many people. The pandemic is not over and we have yet to see the long-term effects. At the same time, care should be taken to not draw hasty conclusions based on an acute crisis. I can only state that Vasakronan's offering is strong. We have wonderful properties in markets and locations in high demand and we have a range of products that meet customers' needs. We also have employees who are deeply knowledgeable about the connection between a digitalised way of working and developing offices. This, in combination with continued low interest rates, strong cash flows from the existing property portfolio and our projects, ensures healthy earnings even in the coming period. I look forward with confidence to a new year.

Johanna Skogestig,
Chief Executive Officer

Vasakronan fourth quarter

New lettings and renegotiations

During the quarter, new lettings corresponding to 19,000 square metres (50,000) and an annual rent of SEK 82 million (276) were signed. A five-year lease has been signed with Korab International for 1,000 square metres at the Platinan property in Gothenburg. EA Digital Illusions CE has signed a five-year lease at the same property for slightly more than 600 square metres. With these agreements, Platinan, which will be ready for occupancy in spring 2022, has achieved an occupancy rate of 72%. During the quarter, a five-year lease was signed with Liljewall arkitekter for 1,000 square metres at the Skjutsbossen property in Stockholm.

After the year end, 1,900 square metres at the Kompassen property in Fredstan, Gothenburg was let to the Japanese fashion chain Uniqlo. Uniqlo will open the store in spring 2021, which will be its first in Gothenburg and its fourth in Scandinavia.

Notice of termination was received during the period (tenant will be vacating) corresponding to annual rent of SEK 218 million (163), whereby net lettings amounted to a negative SEK 136 million (113).

During the quarter, renegotiations were also completed corresponding to 87,000 square metres (76,000) and an annual rent of SEK 335 million (258). The result of renegotiations amounted to 8.8% (11.8) for the quarter. The result of renegotiations for the quarter for leases related to offices amounted to 17.5% (14.4) and for retail the result was down 7.3% (down: 0.4). Collector has extended its lease of 4,600 square metres at the Läppstiftet property in Gothenburg for a period of seven years and the Riksdag Administration has signed a five-year extension to its lease at Jakob Större in Stockholm for 3,000 square metres.

At the end of the quarter, the occupancy rate was 91.9% (94.1). Of total vacancies, 2.0 percentage points (1.6) were attributable to ongoing projects and vacant development properties.

Green investments secure access to financing

The accelerating trend of increasingly allocating capital to green investments in combination with more of Vasakronan's existing properties qualifying for green financing in 2020 resulted in almost all new financing during the year being green. The long-term goal is for all financing to be green and at the end of 2020, 61% of the company's financing was green.

In the second half of 2020, the financing markets recovered, primarily for companies with high credit ratings such as Vasakronan, and the company's credit margins are now below pre-pandemic levels.

Prize-winning environmental initiatives

Reducing energy consumption is one of the most important measures to further decrease the company's climate impact. In 2020, Vasakronan improved its energy intensity by a total of 9.8% (10.3) and at year end, 72% of the buildings had an annualised energy intensity of less than 100 kWh per square metre. The improvement is explained, inter alia, by measures taken to enhance energy efficiency, for example increased possibilities for optimisation due to improved control systems. Energy consumption has also decreased due to fewer people in buildings due to the pandemic.

During the quarter, the Sergelhusen property received the LEED Building/Project of the Year award from the Sweden Green Building Council based on, among other attributes, the project's groundbreaking sustainability initiative. In November, the Sergelhusen property also received an environmental award from the publication Betong for its work on maximizing reuse and minimising the use of resources in the project.

The Global Real Estate Sustainability Benchmark (GRESB) published its rankings for the year in December. Once again, Vasakronan received a top ranking and retains the best total ranking for a Swedish company.

Fourth quarter results

	Q4 2020	Q4 2019
Operating surplus	1,314	1,332
Profit before value changes and tax	1,057	1,205
Value change in investment properties, SEK m	1,946	6,501
Value change in investment properties, %	1.3%	4.4%
Value change in financial instruments	-125	832
Profit after tax	2,265	6,694
Cash flow from operating activities	1,385	1,281

Proposed dividend

The Board of Directors proposes a dividend of SEK 2,000 million (3,000) to the Annual General Meeting

The market during the fourth quarter

Slowdown in the last quarter of the year.

There was a resurgence in the spread of infection in the last quarter of the year in Europe and Sweden. This resulted in a slowdown of the recovery noted in the third quarter, which followed from the decreased spread of infection and the effects of a number of financial and monetary policy measures. The National Institute of Economic Research (NIER) estimates that GDP fell 2.8% in 2020. In 2021, GDP is expected to rise in pace as vaccination becomes increasingly available.

Employment also recovered slightly in the autumn before new and more stringent restrictions in November resulted in growth halting. The NIER estimates unemployment at 8.5% at year end. According to Statistics Sweden and Evidens, office employment in metropolitan regions rose 2.0% in 2020. The increase in 2021 is also expected to be at the same level.

The retail sector, particularly consumer durables, is one of the sectors hardest hit by the pandemic. In its December report, HUI Research estimates that the consumption of consumer durables, including e-commerce, increased 2.0% in 2020. This was a small decline compared with the September forecast, which indicated an increase of 2.5%. The downward revision was due to the decrease in consumption at the end of 2020.

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

Following the turbulence in the spring, the Swedish capital market stabilised and conditions gradually improved. To support the markets, central banks around the world added 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. Access to financing is assessed as very good for companies with strong credit ratings,

such as Vasakronan. At year end, credit margins were at historic lows. At its December meeting, the Riksbank decided to keep the repo rate unchanged at 0%.

Continued interest in properties with secure cash flows

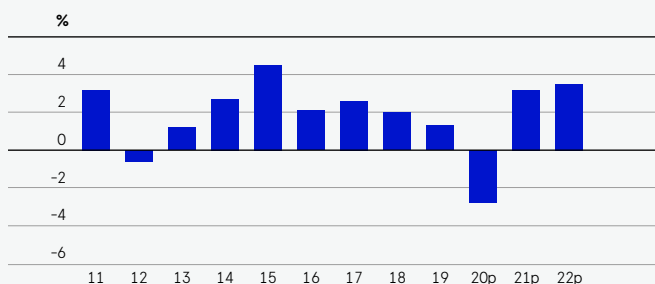
According to data provided by Cushman & Wakefield, transactions were completed in the Swedish property market for SEK 80 billion (76) in the fourth quarter. Accordingly, completed transactions during the year amounted to SEK 183 billion, compared with SEK 229 billion in 2019. Residential property was the largest segment in terms of transaction volume. The majority of the transactions were conducted in Stockholm. The transaction volume for office properties fell considerably in 2020 compared with 2019. However, the price levels of completed transactions remained on a par with pre-Covid-19 levels. Interest is assessed as remaining strong from Swedish and foreign investors 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 with fewer transactions closed. The rent trends in all of Vasakronan's regions are deemed to have stagnated.

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. At the end of the period, yield requirements for offices were at the same levels as at the year end. Since the end of the year, vacancy rates for office premises have remained stable at low levels in all of Vasakronan's regions.

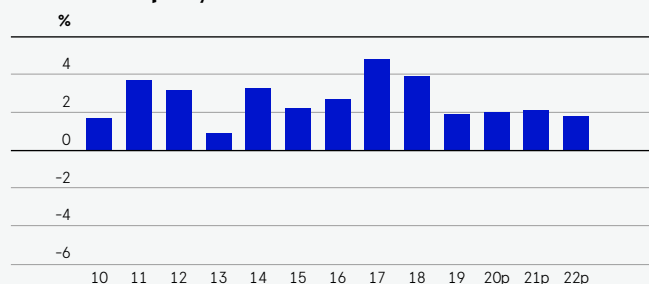
Requirements for yields for retail properties are assessed as having risen slightly since the beginning of the year. A certain downturn was noted in retail rent, primarily in Stockholm – a downturn that had been noted prior to the outbreak of the pandemic as a result of the rising threat of e-commerce 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–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
Rental revenue	7,006	7,040	1,772	1,808
Operating expenses	-696	-682	-185	-168
Repairs and maintenance	-116	-119	-28	-31
Property administration	-353	-377	-90	-112
Property tax	-652	-655	-155	-165
Total property expenses	-1,817	-1,833	-458	-476
Operating surplus	5,189	5,207	1,314	1,332
Central administration	-118	-113	-29	-36
Result from participations in joint ventures	-219	1,105	75	218
Financial income	9	4	1	1
Financial expenses	-1,126	-1,135	-264	-271
Interest expense lease liability; ground rents and land leases	-158	-147	-40	-39
Profit before value changes and tax	3,577	4,921	1,057	1,205
Change in value of investment properties	1,083	13,270	1,946	6,501
Depreciation of right-of-use assets	-7	-7	-2	-2
Change in value of financial instruments	167	-881	-125	832
Divested/impaired goodwill	-	-74	-	0
Profit before tax	4,820	17,229	2,876	8,536
Current tax	-203	-230	24	-120
Deferred tax	-903	-3,090	-635	-1,722
Profit for the period	3,714	13,909	2,265	6,694
Of which, attributable to non-controlling interests	-4	-2	-1	-2
Total profit attributable to the Parent Company shareholders	3,718	13,911	2,266	6,696
Other comprehensive income				
<i>Items that may not be reclassified¹⁾</i>				
Pensions, revaluation	-16	-41	-16	-41
Restriction for surplus in pension plan with asset cap	6	5	6	5
Income tax on pensions	2	7	2	7
Other comprehensive income for the year, net of tax	-8	-29	-8	-29
Total comprehensive income for the period²⁾	3,710	13,882	2,258	6,667
Key metrics				
Surplus ratio, %	74	74	74	74
Interest coverage ratio, multiple	4.4	4.6	4.7	5.6

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 year amounted to SEK 7,006 million (7,040). For comparable property holdings, the decrease was 1% (+7). During the second quarter, some 500 of Vasakronan's tenants received discounts amounting to SEK 106 million, of which SEK 48 million will be covered by state aid. Accordingly, profit for the year was charged with Covid-related discounts provided of SEK 58 million. Furthermore, Covid-related rent relief amounting to SEK 28 million has been provided in the last six months. Moreover, a provision of SEK 30 million (6) had been made for doubtful receivables at year end. Excluding these discounts and provisions, rental revenue for comparable property holdings rose 1%.

Rental revenue for the year was also negatively affected by reduced parking revenue of SEK 23 million due to lower numbers of visitors, particularly in city centres. Adjusted for lower garage revenue and the rebates mentioned above, rental revenue increased 1.1% in comparable property holdings.

New lettings corresponding to 119,000 square metres (220,000) and annual rent of SEK 535 million (982) were contracted during the year, of which 15% (12) impacted on revenue in 2020. Of the new lettings for the period, SEK 199 million (414) pertained to development properties.

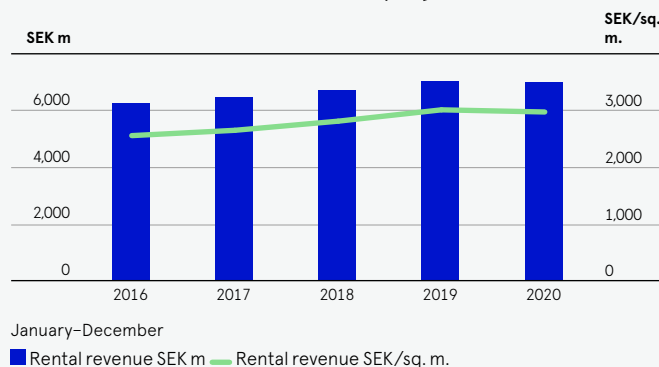
A five-year lease was signed with Korab International for 1,000 square metres at the Platinan property in Gothenburg in the fourth quarter. EA Digital Illusions CE signed a five-year lease at the same property for slightly more than 600 square metres. With these agreements, Platinan, which will be ready for occupancy in spring 2022, has achieved an occupancy rate of 72%. During the quarter, a five-year lease was signed with Liljewall arkitekter for 1,000 square metres at the Skjutsгossen property in Stockholm.

After the year end, the letting of 1,900 square metres to the Japanese fashion chain Uniqlo was announced. The company will open a store in Kompassen in Gothenburg during spring 2021, which will be the chain's first in Gothenburg and its fourth in Scandinavia.

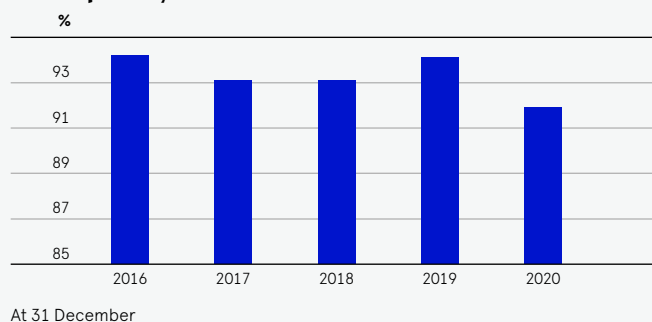
Notice of termination was received during the year (tenant will be vacating) corresponding to annual rent of SEK 554 million (557), whereby net lettings amounted to a negative SEK 18 million (positive: 426).

Renegotiations were completed for 315,000 square metres (306,000) during the year corresponding to annual rent of SEK 977 million (1,030), resulting in an increase on the previous rent payable of 7.3% (11.8). The result of renegotiations for the year for leases related to offices amounted to 11.9% (14.9) and for retail the result was down 7.1% (up: 1.5). Of all the contracts up for renegotiation over the period with add-ons for moving within the property portfolio, nearly 72% (73) of the tenants decided to remain a tenant of Vasakronan.

Stable rental revenue SEK/sq. m.



Occupancy rate



Net lettings



Comments on the consolidated income statement (Cont.)

Contracted rent at the end of the year amounted to SEK 7,420 million (7,139) and the average remaining maturity was 3.8 years (3.9). The closing occupancy rate was 91.9% (94.1). Of total vacancies, 2.0 percentage points (1.6) were attributable to ongoing projects and development properties.

Property expenses

Property expenses amounted to SEK 1,817 million (expense: 1,833) for the year. In comparable property holdings, the property expenses decreased 2%, compared with an increase of 9% for the same period last year. The decrease was primarily due to lower tariff-based costs due to the mild winter and lower costs for property administration.

Operating expenses increased to SEK 696 million (682) due to higher development costs.

Operating surplus

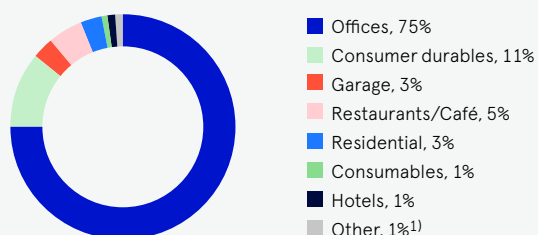
Operating surplus for the period amounted to SEK 5,189 million (5,207). For comparable property holdings, the outcome was on a par with last year. Adjusted for Covid-related rebates and rent relief as well as decreased parking revenue, operating surplus increased 2.2% in comparable property holdings.

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2021	1,204	1,115	15
2022	906	1,425	20
2023	731	1,209	16
≥2024	1,196	3,342	45
Total	4,037	7,091	96
Residential	1,175	102	1
Garage	–	227	3
Total	5,212	7,420	100

Maturity structure for contracted rent

Predominantly office tenants



Breakdown by sector, share of contracted rent

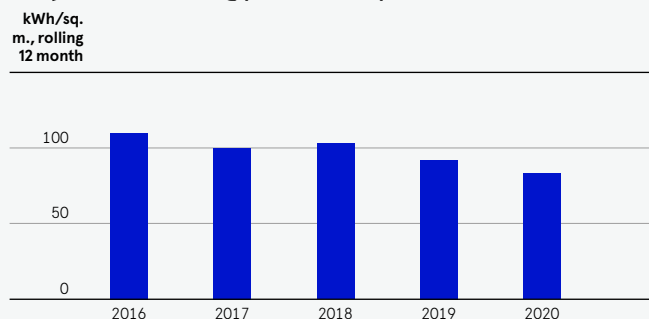
1) Other encompasses sectors including health and social care, sports and recreation facilities, and warehouses.

Widely distributed over many tenants

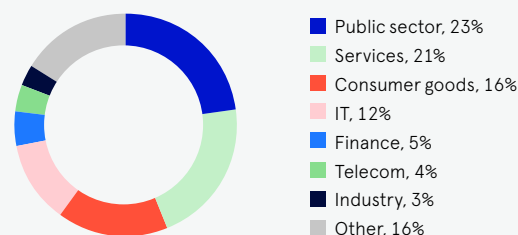
	Share in %
Ericsson	3
Swedish Police Authority	3
H&M	2
King	2
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	1
Swedish National Courts Administration	1
Åhléns	1
Handelsbanken	1
KPMG	1
Total	17

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.)

The surplus ratio for the full year was 74% (74).

Administration

Property administration costs were SEK 353 million (expense: 377) and central administration costs were SEK 118 million (expense: 113). The total decrease was mainly attributable to lower personnel costs and lower office overheads.

Result from participations in joint ventures

The result from participations in joint ventures amounted to a loss of SEK 219 million (profit: 1,105).

The negative earnings for the year stemmed from a lower expected volume of development rights.

Financial items

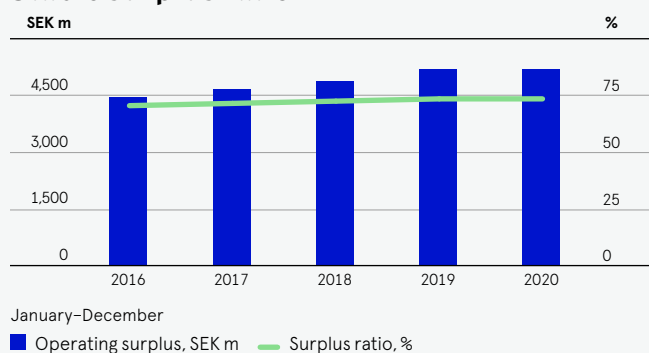
Net financial items amounted to an expense of SEK 1,117 million (expense: 1,131). The average interest rate for loans and derivatives amounted to 1.6% (1.7) at the end of the period.

The LTM interest coverage ratio amounted to a multiple of 4.4 (4.6). The policy for the interest coverage ratio does not permit it falling below a multiple of 2.0 over a rolling 12-month period.

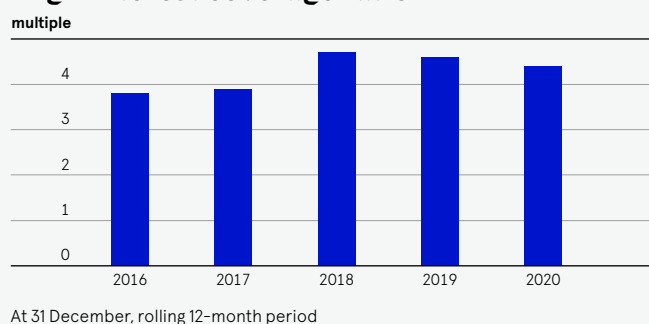
Profit before value changes and tax

Profit before value changes and tax amounted to SEK 3,577 million (4,921) for the year. The change was primarily due to a lower result from participations in joint ventures. Excluding the result from participations in joint ventures, the outcome was on a par with last year.

Stable surplus ratio



High interest coverage ratio



Financial risks

	Financial policy in brief	Outcome, 31 December 2020
Financing risk		
Loan-to-maturity	min. 2 years	5.0
Loans maturing, 12 months	max. 40%	20%
Credit commitments and cash/loans maturing 12 months	min. 100%	165%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	4.4x
Fixed-interest period	min. 2 years	5.6 years
Fixed-interest maturity within 12 months	max. 55%	29
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 for the total property portfolio

At 31 December 2020, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighetsekonomi. Altogether, the change in the property value amounted to SEK 1,083 million (13,270), which corresponded to a 0.8% (9.7) increase in value for the full year. Changes in value amounted to a decrease of SEK 434 million (increase: 11,234), corresponding to a decrease of 0.3% (increase: 9.5), for managed properties and to an increase of SEK 1,517 million (1,989), corresponding to 7% (11.5), for development properties.

The value decline for the year is estimated at around 5% for Vasakronan's retail properties. The scale of the decline depends, inter alia, on the percentage of office space included in the respective retail property. The increase in value was primarily attributable to the downward adjustment of yield requirements for public sector properties as well as lower completion risk and favourable occupancy rates in projects.

The yield for the total property portfolio for 2020 amounted to 3.3% (3.7%). The yield on investment properties was 3.7% (4.0).

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 167 million (negative: 881), which was mainly due to falling long market interest rates in Norway during the period that positively impacted the cross-currency derivatives on which Vasakronan receives fixed interest.

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 71,349 million (73,000), of which SEK 50,505 million (54,936) comprised interest-rate derivatives and SEK 20,844 million (18,064) cross-currency derivatives.

Tax

The Group reported a total tax effect of an expense of SEK 1,106 million (expense: 3,320). Of the tax expense, an expense of SEK 203 million (expense: 230) was current tax and SEK 902 million (expense: -3,090) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments.

The effective tax rate for the period amounted to 22.9% (19.3). The difference from Sweden's corporate tax rate of 21.4% 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	1.2	0.8
Gothenburg	0.4	0.1
Uppsala	0.4	0.0
Malmö	-1.0	-0.1
Total		0.8

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	-0.3	-0.3
Development properties	7.0	1.1
Transactions		0.0
Total		0.8

Factors impacting value

	Value impact, %
Yield requirement	0.9
Market rents	0.9
Long-term vacancy rate	-0.3
Other valuation parameters, e.g., changed cost and investment assumptions	-0.7
Total	0.8

Consolidated balance sheet

Amounts in SEK million	31 Dec 2020	31 Dec 2019	30 Sep 2020	30 Sep 2019
ASSETS				
Non-current assets				
Intangible assets	2,044	2,024	2,039	2,013
Property, plant and equipment (PPE)				
Investment properties	162,420	156,071	158,641	147,385
Right-of-use assets, leaseholds and land leases	5,163	5,243	5,165	5,245
Equipment	47	40	38	40
	167,630	161,354	163,844	152,670
Financial assets				
Shares and participations in joint ventures	911	1,164	838	1,192
Receivables from joint ventures	-	130	-	165
Derivatives	934	642	1,356	1,215
Other non-current receivables	915	174	277	58
Total financial assets	2,760	2,110	2,471	2,630
Total non-current assets	172,434	165,488	168,354	157,313
Current assets				
Accounts receivable	73	35	112	35
Receivables from joint ventures	131	0	0	0
Derivatives	4	27	6	35
Other current receivables, prepaid expenses and accrued income	1,026	1,114	1,304	1,312
Cash and cash equivalents	2,558	3,515	4,096	3,373
Total current assets	3,792	4,691	5,518	4,755
TOTAL ASSETS	176,226	170,179	173,872	162,068
EQUITY AND LIABILITIES				
Equity	70,869	70,156	71,610	63,487
Non-current liabilities				
Interest-bearing liabilities	55,659	53,682	55,848	53,322
Lease liability, leaseholds and land leases	5,164	5,244	5,166	5,245
Deferred tax liability	22,269	21,368	21,637	19,653
Derivatives	4,284	2,725	4,122	3,879
Other non-current liabilities	58	385	367	1,160
Provision for pensions	120	119	116	85
Total non-current liabilities	87,554	83,523	87,256	83,344
Current liabilities				
Interest-bearing liabilities	13,658	12,956	11,444	11,649
Accounts payable	72	220	101	190
Liabilities joint ventures	11	12	-	12
Current tax liabilities	91	128	124	-
Derivatives	80	70	124	47
Other current liabilities, accrued expenses and deferred income	3,891	3,114	3,213	3,339
Total current liabilities	17,803	16,500	15,006	15,237
TOTAL EQUITY AND LIABILITIES	176,226	170,179	173,872	162,068

Comments on the consolidated balance sheet

Intangible assets

Intangible assets primarily consist of goodwill. Goodwill has arisen from the recognition of deferred tax on property at the nominal tax rate on the date of the business combination, while the tax rate applied when calculating the purchase price for the acquisition was lower than the nominal rate. At 31 December 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 36 million (16) invested in technical platforms was recognised as an intangible asset.

Investment properties

At 31 December 2020, Vasakronan's entire property portfolio had been valued externally. The assessed market value of the property portfolio was SEK 162,420 million at the end of the period, compared with SEK 156,071 million at the end of 2019. The change in value for 2020 was SEK 1,083 million (13,270) and net investments totalled SEK 5,266 million (3,867). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 9.2 billion/positive SEK 10.4 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 valuation. A more comprehensive description of Vasakronan's property valuation methodology is available on page 87 of Vasakronan's 2019 Annual Report.

At 31 December, 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.

Changed property values

SEK m	2020	2019
Opening value, 1 January	156,071	138,934
Investments	5,314	4,440
Acquisitions	181	977
Sales	-229	-1,550
Change in value	1,083	13,270
Closing value, 31 December	162,420	156,071

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% (85) of our property portfolio was environmentally certified, of which 73 percent-age points (72) were rated LEED Gold or higher.

Right-of-use assets; 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 31 December 2020, right-of-use assets totalled SEK 5,164 million, compared with SEK 5,244 million at the year end 2019.

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	Sergelhusen	4,000	3,879	97	56,500	Dec 2021	84 ²⁾	LEED Platinum
Gothenburg	Platinan	2,600	1,753	67	53,700	Mar 2022	72	LEED Platinum
Sundbyberg	Kronan 1	1,680	922	55	44,400	Nov 2021	100	LEED Platinum
Stockholm, Solna Strand	Nöten 5	883	822	93	26,000	Dec 2020	67	LEED Gold
Stockholm	Nattugglan, block 2	800	353	44	15,000	Jun 2022	80	LEED Platinum
Uppsala	Magasin X	530	248	47	11,500	Mar 2022	73 ³⁾	LEED Platinum
Uppsala	Kronåsen 1:1 Celsius	418	415	99	10,200	Oct 2020	99	LEED Platinum
Stockholm	Sperlingens Backe 45	300	105	35	3,900	Dec 2021	47	LEED Gold
Gothenburg	Strömshuset	270	122	45	10,500	Nov 2021	71	LEED Platinum
Stockholm, Solna	Diktaren	143	78	55	6,400	Aug 2021	100	–
Stockholm	Sergelgatan	1,500	665	44		Mar 2023	4 ⁴⁾	LEED Gold
Total major property projects		13,124	9,362	71			81	
Other projects		1,199	896					
Total		14,323	10,258					

1) Calculated based on area.

2) Excluding housing, storerooms and bicycle garage.

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

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

Property projects

Ongoing property projects have a total investment volume of SEK 14,323 million (14,374), of which SEK 10,258 million had been capitalised as of 31 December 2020, compared with SEK 6,753 million at the year end. The occupancy rate for major projects was 81% (69) at the end of the year 2019. The total contracted annual rent for these projects amounts to SEK 840 million.

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

The Celsius property in Uppsala and the Nöten 5 property by Solna Strand were completed during the quarter. Celsius, which encompasses 10,000 square metres of office space, is essentially fully let. The largest tenant is the Swedish Food Agency, which is leasing around 8,300 square metres for offices and a laboratory. Nöten 5 encompasses 26,000 square metres of office space and was 67% let on completion. The largest tenants are Statistics Sweden and the Swedish Council for Higher Education, which have signed agreements for 7,200 and 6,700 square metres respectively.

Shares and participations in joint ventures

The value of holdings in the form of shares and participations in joint ventures amounted to SEK 915 million (1,164) at the end of the period. The value declined SEK 185 million in 2020 as a result of lower assessed future development rights and SEK 34 million due to dividends received during the period.

Deferred tax

At 31 December 2020, the deferred tax liability was SEK 22,269 million, compared with SEK 21,368 million at the year end 2019. 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

The extensive financial and monetary policy measures introduced during the year have had a stabilising effect on the capital market and resulted in falling credit margins. Access to financing is assessed as very good and, at the end of the year, credit margins were at historic lows.

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 2018, Vasakronan has a public rating of A3, with a stable outlook, from the credit-rating agency Moody's. This confirms the high quality of the company's properties and its diversified tenant portfolio over many sectors that contains a high percentage of public operations. Moody's also takes into consideration the strength of the ownership structure when rating the company. 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, amounted to SEK 66,759 million (63,123). The proportion of loans maturing within the next 12 months amounted to 20% (19) of interest-bearing liabilities, while the share of loans maturing in ten years or more amounted to 11% (12). The average loan-to-maturity decreased to 5.0 years (5.2) at the end of the period and the average loan-to-maturity taking into consideration unutilised credit commitments decreased to 5.4 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. As before, none of these credit facilities were utilised during the year. Cash and cash equivalents of SEK 2,558 million (3,515), unutilised credit facilities with the owners and the unutilised credit facility of SEK 2 billion with the EIB together correspond to 165% (166) of loans maturing over the next 12 months. Of cash and cash equivalents, SEK 76 million (321) comprised deposits under CSAs.

Vasakronan is one of the largest corporate issuers in the Swedish and Norwegian capital markets, but also issues bonds in other currencies to investors from Europe and Asia. Over the year, the company issued debt equivalent to SEK 12.4 billion (15.2) in the bond market, distributed as follows: SEK 6.8 billion (7.5), JPY 1.4 billion (1.0), NOK 3.1 billion (0.3), USD 155 million (185), AUD 80 million (55) and EUR 40 million (407). Of the total liability at the end of the period, 31% (27) 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

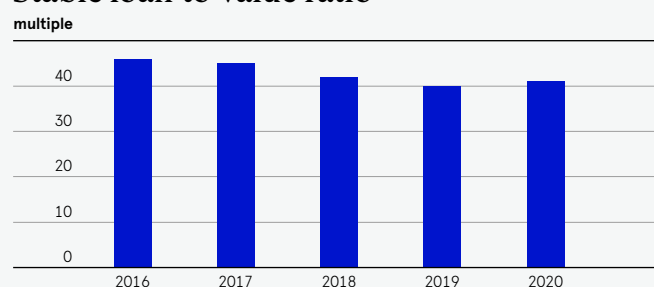
Fixed-interest tenors and loan-to-maturity

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0–1 year	20,410	29	13,658	20
1–2 years	3,201	5	7,405	11
2–3 years	1,087	2	10,082	15
3–4 years	3,799	5	4,761	7
4–5 years	4,145	6	5,982	8
5–6 years	1,748	3	3,881	6
6–7 years	7,950	11	5,969	9
7–8 years	4,200	6	3,168	5
8–9 years	6,800	10	4,434	6
9–10 years	4,550	7	2,678	4
10 years or more	11,427	16	7,299	11
Total	69,317	100	69,317	100

Breakdown of funding sources

SEK m	Nominal amount base currency, SEK m	Carrying amount, SEK m	Share, %
Commercial paper	–	7,514	11
Bonds, SEK	–	24,507	35
Bonds, NOK	11,820	11,337	17
Bonds, EUR	477	4,790	7
Bonds, JPY	11,400	907	1
Bonds, AUD	160	1,013	1
Bonds, USD	340	2,797	4
Secured bank loans	–	10,971	16
NIB and EIB	–	5,482	8
Total		69,317	100

Stable loan-to-value ratio



At 31 December

deeds decreased to 6% (7) 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 29% (32) and loans with fixed-interest maturities of ten years or more amounted to 16% (17) of interest-bearing liabilities. The average fixed-interest tenor had decreased to 5.6 years (5.8) at the end of the period. The average interest rate for loans and derivatives amounted to 1.6% (1.7) at the end of the period.

Comments on the consolidated balance sheet (Cont.)

Green financing

Of bonds issued during the year, 96% were green bonds. In total, SEK 11.8 billion (13.4) in green bonds has been issued, making the company the Nordic region's largest issuer of green corporate bonds. A SEK 750 million (–) green loan was raised during the year with the Nordic Investment Bank as well as a green secured bank loan of SEK 1 billion (0.76) and a SEK 2 billion (–) green loan facility with the EIB. 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 5,482 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 61% (47) of the total loan portfolio, corresponding to an increase in green financing outstanding of SEK 10.8 billion during the year.

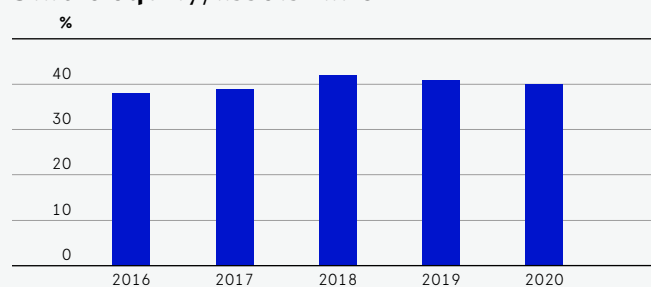
Equity

Equity increased during the year to SEK 70,869 million (70,156) as a result of comprehensive income for the period of SEK 3,710 million (13,911). The equity/assets ratio was 40% (41) and the loan-to-value ratio was 41% (40) 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	870
Green bonds, SEK	22,437
Green bonds, NOK	3,838
Green bonds, EUR	2,915
Green bonds, JPY	959
Green bonds, AUD	1,030
Green bonds, USD	2,856
Total volume of Green Finance Instruments	34,905
Total volume of Green Assets – Green Pool	53,776
Remaining approved borrowing capacity	18,871

Stable equity/assets ratio



At 31 December

Consolidated statement of changes in equity

Amounts in SEK million	Share capital	Other contributed capital	Retained earnings	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
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
Non-controlling interests	–	–	–	–	5	5
Other comprehensive income	–	–	–29	–29	–	–29
<i>Comprehensive income for the period</i>	–	–	13,882	13,882	–	13,882
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	–	–	3,718	3,718	–4	3,714
Non-controlling interests	–	–	–	–	7	7
Other comprehensive income	–	–	–8	–8	–	–8
<i>Comprehensive income for the period</i>	–	–	3,710	3,710	–	3,710
Dividend	–	–	–3,000	–3,000	–	–3,000
Equity, closing balance at 31 Dec 2020	4,000	4,227	62,636	70,863	6	70,869

Consolidated cash-flow statement

Amounts in SEK million	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
Operating activities				
Operating surplus	5,189	5,207	1,313	1,332
Central administration	-118	-113	-29	-36
Add back amortisation and depreciation	13	12	6	3
Adjustment for other non-cash items	-13	-13	-8	-5
Cash flow from operating activities before interest and tax	5,071	5,093	1,282	1,294
Interest paid ¹⁾	-1,295	-1,194	-267	-301
Interest received	6	3	1	0
Taxes paid	-235	-147	-32	62
Cash flow before changes in working capital	3,547	3,755	984	1,055
Increase (-)/decrease (+) in operating receivables	10	-213	113	186
Increase (+)/decrease (-) in operating liabilities	261	287	288	40
Cash flow from operating activities	3,818	3,829	1,385	1,281
Investing activities				
Investments in existing property	-5,314	-4,440	-1,659	-1,295
Property acquisitions	-181	-977	-174	-975
Property divestments	229	1,550	-	85
Other PPE, net	-14	-3	-13	-1
Acquisition of intangible assets	-23	-12	-6	-12
Dividends from joint ventures	34	309	-	251
Cash flow from investing activities	-5,269	-3,573	-1,852	-1,947
Cash flow after investing activities	-1,451	256	-467	-666
Financing activities				
Dividend	-3,000	-4,000	-3,000	-
Raised debt: interest-bearing liabilities	35,844	35,874	7,729	6,764
Repayment of debt: interest-bearing liabilities	-31,417	-30,709	-5,238	-4,727
Change in collateral	-663	214	-523	-1,149
Redemption of financial instruments	-277	-335	-46	-80
Transactions with non-controlling interests	7	-	7	-
Cash flow from financing activities	494	1,044	-1,071	808
Cash flow for the period	-957	1,300	-1,538	142
Opening balance, cash and cash equivalents	3,515	2,215	4,096	3,373
Cash flow for the period	-957	1,300	-1,538	142
Closing balance, cash and cash equivalents	2,558	3,515	2,558	3,515

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

Comments to the consolidated cash-flow statement

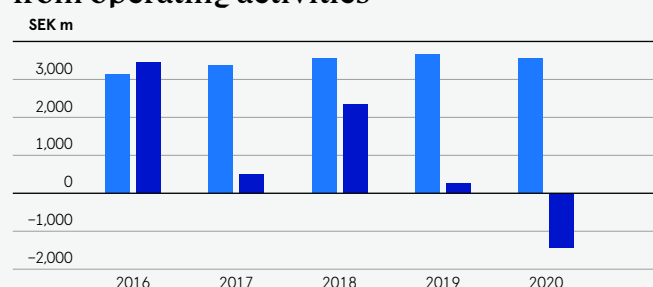
Cash flow from operating activities before interest and taxes increased to SEK 5,071 million (5,093). Cash flow from operating activities before changes in working capital decreased to SEK 3,547 million (3,755) as a result of higher interest and higher tax paid.

During the period, investments in existing properties amounted to SEK 5,314 million (4,440).

Cash flow from investing activities amounted to a total outflow of SEK 5,269 million (outflow: 3,573). The change was attributable to increased investment and fewer property sales in 2020. In total, net borrowing for the period amounted to SEK 4,427 million (5,165).

Altogether, cash and cash equivalents decreased SEK 957 million (1,300) and totalled SEK 2,558 million (3,515) at the end of the period.

Stable cash flow from operating activities



January–December

■ Cash flow from operating activities before changes in working capital

■ Cash flow after investing activities

Property acquisitions

Acquisitions	City	Seller	purchase price, SEK m	Occupancy
Innerstaden 30:79 and 30:3	Malmö	The City of Malmö	6	Jun 2020
Gulmäran 1	Solna	Järvastaden AB	180	Oct 2020
Total agreed property value				
Transaction costs, as well as deduction for deferred tax			-5	
Total purchase price			181	

Property divestments

Sales	City	Buyer	purchase price, SEK m	Transfer date
Vildmannen 11	Stockholm	Arnahammar Fastighets AB	230	Sep 2020
Total agreed 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	

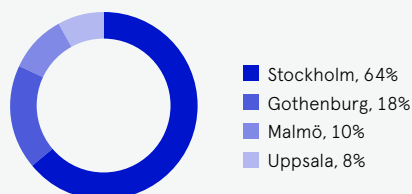
Agreed divestments to be completed	City	Buyer	Purchase price, SEK m	Transfer date
Smedjan 13 and 15	Malmö	Trianon	88	Dependent on detailed development plan
Total purchase price			88	

Vasakronan – in total and by region

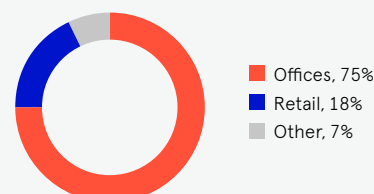
Total Vasakronan Jan–Dec

	2020	2019
Market value of properties, SEK m	162,421	156,071
Rental revenue, SEK m	7,006	7,040
Operating surplus, SEK m	5,189	5,204
Occupancy rate, %	92	94
Number of properties	171	174
Area, thousand sq. m.	2,339	2,322
Environmental certification, %	85	85

Contracted rent by geographic market



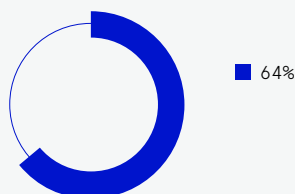
Contracted rent by property type



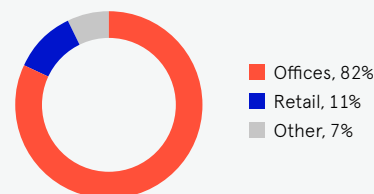
Stockholm Jan–Dec

	2020	2019
Market value of properties, SEK m	109,799	105,113
Rental revenue, SEK m	4,450	4,464
Operating surplus, SEK m	3,344	3,342
Occupancy rate, %	91	94
Number of properties	79	80
Area, thousand sq. m.	1,373	1,379
Environmental certification, %	82	82

Stockholm's share of the total



Stockholm by property type



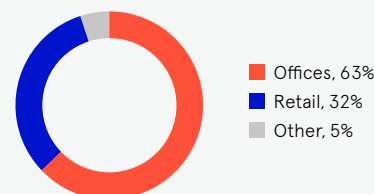
Gothenburg Jan–Dec

	2020	2019
Market value of properties, SEK m	29,365	28,149
Rental revenue, SEK m	1,286	1,325
Operating surplus, SEK m	962	1,006
Occupancy rate, %	95	96
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



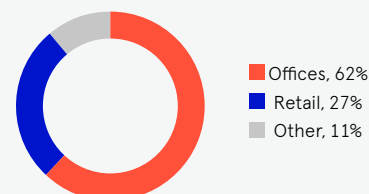
Malmö Jan–Dec

	2020	2019
Market value of properties, SEK m	13,018	13,010
Rental revenue, SEK m	700	692
Operating surplus, SEK m	475	457
Occupancy rate, %	88	91
Number of properties	33	33
Area, thousand sq. m.	309	296
Environmental certification, %	96	96

Malmö's share of the total



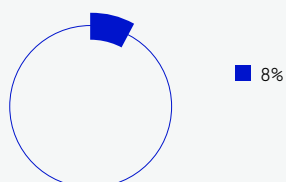
Malmö by property type



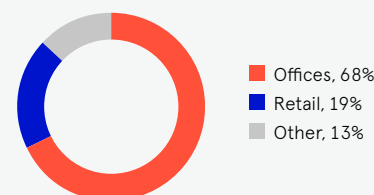
Uppsala Jan–Dec

	2020	2019
Market value of properties, SEK m	10,239	9,799
Rental revenue, SEK m	570	559
Operating surplus, SEK m	408	399
Occupancy rate, %	96	97
Number of properties	25	27
Area, thousand sq. m.	254	244
Environmental certification, %	75	78

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–Dec 2020	Jan–Dec 2019
Net sales	510	503
Operating expenses	-659	-639
Capital gain on sales	0	3
EBIT	-149	-133
Financial items		
Profit from participations in subsidiaries	3,943	6,982
Result from participations in joint ventures	-1	0
Net interest	-349	-419
Change in value of financial instruments	167	-881
Appropriations	-200	-300
Profit before tax	3,411	5,249
Tax	-230	-84
Profit for the period	3,181	5,165

Statement of comprehensive income

Profit for the period recognised in profit or loss	3,181	5,165
Other comprehensive income	-	-
Total comprehensive income for the period	3,181	5,165

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 510 million (503), 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 3,943 million (6,982) and pertained to dividends.

The change in the value of financial instruments amounted to SEK 167 million (negative: 881) due to falling long market interest rates in Norway. Profit before tax was SEK 3,411 million (5,249). Closing cash and cash equivalents amounted to SEK 2,546 million (3,506).

Balance sheet

Amounts in SEK million	31 Dec 2020	31 Dec 2019
ASSETS		
Non-current assets		
Equipment	4	7
Shares and participations in subsidiaries	37,636	37,635
Receivables from subsidiaries	40,472	37,093
Receivables from joint ventures	-	130
Shares and participations in joint ventures	-	1
Deferred tax assets	368	459
Derivatives	934	642
Non-current receivables	909	169
Total non-current assets	80,323	76,136
Current assets		
Receivables from subsidiaries	6,469	4,565
Receivables from joint ventures	131	0
Derivatives	4	27
Current receivables	614	615
Cash and cash equivalents	2,546	3,506
Total current assets	9,764	8,713
TOTAL ASSETS	90,087	84,849
EQUITY AND LIABILITIES		
Equity	12,823	12,641
Untaxed reserves	686	486
Liabilities		
Interest-bearing liabilities	69,317	66,638
Derivatives	4,364	2,795
Non-interest-bearing liabilities	1,144	1,170
Liabilities to subsidiaries	1,753	1,119
Total liabilities	76,578	71,722
TOTAL EQUITY AND LIABILITIES	90,087	84,849

Other information

Personnel

The number of employees at the end of the period was 293 (304).

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 re-evaluated 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 year, 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.

During the year, Vasakronan received state aid linked to the government's temporary commercial rental support package related to the second quarter of the year. The aid is recognised in profit or loss in the same period as the foregone rent in the form of rebates that the state aid is intended to compensate. The aid was recognised to the extent it is deemed likely to be received. The provided Covid-19-related rent rebates were recognised in the period for which they applied.

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 February 2021

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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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 February 2021, at 1.00 p.m. CET.

Key metrics

	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
Property-related information				
Closing economic occupancy rate, %	91.9	94.1	91.9	94.1
Surplus ratio, %	74	74	74	74
Investments in existing projects, SEK m	5,314	4,440	1,659	1,295
Property acquisitions, SEK m	181	977	174	975
Property divestments, SEK m	-229	-1,550	0	-86
Net investments, SEK m	5,266	3,867	1,833	2,184
Closing market value of property, SEK m	162,420	156,071	162,420	156,071
Closing area, thousand sq. m.	2,339	2,322	2,339	2,322
Closing number of properties	171	174	171	174
Environmental certification at closing date, %	85	85	85	85
Energy intensity on closing date, kWh/sq. m., rolling 12 month	83	92	83	92
Financial metrics				
EBITDA margin, %	71	75	70	83
Interest coverage ratio, multiple	4.4	4.6	4.7	5.6
Closing equity/assets ratio, %	40	41	40	41
Closing loan-to-value ratio, %	41	40	41	40
Average fixed-interest tenor, years	5.0	5.2	5.0	5.2
Average loan-to-maturity ¹⁾ , years	5.4	5.6	5.4	5.6
Closing EPRA NRV, SEK m	94,656	91,742	94,656	91,742
Closing EPRA NTA, SEK m	87,735	85,205	87,735	85,205
Closing EPRA NDV, SEK m	69,450	68,909	69,450	68,909
Closing average interest rate, %	1.6	1.7	1.6	1.7
Closing net interest-bearing liabilities, SEK m	66,759	63,123	66,759	63,123
Cash flow before changes in working capital, SEK m	3,547	3,755	984	1,055
Net interest-bearing liabilities/EBITDA ²⁾	13.5	12.0		
Other				
Closing number of employees	293	304	293	304

1) Excluding unutilised credit commitments.

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

Basis for key metrics

	Jan–Dec 2020	Jan–Dec 2019	Oct–Dec 2020	Oct–Dec 2019
1. EPRA NRV, SEK m				
Equity	70,869	70,156	70,869	70,156
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908
Add back derivatives	3,426	2,126	3,426	2,126
Add back recognised deferred tax	22,269	21,368	22,269	21,368
	94,656	91,742	94,656	91,742
2. EPRA NTA, SEK m				
Equity	70,869	70,156	70,869	70,156
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908
Add back other intangible assets	-136	-116	-136	-116
Add back derivatives	3,426	2,126	3,426	2,126
Add back recognised deferred tax	22,269	21,368	22,269	21,368
Deferred tax at fair value ¹⁾	-6,785	-6,421	-6,785	-6,421
	87,735	85,205	87,735	85,205
3. EPRA NDV, SEK m				
Equity	70,869	70,156	70,869	70,156
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908
Assess fair value of interest-bearing liabilities	489	661	489	661
	69,450	68,909	69,450	68,909
4. EBITDA, SEK m				
Operating surplus	5,189	5,207	1,314	1,332
Central administration	-118	-113	-29	-36
Cash flow from dividends from joint ventures	34	309	-	58
Ground rents and land leases	-165	-154	-42	-41
	4,940	5,249	1,243	1,313
5. EBITDA margin, %				
Rental revenue	7,006	7,040	1,772	1,808
EBITDA	4,940	5,249	1,243	1,506
	71	75	70	83
6. Interest coverage ratio, multiple				
EBITDA	4,940	5,249	1,243	1,506
Net financial items	-1,117	-1,131	-263	-270
	4.4	4.6	4.7	5.6
7. Net interest-bearing liabilities, SEK m				
Non-current interest-bearing liabilities	55,659	53,682	55,659	53,682
Current interest-bearing liabilities	13,658	12,956	13,658	12,956
Cash and cash equivalents	-2,558	-3,515	-2,558	-3,515
	66,759	63,123	66,759	63,123
8. Loan-to-value ratio, %				
Net interest-bearing liabilities	66,759	63,123	66,759	63,123
Investment properties	162,420	156,071	162,420	156,071
	41	40	41	40

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 the fair value of investment properties 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 162 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

Annual Report 2020
Annual General Meeting 2020
Interim Report January–March

March 2021
April 2021
28 April 2021