

Interim Report

January–September 2021

Q3

- > Rental revenue increased 5% (0) to a total of SEK 5,512 million (5,234). In comparable property holdings, rental revenue increased 2% (1) due to higher gross rents.
- > New lettings corresponding to 83,000 square metres (100,000) and an annual rent of SEK 374 million (453) were contracted. Net lettings amounted to SEK 20 million (negative: 11) for the quarter and negative SEK 187 million (positive: 119) for the period.
- > The price change after renegotiations averaged 9% compared with 7% for the same period last year. Renegotiations were completed in the period corresponding to an annual rent of SEK 917 million (642).
- > The occupancy rate was 91.0% (92.6) at the end of the period. Of total vacancies, 1.7 percentage points (1.5) were attributable to on-going projects and development properties.
- > Operating surplus increased 6%, (0) totalling SEK 4,120 million (3,876). For comparable property holdings, the increase in operating surplus was 2% (1).
- > Profit before value changes and tax increased to SEK 3,257 million (2,520).
- > The change in the property value amounted to an increase of SEK 8,079 million (decrease: 863), corresponding to a 5.0% (0.5) increase in value. The change in value was primarily to the downward adjustment of yield requirements.
- > At the end of the period, the portfolio value amounted to SEK 173,471 million (162,420).
- > The value change in financial instruments amounted to SEK 856 million (292), which was mainly due to the increase in long-term market interest rates.
- > Profit after tax amounted to SEK 9,678 million (1,448).

Rental revenue	Operating surplus	Value change <i>in properties</i>	Occupancy rate
+5%	+6%	+5%	91%

Amounts in SEK million	Jan-Sep 2021	Jan-Sep 2020	Jul-Sep 2021	Jul-Sep 2020	Oct 2020– Sep 2021	Jan-Dec 2020
Rental revenue	5,512	5,234	1,852	1,767	7,284	7,006
Operating surplus	4,120	3,876	1,418	1,332	5,433	5,189
Profit before value changes and tax	3,257	2,520	1,082	979	4,313	3,577
Change in value of investment properties	8,079	-863	2,553	344	10,026	1,083
Profit after tax	9,678	1,448	3,150	1,087	11,944	3,714
Cash flow from operating activities before changes in working capital	2,789	2,563	1,023	977	3,683	3,547
Market value of properties	173,471	158,641	173,471	158,641	173,471	162,420
Occupancy rate, %	91.0	92.6	91.0	92.6	91.0	91.9
Surplus ratio, %	75	74	77	75	75	74
Interest coverage ratio, multiple	5.0	4.3	5.0	4.5	5.0	4.4
Loan-to-value (LTV) ratio, %	40	40	40	40	40	41
Closing EPRA NRV ¹⁾ , SEK m	102,865	94,223	102,865	94,223	102,865	94,656
Closing EPRA NTA ¹⁾ , SEK m	95,355	87,526	95,355	87,526	95,355	87,735
Closing EPRA NDV ¹⁾ , SEK m	76,162	67,956	76,162	67,956	76,162	69,450
Environmental certification of investment portfolio, share of total area, %	92	91	92	91	92	92
Environmental certification of investment portfolio, share of market value, %	93	93	93	93	93	92
Energy intensity on closing date, kWh/sq. m., rolling 12 month	83	87	83	87	83	83

1) Last day in the period.

Strong results and increased revenue

Many people will fondly remember 29 September 2021. Lifted restrictions meant that we could finally reopen society. Our city centres filled again as people returned to workplaces, visited restaurants and events, and shopped in stores. Queues have reappeared at lunch spots and advance planning is needed when booking tables at restaurants. The pulse is tangible.

Focus on customers and new offerings

Right now, we are focusing on meeting our customers physically. There is a great need to discuss issues like ways working, offices and even new preconditions. Many operations are going well and need to recruit and expand. It is clear that many people have learned to work differently during the last 18 months and there is a lot that is positive and worth taking with us. The hybrid way of working continues to develop, and dialogues with our customers indicate that there is a clear need for the office, with many emphasising the value of meeting colleagues. At the same time, the hybrid way of working sets new demands on leadership and technology at the office. Insight is growing about the need to design offices differently to support flexible ways of working, and location has become even more important. Accessibility, a broad range of services, retail and culture – everything needs to be within reach.

These aren't new trends, but the pandemic has accelerated them. That is why it's rather good that over the years we have carved out a clear customer offering that we continue to develop and refine, from traditional and customised offices to more flexible full-service concepts like Arena – our co-working offering.

We have a property portfolio with attractive locations for offices, stores and other services, and we are continuing to actively create a better variety of dynamic locations in our areas and around our properties. In other words, we are well positioned.

Increased activity in the lettings market

The vacancy rate increased during the year, primarily due to some major moves in central Stockholm. There are excellent offices in

prime locations that meet the preferences and requirements that many operations have right now. Dialogues with customers are more concrete than before and the number of enquiries for new offices has increased. I thus see the vacancies in our property portfolio as an opportunity in a lettings market with increased activity, while the previously cautious position toward expansion and future investments has changed.

We are also working actively with our existing customers and agreements, not least within the volume of renegotiations which are at a historically high level. So far this year, we have renegotiated contracts corresponding to SEK 917 million, with an increase of 9%.

There is still high pressure in our projects that are now starting to wrap up and we have signed several excellent lettings during the quarter, including at Priorn in Malmö and Nattugglan in Södermalm, Stockholm. In Gothenburg, we're noting an increased interest in modern offices generally and for Platinan specifically, where the occupancy rate is now 91%. At street level, Poppels has signed a lease with the goal of opening a city brewery in summer 2022. This is a letting that will help revitalise all of Lilla Bommen.

Sustainable project development

When it comes to projects, I'd like to showcase Håll Nollan and its safety push. Håll Nollan is an industry-wide initiative with the goal of reducing construction site injuries to zero. Vasakronan is one of the founders of the initiative, which started in 2017, and the safety push is an annual demonstration where work pauses for a moment to raise important safety issues. In September, Vasakronan participated with eight projects.

Two of our projects also earned awards during the quarter. Priorn in Malmö won the city of Malmö's "Gröna Lansen" for environmentally sustainable construction and Sergelhusen was recognised for its roof terrace. Sergelhusen's terrace is a contributing factor to its world-class score in the latest and most comprehensive version of LEED. Only two other properties in the world had a higher score.



“We are working actively with our customers and agreements, which is notable in the volume of renegotiations which are at a historically high level.”

I'm proud that we are delivering a strong performance in this quarter and incredibly happy to once again meet employees and customers at the office. Officially, we moved into our new headquarters at Sergelhusen in November 2020, but the reality is that we haven't been able to see each other there until now. Meeting in person again has generated a clear energetic dynamic, for me and for all of my colleagues.

Stockholm, 11 November 2021

Johanna Skogestig,
Chief Executive Officer

Vasakronan third quarter

New lettings and renegotiations

During the quarter, new lettings corresponding to 24,000 square metres (15,000) and an annual rent of SEK 114 million (64) were signed, of which 5,000 square metres (4,600) and an annual rent of SEK 28 million (22) pertained to development properties.

At Svea Artilleri in Stockholm, Sophiahemmet Rehab Center signed a seven-year lease for 1,400 square metres. At the newly built Priorn in Malmö, the IT company Atea signed a five-year lease for 1,900 square metres and the property is now 92% let.

A ten-year lease was signed with the brewery Poppels for 700 square metres at the Platinan development property in Gothenburg. The most recent lettings bring the occupancy rate at Platinan to 91%.

At Södertull in Malmö, the electric car company Polestar signed a ten-year lease for a 230 square metre showroom that will open in early 2022. A four-year lease was signed with Unisport, one of Europe's leading providers of football equipment, at Sergelhusen. The sports companies Helly Hansen and Under Armour have previously signed leases for retail premises at Sergelhusen.

Renegotiations were also completed in the quarter corresponding to 75,000 square metres (43,000) and an annual rent of SEK 285 million (156). The result of renegotiations for the quarter for office leases amounted to an increase of 10% (5) and for retail the price change was down 10% (down: 8). At the Klara C property in Stockholm, KPMG has extended its lease of 7,000 square metres for another eight years. The Government Offices of Sweden have chosen to extend their 7,600 square metre lease at Karlahuset in Garnisonen, Stockholm for another three years.

The closing occupancy rate was 91.0% (92.6). Of total vacancies, 1.7 percentage points (1.5) were attributable to ongoing projects and development properties. Net lettings for the quarter were positive at SEK 20 million (negative: 11).

Strong demand for premises in our ongoing projects

At the end of the quarter, Vasakronan's project portfolio amounted to SEK 13,888 million, of which SEK 11,391 million was capitalised, while at year-end 2020 the investment volume was SEK 14,323 million and SEK 10,258 million was capitalised. Occupancy has been under way at Sergelhusen in Stockholm, Vasakronan's largest redevelopment project to date, for nearly a year. During the coming quarter, occupancy will start at several of Vasakronan's major projects, including the newly built Platinan property in Gothenburg and the Magasin X property in Uppsala. At the end of the quarter, the occupancy rate for Vasakronan's major projects amounted to 84% (81) and leases signed for these development properties corresponded to an annual rent of just over SEK 820 million.

Vasakronan – one of the world's most sustainable property companies

In 2020, Vasakronan set a new climate target for its operations to be entirely climate neutral across the entire value chain by no later than 2030. Efforts to reduce emissions within the company's own operations (scopes 1 and 2) started more than ten years ago. In this respect, the operations have already been climate neutral for several years now. The challenge going forward is to continue to reduce the indirect emissions from the company's project development and from tenants' use of the premises. Emissions from projects can be reduced through climate-smart material choices, minimising construction waste and choosing smart transportation solutions. Vasakronan works with tenants to reduce their emissions from using the premises by reducing electricity consumption and improving waste sorting. During the period, Vasakronan launched its new "Avfallshämtning" service, which entails offering tenants help with sorting and removing waste from the premises. It also enables the collection of waste statistics from individual operations, which is an important part of reducing waste.

During the quarter, the IPCC released its latest report, which confirms that climate change is comprehensive and happening quickly. Last summer's weather also reminded us that the world is facing a changed climate. Vasakronan has already been analysing the property portfolio from a climate perspective and determined that none of the properties will be permanently underwater due to rising sea levels before the year 2100. Vasakronan now carries out regular initiatives to identify where in the property portfolio other climate-related risks would have an impact and develops measures to address these risks.

In this year's Global Real Estate Sustainability Benchmark (GRESB), which was published after the end of the period, Vasakronan was named a sector leader in the highly competitive office/retail segment. The company has thereby been recognised as one of the world's most sustainable property companies. Vasakronan was assessed in two categories, existing properties and project development. The company scored higher in both categories than in the previous year. In the existing properties category, Vasakronan was awarded a score of 96 out of a possible 100, and 99 out of 100 in the project development category. The high percentage of environmentally certified properties together with systemic energy saving efforts are two of the areas where Vasakronan scored highly in the GRESB survey.

Third quarter results

	Q3 2021	Q3 2020
Rental revenue	1,852	1,767
Operating surplus, SEK m	1,418	1,332
Profit before value changes and tax, SEK m	1,082	979
Change in value of investment properties, SEK m	2,553	344
Change in value of investment properties, %	1.5	0.2
Change in value of financial instruments, SEK m	332	75
Profit after tax, SEK m	3,150	1,087
Cash flow from operating activities, SEK m	1,393	1,170

The market during the third quarter

Strong recovery

An increasing rate of vaccinations and dramatically reduced restrictions resulted in a strong recovery in the Swedish economy during the third quarter. Domestic demand is rising and investments are increasing. The latest forecast from the National Institute of Economic Research (NIER) projects an increase of 4.7% in GDP in 2021 and 3.9% in 2022. The expected increase in GDP has been revised up for both years compared with the previous forecast, since household consumption and exports both increased faster than previously predicted. Worries in the market right now are due to shortages of certain goods, primarily semi-conductors, as well as logistical challenges that are slowing down the production of goods.

The recovery in the Swedish economy is also resulting in increased employment, but unemployment remains high since the workforce is also increasing. According to the NIER, unemployment is expected reach close to 9% at the end of the year, an increase of 0.6 percentage points since year-end 2020, and then decrease somewhat during 2022. According to Statistics Sweden and Evidens, office employment in metropolitan regions will rise 1.8% in 2021 and 2.1% in 2022.

Portions of consumer durables, primarily physical retail, were hit hard by the pandemic and the subsequent restrictions. The digital transition in the industry, which was already under way, was given an incredible boost and an increasing share of consumer durables are purchased online. As restrictions have gradually been lifted, the recovery in physical retail grew stronger. Retail foot traffic for the garment industry in particular began to return, according to HUI Research. This recovery was confirmed by Vasakronan's city retail index, which also shows a strong recovery primarily for sports and leisure as well as footwear. In its latest report from September, HUI Research estimates that consumer durables, including e-commerce, will increase 4.5% in 2021 and 2.0% in 2022.

Monetary policy remains expansionary

As a result of the strong recovery, inflation has increased and is currently higher than the Riksbank's, Sweden's central bank's, goal of 2%. The rising inflation is expected to be temporary and for inflation to permanently reach the goal, the Riksbank predicts that monetary policy needs to remain expansionary. They will thus continue to purchase securities as planned. At its most recent meeting in the beginning of September, the Riksbank also decided to keep the repo rate unchanged at 0%.

A large offering of issues from the property sector was noted during the quarter, primarily from issuers with lower credit ratings than Vasakronan. At the end of the period, credit margins were at historic lows and access to financing was assessed as very good.

Strong property market

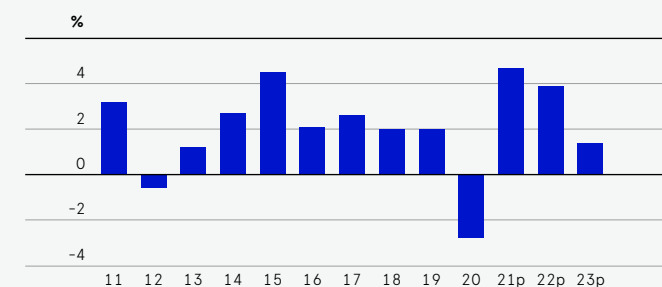
The Swedish property market remains very strong. According to data provided by Cushman & Wakefield, transactions were completed in the Swedish property market for SEK 82 billion (28) in the third quarter. During the first nine months of the year, the transaction volume thus amounted to SEK 228 billion, compared with SEK 104 billion in the corresponding period last year. Residential and office property were the largest segments in terms of transaction volume and the majority of investors are Swedish. The increase in transaction volumes was due to Corem's acquisition of Klöver during the second quarter, and to Heimstaden's acquisition of Akelius's residential portfolio in Sweden during the third quarter. The high transaction volume indicates continued strong interest in property investments.

At the end of the period, market rents for offices are assessed as remaining at close to unchanged levels compared with the end of the year. However, yield requirements are deemed to have fallen during the period, except for Uppsala, where they remain unchanged. According to Cushman & Wakefield, since the end of 2020, vacancy levels have increased somewhat in all of Vasa-

kronan's regions except for central Stockholm, where they remain unchanged.

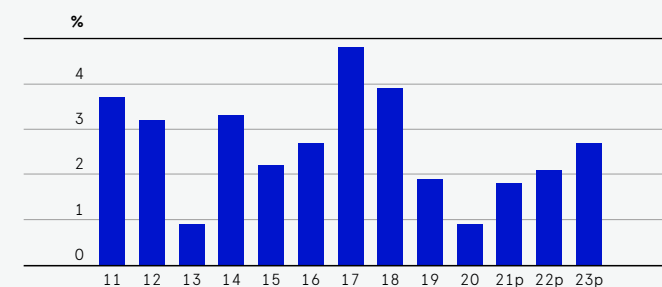
Within retail, a certain downturn was noted in market rents, primarily in Stockholm – a downturn that had been noted prior to the outbreak of the pandemic as a result of increased e-commerce. Vacancy levels for stores are also assessed as having risen somewhat since the year end, according to Cushman & Wakefield, primarily in central Stockholm. The market's yield requirements for stores, however, remains at unchanged levels.

Strong recovery for growth



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

Rising 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 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020–Sep 2021	Jan–Dec 2020
Rental revenue	5,512	5,234	1,852	1,767	7,284	7,006
Operating expenses	-560	-510	-173	-158	-746	-696
Repairs and maintenance	-72	-87	-21	-27	-101	-116
Property administration	-261	-263	-72	-80	-351	-353
Property tax	-499	-498	-168	-170	-653	-652
Total property expenses	-1,392	-1,358	-434	-435	-1,851	-1,817
Operating surplus	4,120	3,876	1,418	1,332	5,433	5,189
Central administration	-104	-89	-32	-28	-133	-118
Result from participations in joint ventures	168	-294	5	-4	243	-219
Financial income	3	8	1	3	4	9
Financial expenses	-810	-863	-270	-285	-1,073	-1,126
Interest expenses lease liabilities, ground rents and land leases	-120	-118	-40	-39	-160	-158
Profit before value changes and tax	3,257	2,520	1,082	979	4,314	3,577
Change in value of investment properties	8,079	-863	2,553	344	10,025	1,083
Depreciation of right-of-use assets	-5	-5	-2	-1	-7	-7
Change in value of financial instruments	856	292	332	75	731	167
Profit before tax	12,187	1,944	3,965	1,398	15,063	4,820
Current tax	-309	-227	-99	-113	-285	-203
Deferred tax	-2,200	-268	-716	-197	-2,835	-903
Profit for the period	9,678	1,448	3,150	1,087	11,944	3,714
Of which, attributable to non-controlling interests	-5	-3	-2	-1	-6	-4
Total profit attributable to the Parent Company shareholders	9,683	1,451	3,152	1,088	11,950	3,718
Other comprehensive income¹⁾						

Amounts in SEK million	Jan–Sep 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020–Sep 2021	Jan–Dec 2020
<i>Items that may not be reclassified²⁾</i>						
Pensions, revaluation	-	-	-	-	-16	-16
Restriction for surplus in pension plan with asset cap	-	-	-	-	6	6
Income tax on pensions	-	-	-	-	2	2
Other comprehensive income for the period, net of tax	-	-	-	-	-8	-8
Total comprehensive income for the period²⁾	9,683	1,451	3,152	1,088	11,942	3,710
Key metrics						
Surplus ratio, %	75	74	77	75	75	74
Interest coverage ratio, multiple	5.0	4.3	5.7	4.5	5.0	4.4

1) Other comprehensive income is attributable in its entirety to the Parent Company's shareholders. The absence of any potential shares means there is no dilutive effect.

2) Items that will not be reclassified to profit or loss.

Comments on the consolidated income statement

Rental revenue

Rental revenue during the nine-month period increased 5% (0) to SEK 5,512 million (5,234). In comparable property holdings, rental revenue increased 2% (1) due to higher gross rents. Development properties that went into operation in the last twelve months had a positive effect on total revenue. Rent relief provided during the period due to Covid-19 and provisions for doubtful receivables had a negative impact on revenue of SEK 19 million (70).

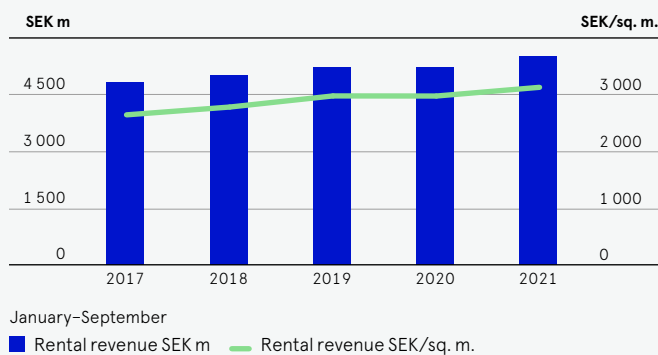
In the first nine months of the year, new lettings corresponding to 83,000 square metres (100,000) and annual rent of SEK 374 million (453) were contracted, of which 21% (18) impact on revenue in 2021. Of the new lettings for the period, 15,000 square metres (27,300) and SEK 80 million (191) pertained to development properties.

Notices to vacate were received during the period corresponding to annual rent of SEK 561 million (334) and net lettings amounted to a negative SEK 187 million (positive: 119).

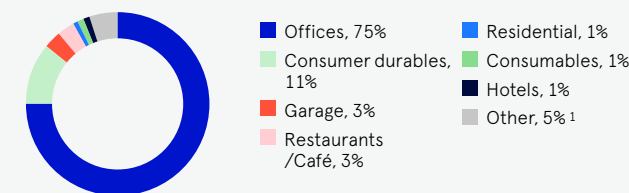
Lettings corresponding to 262,000 square metres (228,000) and an annual rent of SEK 917 million (642) were renegotiated during the period. These resulted in an increase on the previous rent payable of 9% (7). The result of renegotiations for the period for office leases amounted to 12% (10) and for retail the result was down 4% (down: 7). Of all the contracts up for renegotiation over the period with add-ons for moving within the property portfolio, nearly 72% (67) of the tenants decided to remain a tenant of Vasakronan.

Contracted rent at the end of the year amounted to SEK 7,576 million (7,209) and the average remaining maturity was 3.7 years (3.9). The closing occupancy rate was 91.0% (92.6). Of total vacancies, 1.7 percentage points (1.5) were attributable to ongoing projects and development properties. The increase in vacancies was primarily due to a handful of planned move-outs.

Rising rental revenue



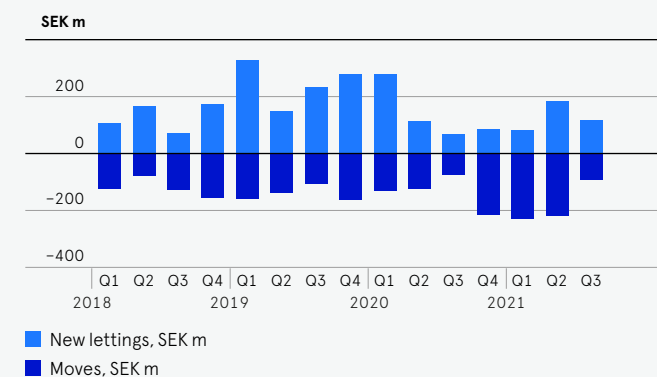
Predominantly office tenants



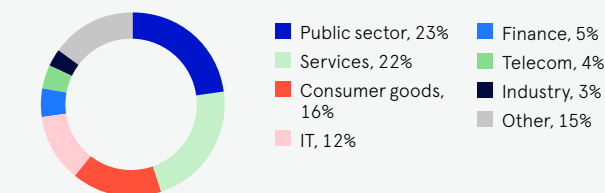
Breakdown by sector, share of contracted rent

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

Net lettings



Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

Comments on the consolidated income statement (Cont.)

Property expenses

Property expenses amounted to SEK 1,392 million (expense: 1,358) for the period. In comparable property holdings, property expenses remained unchanged, compared with a decrease of 1% for the same period last year. The increase in total property expenses was due to increased costs for properties that went into operation in the last twelve months.

Operating surplus

Operating surplus for the period increased 6% (0) to SEK 4,120 million (3,876). In comparable property holdings, the increase in operating surplus was 2% (1). The surplus ratio was 75% (74).

The rolling 12-month yield amounted to 3.4% (3.5) for the total property portfolio and 3.8% (3.9) for investment properties.

Administration

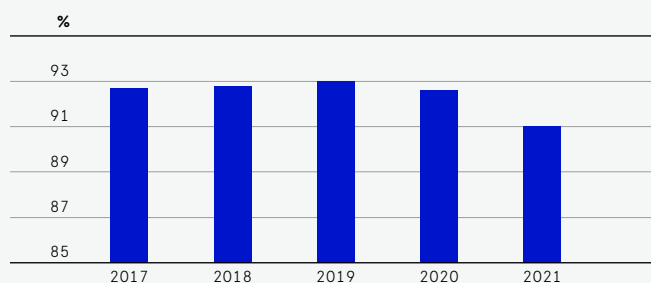
Property administration costs were SEK 261 million (expense: 263) and central administration costs were SEK 104 million (expense: 89). The increase was primarily due to higher development costs for digital investments.

Widely distributed over many tenants

	Share in %
Ericsson	3
Swedish Police Authority	3
H&M	2
Swedish Prison and Probation Service	2
King	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
EY	1
Åhléns	1
Handelsbanken	1
Total	18

Largest tenants, share of contracted rent

Lower occupancy rate



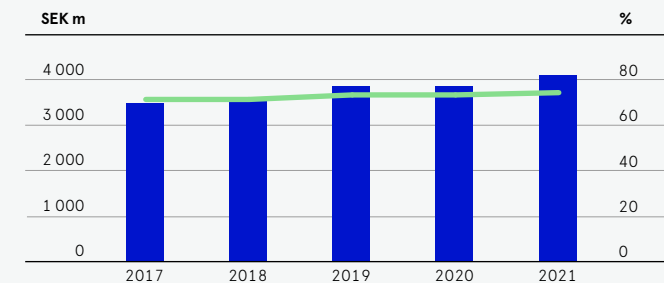
On 30 September

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2021	349	344	5
2022	1,110	1,330	17
2023	800	1,175	16
≥2024	1,733	4,390	58
Total	3,992	7,239	96
Residential	1,167	104	1
Garage	-	233	3
Total	5,159	7,576	100

Maturity structure for contracted rent.

Improved operating surplus



On 30 September

■ Operating surplus, SEK m — Surplus ratio, %

Comments on the consolidated income statement (Cont.)

Result from participations in joint ventures

The result from participations in joint ventures amounted to a profit of SEK 168 million (loss: 294). The positive earnings were due to positive value changes as a result of the increased value of development rights.

Net financial items

Despite higher interest-bearing liabilities, net financial items for the period declined to an expense of SEK 807 million (expense: 855), primarily due to lower credit margins. The average interest rate for loans and derivatives decreased to 1.5% (1.7) during the period.

The LTM interest coverage ratio amounted to a multiple of 5.0 (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.

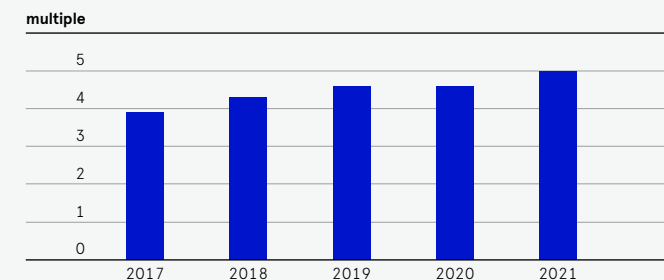
Profit before value changes and tax

Profit before value changes and tax increased to SEK 3,257 million (2,520). This change was primarily due to a higher operating surplus and higher result from participations in joint ventures.

Financial risks

	Financial policy in brief	Outcome, 30 Sep 2021
Financing risk		
Loan-to-maturity	min. 2 years	5.1 years
Loans maturing, 12 months	max. 40%	19%
Credit commitments and cash/loans maturing 12 months	min. 100%	172%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	5x
Fixed-interest period	min. 2 years	4.8 years
Fixed-interest maturity within 12 months	max. 55%	36%
Credit risk		
Counterpart's rating	min. A-, or BBB+ with CSAs	met
Currency risk		
Currency exposure	No exposure	met

High interest coverage ratio



On 30 September, rolling 12-month period

Comments on the consolidated income statement (Cont.)

Change in value of investment properties

On 30 September 2021, the entire property portfolio had been valued internally. Altogether, the change in the property value amounted to an increase of SEK 8,079 million (decrease: 863), which corresponded to a 5.0% (decrease: 0.5) increase in value for the period. Changes in value amounted to an increase of SEK 6,454 million (decrease: 1,132), corresponding to an increase of 4.8% (decrease: 0.9), and for development and investment properties to an increase of SEK 1,716 million (376), corresponding to an increase of 6.5% (1.6).

The positive value growth was attributable to the downward adjustment of yield requirements and raised market rent assumptions. The average yield requirement used for valuation of the property portfolio was 3.97%, compared with 4.12% for corresponding properties at the end of 2020. The percentage increase in value was greatest for the company's public sector properties followed by offices in central Stockholm and its suburbs. Retail properties also posted a marginal increase in value during the period, primarily due to a previous write-down. The value increase in the project portfolio was due primarily to reduced completion risk and good occupancy rates.

Change in value of financial instruments

The value change in derivatives amounted to SEK 856 million (292) which was mainly due to the increase in long-term market interest rates 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 77,837 million compared to SEK 71,349 million at year end, of which SEK 53,030 million (50,505) comprised interest rate swaps and SEK 24,807 million (20,844) cross-currency basis swaps.

Tax

The Group reported a total tax effect of an expense of SEK 2,509 million (expense: 496). Of the tax expense, an expense of SEK 309 million (expense: 227) was current tax and an expense of SEK 2,200 million (expense: 268) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments.

The effective tax rate for the period amounted to 20.6% (25.5).

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

Factors impacting value

	Value impact, %
Yield requirement	3.7
Market rents	2.0
Vacancies and other valuation parameters, e.g., changed cost and investment assumptions	-0.7
Total	5.0

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	5.4	3.6
Gothenburg	5.4	1.0
Uppsala	3.3	0.2
Malmö	2.8	0.2
Total		5.0

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	4.8	4.0
Development properties	6.5	1.0
Transactions	-	-
Total		5.0

Consolidated balance sheet

Amounts in SEK million	30 Sep 2021	30 Sep 2020	30 Jun 2021	30 Jun 2020	31 Dec 2020
ASSETS					
Non-current assets					
Intangible assets	2,047	2,039	2,047	2,034	2,044
Property, plant and equipment (PPE)					
Investment properties	173,471	158,641	169,863	157,455	162,420
Right-of-use assets, leaseholds and land leases	5,159	5,165	5,160	5,170	5,163
Equipment	104	38	108	40	47
	178,734	163,844	175,131	162,665	167,630
Financial assets					
Shares and participations in joint ventures	896	838	891	842	911
Derivatives	908	1,356	820	1,354	934
Other non-current receivables	727	277	891	231	915
Total financial assets	2,531	2,471	2,602	2,427	2,760
Total non-current assets	183,312	168,354	179,780	167,126	172,434
Current assets					
Accounts receivable	69	112	69	58	73
Receivables from joint ventures	21	0	131	0	131
Derivatives	44	6	17	6	4
Other current receivables, prepaid expenses and accrued income	1,024	1,304	1,444	1,655	1,026
Cash and cash equivalents	4,285	4,096	3,389	4,411	2,558
Total current assets	5,443	5,518	5,050	6,132	3,792
TOTAL ASSETS	188,755	173,872	184,830	173,258	176,226

Amounts in SEK million	30 Sep 2021	30 Sep 2020	30 Jun 2021	30 Jun 2020	31 Dec 2020
EQUITY AND LIABILITIES					
Equity	78,552	71,610	75,401	70,518	70,869
Non-current liabilities					
Interest-bearing liabilities	59,620	55,848	59,001	56,058	55,659
Lease liability, leaseholds and land leases	5,160	5,166	5,161	5,171	5,164
Deferred tax liability	24,469	21,637	23,752	21,440	22,269
Derivatives	2,631	4,122	3,083	4,082	4,284
Other non-current liabilities	57	367	58	472	58
Provision for pensions	124	116	122	117	120
Total non-current liabilities	92,061	87,256	91,177	87,340	87,554
Current liabilities					
Interest-bearing liabilities	14,143	11,444	14,699	11,695	13,658
Accounts payable	9	101	17	48	72
Liabilities joint ventures	26	-	26	0	11
Current tax liabilities	129	124	89	42	91
Derivatives	73	124	113	62	80
Other current liabilities, accrued expenses and deferred income	3,762	3,213	3,308	3,551	3,891
Total current liabilities	18,142	15,007	18,252	15,400	17,803
TOTAL EQUITY AND LIABILITIES	188,755	173,872	184,830	173,258	176,226

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. On 30 September 2021, goodwill was SEK 1,908 million, unchanged compared with year-end 2020.

The remaining portion of intangible assets comprised the value of the Vasakronan brand, which amounted to SEK 100 million (100). SEK 39 million (36) invested in technical platforms was recognised as an intangible asset.

Investment properties

On 30 September 2021, Vasakronan's entire property portfolio had been valued internally. The assessed market value of the property portfolio was SEK 173,471 million at the end of the period, compared with SEK 162,420 million at the end of 2020. The change in value during the period amounted to an increase of SEK 8,079 million (decrease: 863), corresponding to an increase in value of 5.0% (decrease: 0.5). Net investments in the period amounted to SEK 2,973 million (3,433). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 10.2 billion/positive SEK 11.6 billion on the value of the current property portfolio.

The internal valuation was conducted based on the external valuation and applied the same principles as previous internal valuations. 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 external property valuation methodology is available on pages 108–109 of Vasakronan's 2020 Annual Report.

Change in property values

SEK m	2021	2020
Opening value, 1 January	162,420	156,071
Investments	3,131	3,655
Acquisitions	204	7
Sales	-362	-229
Change in value	8,079	-863
Closing value, 30 September	173,471	158,641

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 and to obtain environmental certification for the entire investment portfolio.

At the end of the period, some 93% (93) of our investment portfolio based on its market value was environmentally certified, of which 82 percentage points (80) 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.

On 30 September 2021, right-of-use agreements totalled SEK 5,159 million, compared with SEK 5,163 million at the year end.

Comments on the consolidated balance sheet (Cont.)

Property projects

At the end of the period, the total investment volume of ongoing property projects amounted to SEK 13,888 million, of which SEK 11,391 million had been capitalised. At year-end 2020, the corresponding amounts were SEK 14,323 million and SEK 10,258 million respectively. The occupancy rate for major projects was 84% (81) at the end of the quarter. Contracts have been signed totalling slightly more than SEK 820 million in annual rent. Occupancy is ongoing or will start in the next few months for the majority of major projects.

Shares and participations in joint ventures

The value of holdings in the form of shares and participations in joint ventures amounted to SEK 896 million (911) at the end of the period.

Deferred tax

On 30 September 2021, the deferred tax liability was SEK 24,469 million, compared with SEK 22,269 million at the year end. The deferred tax liability pertained primarily to investment properties. The change in tax liabilities was due to the period's unrealised value increases in the 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.

Large investments in property projects

City	Property	Total investment, SEK m	Capitalised, SEK m	Share capitalised, %	Area of premises, sq. m.	Start Occupancy	Occupancy rate, % ¹⁾	Estimated completion date	LEED environmental certification ⁴⁾
Stockholm	Sergelhusen	3,900	3,798	97	56,500	Q4 2020	89 ²⁾	Dec 2021	Platinum
Gothenburg	Platinan	2,600	2,459	95	53,700	Q4 2021	91	Apr 2022	Platinum
Sundbyberg	Kronan 1	1,680	1,400	83	44,400	Q4 2021	100	Nov 2021	Platinum
Stockholm	Nattugglan, block 2	800	565	71	15,000	Q2 2022	88	Jun 2022	Platinum
Stockholm	Sperlingsbacke 47	610	36	6	8,500	Q4 2023	0	Jan 2024	Platinum
Uppsala	Magasin X	530	439	83	11,500	Q4 2021	96	Mar 2022	Platinum
Stockholm	Hötorgshus 2	460	113	25	8,000	Q3 2022	0	Apr 2023	Gold
Stockholm	Sperlingsbacke 45	370	174	47	3,900	N/A	47	Dec 2022	Gold
Gothenburg	Strömshuset	270	226	84	10,450	N/A	87	Jan 2022	Platinum
Stockholm, Solna	Diktaren	126	122	96	6,400	Q3 2021	100	Aug 2021	-
Stockholm	Sergelgatan	1,500	1,216	81	15,500	N/A	N/A ³⁾	Mar 2023	Gold
Total major property projects		12,846	10,547	82			84		
Other projects		1,042	844						
Total		13,888	11,391						

1) Calculated based on area.

2) Excluding housing, storerooms and bicycle garage.

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

4) Forecast at completion.

Comments on the consolidated balance sheet

Financing

Vasakronan's main funding source is the capital markets through unsecured commercial paper and bonds. The strong capital markets at the start of the year continued throughout the year and access to financing on favourable terms has been very good. Vasakronan spreads maturities for borrowings and limits the size of individual loans for the purpose of reducing financing risk.

Vasakronan's strong credit rating of A3 from Moody's not only provides Vasakronan with access to longer tenors – it also makes financing accessible in the majority of markets. The rating confirms the high quality of the company's properties and its diversified tenant portfolio over many sectors that contains a high percentage of public sector tenants. Moody's also highlighted Vasakronan's high proportion of environmentally certified properties in its assessment of the company.

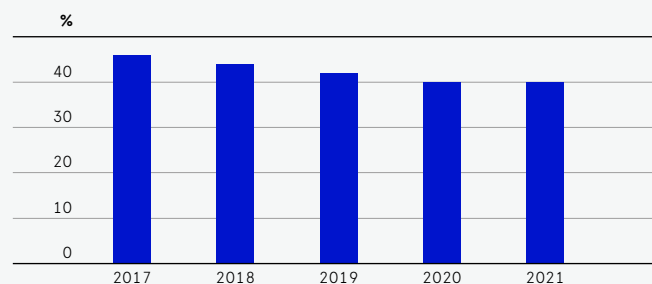
During the period, Vasakronan issued debt of SEK 11.9 billion (9.9) in the bond market, with an average maturity of just over 7 years. The majority of bonds were placed with investors in Sweden and Norway, but investors from Japan, Hong Kong and Germany also chose to invest in the company's bonds. Vasakronan has issued bonds denominated in seven currencies and 34% (30) of the total liability at the end of the period consisted of borrowings in currencies other than SEK. Borrowing in foreign currencies is hedged through cross-currency basis swaps, which eliminates currency risk.

During the period, no new secured bank loans were raised. Conversely, a number of loans have been repaid early, which means that secured bank loans outstanding decreased to SEK 7.9 billion compared with SEK 11 billion at year end. Accordingly, secured bank loans declined to 4% (6) of the Group's total assets.

At the end of the period, interest-bearing liabilities net of cash and cash equivalents amounted to SEK 69,478 million, compared with SEK 66,759 million at year end. The average loan-to-maturity was 5.1 years (5.0) and the average loan-to-maturity taking into consideration unutilised credit commitments amounted to 5.5 years (5.4). The average fixed-interest tenor fell to 4.8 years (5.6) and the average interest rate for loans and derivatives amounted to 1.5% at the end of the period, compared with 1.6% at year end.

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 (18). The agreement extends until further notice with a notice period of two years. As before, the credit facility was unutilised during the period. Cash and cash equivalents of SEK 4,285 million (2,558), unutilised credit facilities with the owners and the unutilised credit facility of SEK 2 billion (2) with the EIB together corresponded to 172% (165) of loans maturing over the next 12 months.

Stable loan-to-value ratio



On 30 September

Fixed-interest tenors and loan-to-maturity

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0–1 year	26,791	36	14,143	19
1–2 years	2,485	4	7,824	10
2–3 years	3,799	5	10,347	14
3–4 years	3,894	5	7,176	10
4–5 years	1,748	2	5,002	7
5–6 years	4,253	6	7,158	10
6–7 years	5,900	8	2,037	3
7–8 years	8,800	12	4,086	5
8–9 years	2,650	4	2,846	4
9–10 years	6,700	9	3,482	5
10 years or more	6,744	9	9,662	13
Total	73,763	100	73,763	100

Breakdown of funding sources

SEK m	Nominal amount base currency, SEK m	Carrying amount, SEK m	Share, %
Commercial paper		8,163	11%
Bonds, SEK		27,852	38%
Bonds, NOK	13,495	13,527	18%
Bonds, EUR	487	4,938	7%
Bonds, JPY	11,400	894	1%
Bonds, AUD	160	1,013	1%
Bonds, USD	455	3,985	5%
Bonds, HKD	400	450	1%
Secured bank loans		7,866	11%
NIB and EIB		5,076	7%
Total		73,763	100%

Comments on the consolidated balance sheet (Cont.)

Green financing

Vasakronan issued the world's first green corporate bond in 2013. The company is the Nordic region's largest issuer of green corporate bonds and all bonds issued during the period were green. At the end of the period, the volume of green bonds amounted to SEK 43,755 million (34,035) allocated over seven different currencies. In 2018, Vasakronan issued the world's first green commercial paper. At the end of the period, the volume outstanding of green commercial paper was SEK 2,144 million (870).

The volume outstanding of green loans with the Nordic Investment Bank and the European Investment Bank totalled SEK 5,076 million (5,482) at the end of the period, and green secured bank loans amounted to SEK 1,760 million (1,760). In addition to the above, there is an unutilised green credit facility with the European Investment Bank of SEK 2 billion (2).

The percentage of green financing, consisting of green bonds, green commercial paper and green bank loans, increased during the period to 71% (61) of the total loan portfolio.

A more comprehensive description of the company's green financing and the investments made under Vasakronan's Green Finance Framework is available in the Impact Report – Green financing on pages 162–170 of Vasakronan's 2020 Annual Report.

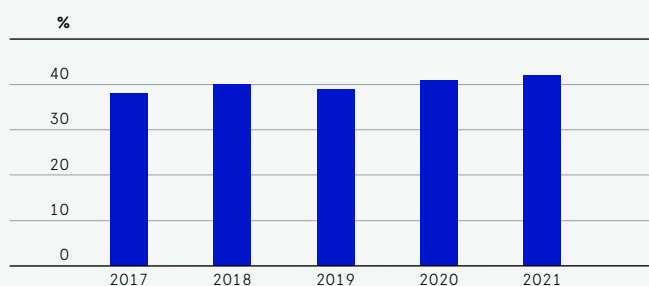
Equity

Equity increased to SEK 78,552 million as of 30 September 2021, compared with SEK 70,869 million at the end of 2020. Comprehensive income for the period amounted to SEK 9,678 million (1,448). A dividend was also distributed during the year corresponding to SEK 2,000 million (3,000). At the end of the period, the equity/assets ratio was 42% and the loan-to-value ratio was 40%, compared with the respective figures of 40% and 41% at year-end 2020. The minority share of equity amounted to SEK 6 million, which was unchanged compared with the year-end 2020.

Green financing under the framework

	Amount in SEK million
Green commercial paper	2,144
Green bonds, SEK	27,211
Green bonds, NOK	7,290
Green bonds, EUR	3,016
Green bonds, JPY	959
Green bonds, AUD	1,030
Green bonds, USD	3,809
Green bonds, HKD	439
Total volume of Green Finance Instruments	45,899
Total volume of Green Assets – Green Pool	57,514
Remaining approved borrowing capacity	11,615

Equity/assets ratio



On 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 2020	4,000	4,227	61,926	70,153	3	70,156
Profit for the period	-	-	3,718	3,718	-4	3,714
Other comprehensive income	-	-	-8	-8	-	-8
<i>Comprehensive income for the period</i>	-	-	<i>3,710</i>	<i>3,710</i>	-	<i>3,710</i>
<i>Transactions with owners</i>						
Non-controlling interests	-	-	-	-	7	7
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
Equity, opening balance at 1 Jan 2021	4,000	4,227	62,636	70,863	6	70,869
Profit for the period	-	-	9,683	9,683	-5	9,678
Other comprehensive income	-	-	-	-	-	-
<i>Comprehensive income for the period</i>	-	-	<i>9,683</i>	<i>9,683</i>	-	<i>9,678</i>
<i>Transactions with owners</i>						
Non-controlling interests	-	-	-	-	5	5
Dividend	-	-	-2,000	-2,000	-	-2,000
Equity, closing balance at 30 Sep 2021	4,000	4,227	70,319	78,546	6	78,552

Consolidated cash-flow statement

Amounts in SEK million	Jan–Sep 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020– Sep 2021	Jan–Dec 2020
Operating activities						
Operating surplus	4,120	3,876	1,418	1,333	5,433	5,189
Central administration	-104	-89	-31	-28	-133	-118
Add back amortisation and depreciation	19	7	7	2	25	13
Adjustment for other non-cash items	3	-5	1	-1	-5	-13
Cash flow from operating activities before interest and tax	4,038	3,789	1,395	1,306	5,320	5,071
Interest paid ¹⁾	-1,002	-1,028	-314	-301	-1,269	-1,295
Interest received	4	5	2	2	5	6
Taxes paid	-251	-203	-60	-30	-373	-235
Cash flow before changes in working capital	2,789	2,563	1,023	977	3,683	3,547
Increase (-)/decrease (+) in operating receivables	-193	-103	-75	370	-80	10
Increase (+)/decrease (-) in operating liabilities	327	-27	445	-177	705	261
Cash flow from operating activities	2,923	2,433	1,393	1,170	4,308	3,818
Investing activities						
Investments in existing property	-3,131	-3,655	-1,030	-1,069	-4,790	-5,314
Property acquisitions	-204	-7	-26	-1	-378	-181
Property divestments	362	229	0	229	362	229
Other PPE, net	-74	-1	-2	1	-87	-14
Acquisition of intangible assets	-6	-17	-2	-6	-12	-23
Dividends from joint ventures	182	34	0	0	182	34
Cash flow from investing activities	-2,871	-3,417	-1,060	-846	-4,723	-5,269
Cash flow after investing activities	52	-984	333	324	-415	-1,451

Amounts in SEK million	Jan–Sep 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020– Sep 2021	Jan–Dec 2020
Financing activities						
Dividend	-2,000	-	-	-	-5,000	-3,000
Raised debt: interest-bearing liabilities	30,813	28,115	8,303	6,755	38,542	35,844
Repayment of debt: interest-bearing liabilities	-27,186	-26,179	-8,513	-7,044	-32,424	-31,417
Change in collateral	44	-140	773	-350	-479	-663
Redemption of financial instruments	0	-231	0	0	-46	-277
Transactions with non-controlling interests	4	-	0	-	11	7
Cash flow from financing activities	1,675	1,565	563	-639	604	494
Cash flow for the period	1,727	581	896	-315	189	-957
Opening balance, cash and cash equivalents	2,558	3,515	3,389	4,411	4,096	3,515
Cash flow for the period	1,727	581	896	-315	189	-957
Closing balance, cash and cash equivalents	4,285	4,096	4,285	4,096	4,285	2,558

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

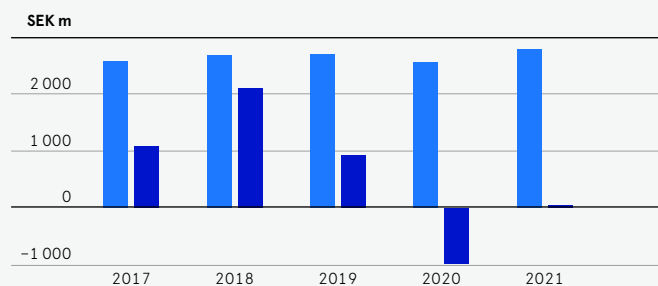
Comments to the consolidated cash-flow statement

Cash flow from operating activities before interest and taxes amounted to SEK 4,038 million (3,789). Cash flow from operating activities before changes in working capital increased to SEK 2,789 million (2,563) as a result of higher net operating income and lower interest expenses.

During the period, investments in existing properties amounted to SEK 3,131 million (3,655). Cash flow from investing activities amounted to a total outflow of SEK 2,871 million (outflow: 3,417), where the comparative figures were positively affected by property sales.

In total, net borrowing for the period amounted to SEK 3,627 million (1,936). Altogether, cash and cash equivalents increased SEK 1,727 million (581) and totalled SEK 4,285 million (4,096) at the end of the period.

Stable cash flow from operating activities



January–September

- Cash flow from operating activities before changes in working capital
- Cash flow after investing activities

Property acquisitions 2021

Property	City	Seller	Purchase price, SEK m	Occupancy
Svärdsliljan 1	Solna	Järvastaden AB	187	Jan 2021
Gullbergsvass 703:44	Gothenburg	Gothenburg municipality	26	Aug 2021
Total agreed property value				
Transaction costs, as well as deduction for deferred tax			-9	
Total purchase price			204	

Property divestments 2021

Property	City	Buyer	Purchase price, SEK m	Transfer date
Gulmåran 1	Solna	JM AB	180	Feb 2021
Svärdsliljan 1	Solna	JM AB	184	Feb 2021
Total agreed property value			364	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-2	
Total purchase price			362	

Agreed divestments to be completed

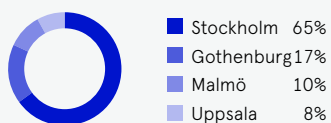
Property	City	Buyer	Purchase price, SEK m	Transfer date
Smedjan 13 and 15	Malmö	Trianon	88	Dependent on detailed development plan
Total purchase price			88	

Total Vasakronan

January–September	2021	2020
Market value of properties, SEK m	173,471	158,641
Rental revenue, SEK m	5,512	5,234
Operating surplus, SEK m	4,120	3,876
Surplus ratio, %	75%	74%
Occupancy rate, %	91	93
Number of properties	170	171
Area, thousand sq. m.	2,333	2,329
Environmental certification in the investment portfolio based on market value, %	93	93

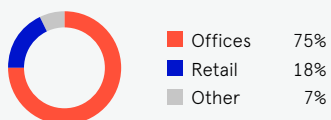
Contracted rent by geographic market

Pertains to share of contracted rent



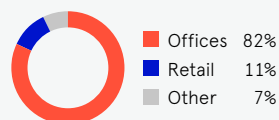
Contracted rent by property type

Pertains to share of contracted rent



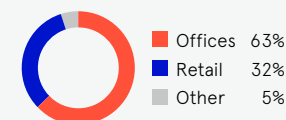
Stockholm

2021	2020
117,217	106,953
3,571	3,315
2,712	2,486
76%	75%
90	92
78	78
1,376	1,373
92	91



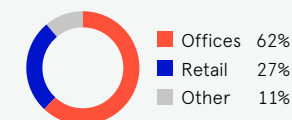
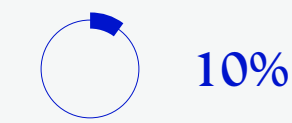
Gothenburg

2021	2020
31,962	28,663
960	967
715	726
74%	75%
95	95
34	34
392	403
96	96



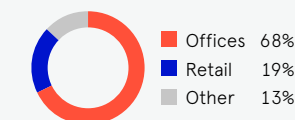
Malmö

2021	2020
13,458	12,930
531	526
362	358
68%	68%
90	88
33	33
311	309
100	100



Uppsala

2021	2020
10,834	10,125
450	427
331	306
74%	72%
95	96
25	26
254	244
82	88



Vasakronan AB – Parent Company in summary

Income statement

Amounts in SEK million	Jan–Sep 2021	Jan–Sep 2020	Jan–Dec 2020
Net sales	369	370	510
Operating expenses	-511	-477	-659
EBIT	-142	-107	-149
Financial items			
Profit from participations in subsidiaries	607	2,584	3,943
Result from participations in joint ventures	-	-	-1
Net interest	-297	-271	-349
Change in value of financial instruments	856	292	167
Profit before tax	1,024	2,498	3,411
Tax	-86	18	-230
Profit for the period	938	2,516	3,181

Statement of comprehensive income

Profit for the period recognised in profit or loss	938	2,516	3,181
Other comprehensive income	-	-	-
Total comprehensive income for the period	938	2,516	3,181

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 369 million (370), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered.

The value change in financial instruments was SEK 856 million (292) as a result of the increase in long-term market interest rates during the period. Profit before tax was SEK 1,024 million (2,498). Closing cash and cash equivalents amounted to SEK 4,272 million (2,546).

Balance sheet

Amounts in SEK million	30 Sep 2021	30 Sep 2020	31 Dec 2020
ASSETS			
Non-current assets			
Equipment	68	4	4
Shares and participations in subsidiaries	37,636	37,634	37,636
Receivables from subsidiaries	38,972	40,472	40,472
Shares and participations in joint ventures	0	0	0
Deferred tax assets	191	352	368
Derivatives	908	1,356	934
Non-current receivables	721	274	909
Total non-current assets	78,497	80,092	80,323
Current assets			
Receivables from subsidiaries	8,192	4,611	6,469
Receivables from joint ventures	21	130	131
Derivatives	44	6	4
Current receivables	847	884	614
Cash and cash equivalents	4,272	4,085	2,546
Total current assets	13,376	9,716	9,764
TOTAL ASSETS	91,873	89,808	90,087
EQUITY AND LIABILITIES			
Equity	11,762	15,158	12,823
Untaxed reserves	686	486	686
Liabilities			
Interest-bearing liabilities	73,763	67,292	69,317
Derivatives	2,704	4,246	4,364
Non-interest-bearing liabilities	959	1,037	1,144
Liabilities to subsidiaries	1,999	1,589	1,753
Total liabilities	79,425	74,164	76,578
TOTAL EQUITY AND LIABILITIES	91,873	89,808	90,087

Other information

Personnel

The number of employees at the end of the period was 293, unchanged compared with year-end 2020.

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 2020 Annual Report on pages 62–67.

Vasakronan is not subject to the reporting requirement under the Taxonomy Regulation. However, due to stakeholder expectations, we intend to start reporting pursuant to the Taxonomy in the 2021 Annual Report. During the quarter, our partnership continued with other property companies and the Swedish Property Federation on the creation of a shared interpretation and implementation of the Taxonomy. However, some uncertainty remains with regard to how the criteria should be interpreted and how the reporting should be structured.

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 109 of Vasakronan's 2020 Annual Report for the sensitivity analysis.

Related-party transactions

Information pertaining to Vasakronan's related-party transactions is provided in Note 7.4 on page 118 of Vasakronan's 2020 Annual Report.

During the period, a new lease was signed with the First National Pension Fund at Stuten in central Stockholm and the Third National Pension Fund extended its lease at Klara C in Stockholm. Both leases were contracted at market rates.

At the end of the period, the Third Swedish National Pension Fund held bonds issued by Vasakronan to a total value of SEK 640 million, compared with SEK 490 million at year-end 2020.

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 2020 Annual Report, pages 98–118.

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 99 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 23. Page 22 also includes 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, 11 November 2021

Johanna Skogestig,
Chief Executive Officer

For more information about this interim report, please contact:

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Auditor's review report

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

Introduction

We have reviewed the condensed interim report for Vasakronan AB (publ) as at September 30, 2021 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish 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 Financial Statements 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 is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 in accor-

dance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 11 November, 2021

Ernst & Young AB

Katrine Söderberg

Authorised Public Accountant

Key metrics

	Jan–Sep 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020– Sep 2021	Jan–Dec 2020
Property-related information						
Closing occupancy rate, %	91.0	92.6	91.0	92.6	91.0	91.9
Surplus ratio, %	75	74	77	75	75	74
Investments in existing projects, SEK m	3,131	3,655	1,030	1,069	4,790	5,314
Property acquisitions, SEK m	204	7	26	1	378	181
Property divestments, SEK m	-362	-229	0	-229	-362	-229
Net investments, SEK m	2,973	3,433	1,056	841	4,806	5,266
Closing market value of property, SEK m	173,471	158,641	173,471	158,641	173,471	162,420
Closing area, thousand sq. m.	2,333	2,329	2,333	2,329	2,333	2,339
Closing number of properties	170	171	170	171	170	171
Environmental certification of investment portfolio, share of total area, %	92	91	92	91	92	92
Environmental certification, of investment portfolio, share of market value, %	93	93	93	93	93	92
Energy intensity on closing date, kWh/sq. m., rolling 12 month	83	87	83	87	83	83

	Jan–Sep 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020– Sep 2021	Jan–Dec 2020
Financial metrics						
EBITDA margin, %	74	71	73	72	73	71
Interest coverage ratio, multiple	5.0	4.3	5.0	4.5	5.0	4.4
Closing equity/assets ratio, %	42	41	42	41	42	40
Closing loan-to-value ratio, %	40	40	40	40	40	41
Average fixed-interest tenor, years	4.8	5.8	4.8	5.8	4.8	5.6
Average loan-to-maturity ¹⁾ , years	5.1	5.2	5.1	5.2	5.1	5.0
Closing EPRA NRV ²⁾ , SEK m	102,865	94,223	102,865	94,223	102,865	94,656
Closing EPRA NTA ²⁾ , SEK m	95,355	87,526	95,355	87,526	95,355	87,735
Closing EPRA NDV ²⁾ , SEK m	76,162	67,956	76,162	67,956	76,162	69,450
Closing average interest rate, %	1.5	1.7	1.5	1.7	1.5	1.6
Closing net interest-bearing liabilities, SEK m	69,478	63,196	69,478	63,196	69,478	66,759
Cash flow before changes in working capital, SEK m	2,789	2,563	1,023	977	4,308	3,547
Net interest-bearing liabilities/EBITDA ³⁾	-	-	-	-	13.1	13.5
Other						
Closing number of employees	293	297	293	297	293	293

1) Excluding unutilised credit commitments.

2) Last day in the period.

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

Basis for key metrics

	Jan–Sep 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020– Sep 2021	Jan–Dec 2020
1. EPRA NRV, SEK m						
Equity	78,552	71,610	78,552	71,610	78,552	70,869
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908	-1,908	-1,908
Add back derivatives	1,752	2,884	1,752	2,884	2,884	3,426
Add back recognised deferred tax	24,469	21,637	24,469	21,637	21,637	22,269
	102,865	94,223	102,865	94,223	102,865	94,656
2. EPRA NTA, SEK m						
Equity	78,552	71,610	78,552	71,610	78,552	70,869
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908	-1,908	-1,908
Add back other intangible assets	-139	-131	-139	-131	-139	-136
Add back derivatives	1,752	2,884	1,752	2,884	1,752	3,426
Add back recognised deferred tax	24,469	21,637	24,469	21,637	24,469	22,269
Deferred tax at fair value ¹⁾	-7,371	-6,566	-7,371	-6,566	-7,371	-6,785
	95,355	87,526	95,355	87,526	95,355	87,735
3. EPRA NDV, SEK m						
Equity	78,552	71,610	78,552	71,610	78,552	70,869
Add back goodwill attributable to deferred tax	-1,908	-1,908	-1,908	-1,908	-1,908	-1,908
Assessed fair value of interest-bearing liabilities	-482	-1,746	-482	-1,746	-482	489
	76,162	67,956	76,162	67,956	76,162	69,450
4. EBITDA, SEK m						
Operating surplus	4,120	3,876	1,418	1,332	5,433	5,189
Central administration	-104	-89	-32	-28	-133	-118
Cash flow from dividends from joint ventures	182	34	-	-	182	34
Ground rents and land leases	-125	-123	-42	-40	-167	-165
	4,073	3,698	1,344	1,264	5,315	4,940

	Jan–Sep 2021	Jan–Sep 2020	Jul–Sep 2021	Jul–Sep 2020	Oct 2020– Sep 2021	Jan–Dec 2020
5. EBITDA margin, %						
Rental revenue	5,512	5,234	1,852	1,767	7,284	7,006
EBITDA	4,073	3,698	1,344	1,264	5,315	4,940
	74	71	73	72	73	71
6. Interest coverage ratio, multiple						
EBITDA	4,073	3,698	1,344	1,264	5,316	4,940
Net financial items	-807	-855	-269	-283	-1,069	-1,117
	5.0	4.3	5.0	4.5	5.0	4.4
7. Net interest-bearing liabilities, SEK m						
Non-current interest-bearing liabilities	59,620	55,848	59,620	55,848	59,620	55,659
Current interest-bearing liabilities	14,143	11,444	14,143	11,444	14,143	13,658
Cash and cash equivalents	-4,285	-4,096	-4,285	-4,096	-4,285	-2,558
	69,478	63,196	69,478	63,196	69,478	66,759
8. Loan-to-value ratio, %						
Net interest-bearing liabilities	69,478	63,196	69,478	63,196	69,478	66,759
Fair value of investment properties	173,471	158,641	173,471	158,641	173,471	162,420
	40	40	40	40	40	41

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, property investments, financing and central marketing.

Net operating income, SEK m

Rental revenue less operating expenses, repairs and maintenance, property administration and 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.

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.

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 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.

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.

Property divestments, SEK m

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

Property acquisitions, SEK m

Acquisition of investment properties. Intended as an indication of the company's acquisitions 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 of investment properties, %

The total area/market value of investment properties certified pursuant to LEED or BREEAM, divided by the area/market value of the entire investment portfolio as of the balance-sheet date. Development properties are not included in the investment portfolio.

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 notices to vacate were received during the period.

Profit before value changes and tax, SEK m

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

Net interest-bearing liabilities, SEK m

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

Net interest-bearing liabilities/EBITDA, multiple

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

Interest coverage ratio, multiple

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

Equity/assets ratio, %

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

Occupancy rate, %

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

Surplus ratio, %

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

Financial Calendar

REPORTS

Year-end report 2021	3 February 2022
Annual Report 2021	March 2022

ANNUAL GENERAL MEETING

Annual General Meeting	28 April 2022
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Vasakronan in brief

Vasakronan is Sweden's largest property company. The property portfolio comprises 170 properties with a total area of about 2.3 million square metres and a market value of SEK 173 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

Vasakronan