

# Interim Report

## January–September 2022

Q3

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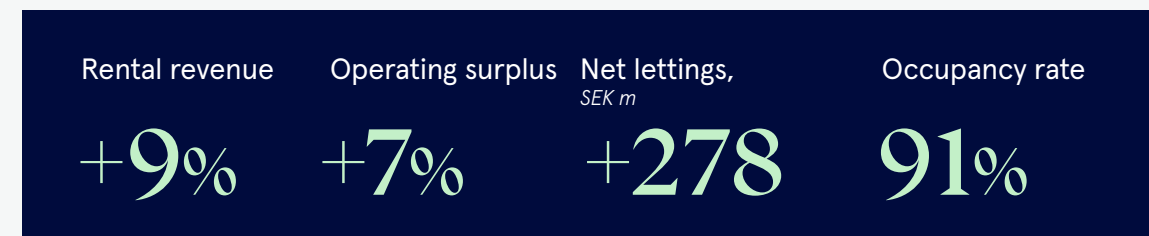
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- > Rental revenue increased 9% (5) to a total of SEK 6,024 million (5,512). In comparable property holdings, the increase in rental revenue was 6% (2).
- > New lettings were contracted corresponding to 124,000 square metres (83,000) and an annual rent of SEK 741 million (374). Net lettings amounted to SEK 278 million (negative: 187) for the period.
- > The price change after renegotiations averaged 6%, compared with 9% last year. Renegotiations were completed in the period corresponding to an annual rent of SEK 802 million (917).
- > The occupancy rate was 90.8% (91.0) at the end of the period. Of total vacancies, 1.2 percentage points (1.7) were attributable to ongoing projects and development properties.
- > Operating surplus increased 7% (6) to a total of SEK 4,411 million (4,120). For comparable property holdings, the increase in operating surplus was 3% (2).
- > The net interest expense amounted to SEK 827 million (expense: 807).
- > Profit before value changes and tax rose 3% (3) to SEK 3,352 million (3,257). Excluding the result from participations in associates and joint ventures, earnings increased 9% (10).
- > The change in the property value amounted to SEK 11,028 million (8,079), corresponding to a 6% (5) increase in value. For the third quarter, the value change was negative 1.1 per cent as a result of raised yield requirements. The property portfolio value at the end of the period amounted to SEK 194,037 million.
- > The value change in financial instruments amounted to SEK 1,715 million (856), which was due to the increase in long-term market interest rates.
- > Profit after tax amounted to SEK 12,786 million (9,678).



Amounts in SEK million	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Oct 2021-Sep 2022	Jan-Dec 2021
Rental revenue	6,024	5,512	2,132	1,852	7,937	7,425
Operating surplus	4,411	4,120	1,512	1,418	5,824	5,533
Profit before value changes and tax	3,352	3,257	1,129	1,082	4,150	4,391
Profit before value changes and tax excluding result from participations in associates and joint ventures	3,381	3,089	1,127	1,077	4,149	4,198
Change in value of investment properties	11,028	8,079	-2,140	2,553	20,757	15,255
Profit after tax	12,786	9,678	-832	3,150	21,199	16,359
Cash flow from operating activities	3,003	2,923	1,270	1,393	4,027	3,947
Market value of properties	194,037	173,471	194,037	173,471	194,037	181,575
Occupancy rate, %	90.8	91.0	90.8	91.0	90.8	91.4
Surplus ratio, %	73	75	71	77	73	75
Interest coverage ratio, multiple	5.2	5.0	4.9	5.0	5.3	5.2
Loan-to-value (LTV) ratio, %	39	40	39	40	39	39
Closing EPRA NRV, SEK m	119,003	102,865	119,003	102,865	119,003	110,515
Closing EPRA NTA, SEK m	109,540	95,355	109,540	95,355	109,540	102,179
Closing EPRA NDV, SEK m	96,425	76,162	96,425	76,162	96,425	83,118
Environmental certification of investment portfolio, share of total area, %	93	92	93	92	93	92
Environmental certification, of investment portfolio, share of market value, %	96	93	96	93	96	94
Energy intensity on closing date, kWh/sq. m., rolling 12 months	77	83	77	83	77	83

# Continued robust net growth despite a changed market

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Market conditions changed clearly over the past six months and in the wake of the war in Ukraine. Inflation, interest rates and energy have taken centre stage. Articles about forecasts of declining consumption, falling housing prices and property companies with rapidly rising financing costs are dominating the media space. As yet, we have not experienced the full consequences of the recession we are entering, but what is clear is that we will be navigating a weaker and more uncertain market for some time to come.

### High net lettings

Events in our operating environment have a broad impact and will affect all of society, including us. The macroeconomic conditions are outside of our control, which is why we focus on what we can actually influence. This means that the needs of our customers, the continued development of our projects and areas, and the operation of our buildings are our top priority.

Dedicated employees and active management mean we continue to report strong earnings with an increased operating surplus, both in total and in comparable property holdings. We are maintaining a high pace of new lettings and demand is greatest for high quality premises in prime locations. We are well placed to meet this demand, a fact that is reflected in net lettings, which now amounted to SEK 278 million for the period. This represents a historic high.

Sharply rising inflation and general price increases are affecting our property expenses, which are increasing more than normal, but this is being well compensated for by increased

rental revenue. The above, in combination with several fully let projects that entered property management during the year, provides us with resilience. Overall, the cash flow outlook remains robust in future years.

### Central locations increasingly in demand

Debate is still ongoing in many companies about the balance between employees working from the office and from home. The overall picture is that most people view the office as important to the business and a tool for retaining and attracting talent. A parallel insight that has arisen is that offices have a more critical role as a meeting place, which entails more stringent demands in terms of the right context and location. As a consequence, we are increasingly noting that companies who have traditionally chosen to be located outside the city centre are now re-evaluating and seeking central locations and more flexible solutions. This is an exciting development that we welcome and are well prepared to meet.

Footfall in our retail streets is back to pre-pandemic levels and, as yet, we have not noted any decline in visitor flows in our city centres. At the same time, I respect the consequences that reduced consumption will have for some of our street level tenants. Current market events will impact already vulnerable sectors such as retail and other services. For these reasons, it is more important than ever that we continue to shoulder our role as urban developers and focus on the bigger picture in our areas to be able to maintain the attraction of our neighbourhoods and city centres.



“We are maintaining a high pace of new lettings and demand is greatest for high quality premises in prime locations.”

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**Continued potential for projects**

Demand for newly built premises remains high in our markets, and there is a substantial differential in willingness to pay between good and bad offices. As a result, despite recent rises in construction costs, we have identified continued profitable potential in our project opportunities. The strategy for the continued development of our neighbourhoods therefore remains in place but with raised requirements in terms of higher occupancy rates prior to construction starts than previously.

During the year, we completed and inaugurated a number of project developments, including Magasin X in central Uppsala. Södra City, one of our major urban development projects, is located in the adjacent block. During the quarter, construction started at the Lumi property, which comprises 15,000 square metres of offices and laboratories and is the first phase in the area. With two good lettings to Gyros Protein Technologies and Försäkringskassan (the Swedish Social Insurance Agency), Lumi has an occupancy rate of 70%.

During the quarter, we also let all the offices, 6,000 square metres, in the Hästskon 9 project development at the junction of Hamngatan/Regeringsgatan in Stockholm city. This means that we are starting the upgrade of the last phase of our Sergelhusen block bordering Hamngatan.

**Sustainable operations**

Everyone is talking about energy right now. We have been investing widely in this area for a long time, which has paid off in many ways. Current electricity prices mean the incentive is

greater than ever and we are therefore continuing our energy efficiency efforts with full force. Moreover, our systematic approach to energy savings is rewarded by the Global Real Estate Sustainability Benchmark (GRESB) and contributes to Vasakronan once again being recognised as one of the world's most sustainable property companies.

To create even better preconditions for the company to leverage new business and development opportunities in the long term, we have changed the company's organisational structure. The change entails coordinating the resources and skills within three units: Technology, Customers and Market, and Investments and Projects. I envisage improved opportunities through the formation of the new organisation to respond more quickly to market changes and to customers' increasing demand for long-term sustainable products, services and neighbourhoods.

**Continued access to financing**

Rising interest rates and a volatile market dominated the last quarter. The investor community has become more selective and bond market activity has largely been confined to companies with high credit ratings, such as Vasakronan. While borrowing costs are rising, our access to funding remains healthy, both in the bank and bond markets. In September, we issued SEK 1.7 billion in green bonds with a maturity of 5 years and a credit margin of 1.45%. Furthermore, the issue was oversubscribed and encompassed some 20 investors. I view this as a sign of strength and testament to the capital market's confidence in us as a company.

Inflation will continue to drive up interest rates for a while longer, thus affecting our funding costs, but with little near-term loan maturity and long fixed-interest rates, our position is stable.

**Long-term value creation**

There is considerable market uncertainty and every reason to be humble given the expected turmoil for some time to come. Someone has said it will get worse before it gets better and that may well be the case. However, our offering is very strong and comprises excellent properties in absolute prime locations, a robust capital structure and an organisation with a level of professionalism and commitment that makes me extremely proud. Altogether, this means we are well-positioned to continue developing our operations and leveraging the new business opportunities that often arise in more challenging times. This is how we create long-term value for our stakeholders. Not least our owners and, by extension, Sweden's pensioners.

Stockholm 28 October 2022

**Johanna Skogestig,**  
*Chief Executive Officer*

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## New lettings and renegotiations

During the quarter, new lettings corresponding to 35,000 square metres (24,000) and annual rent of SEK 222 million (114) were signed.

At Hästskon 9 in central Stockholm, the leading strategy and management consultant McKinsey has signed a seven-year lease for nearly 6,000 square metres. Hästskon 9 is currently undergoing a comprehensive upgrade and is expected to be ready for occupancy in the end of 2024. With the agreement with McKinsey, the property's office space is fully let.

At the Lumi project development in Södra City, Uppsala, a six-year agreement for 4,200 square metres was signed with Gyros Protein Technologies. An agreement was previously signed with Försäkringskassan (the Swedish Social Insurance Agency) for 6,700 square metres at the same property. Lumi is the first phase in the development of the Hugin neighbourhood and will be completed by the end of 2024. With these agreements, the property has reached an occupancy rate of just over 70% at the start of construction.

Vasakronan signed a ten-year lease with the NTI Gymnasiet for 2,500 square metres at the Kronhusgatan property in Gothenburg. The tenant had already leased 2,300 square metres in the same property. The expansion means that from autumn 2024, the school will operate in the entire property.

During the quarter, Scania signed a one-year agreement for just over 1,000 square metres in the Smart & Klart concept at Sergelhusen in Stockholm. The office in Stockholm will be an opportunity for Scania employees to meet physically at offices outside the head office in Södertälje.

Notice to vacate was received during the quarter corresponding to annual rent of SEK 135 million (92), whereby net lettings amounted to a SEK 86 million (20).

Renegotiations were also completed in the quarter corresponding to 60,000 square metres (75,000) and an annual rent of SEK 200 million (285). The result of renegotiation for the third quarter amounted to 5% (5). At the Nöten 3 property in Stockholm, the Swedish Radiation Safety Authority has extended its lease of 9,500 square metres for five and a half years and, at Svea Artilleri 14 in Stockholm, the consulting firm Aon has signed a five-year extension of its lease for approximately 2,000 square metres.

## Property portfolio

During the quarter, Vasakronan divested the Kurland 11 property in central Stockholm to Gillesvik for a purchase price of SEK 155 million. The property comprises office space of 2,400 square metres but will be converted to housing following the sale. The property portfolio has been valued internally as of 20 September. The net change in value for the quarter amounted to a decrease of 1.1% (increase: 1.5). The property values decreased due to increased yield requirements declared due to the uncertain market conditions and rising market interest rates. The decline in value was mitigated by an inflation-driven increase in operating surplus.

## Great deal of interest in Vasakronan's bonds

To finance maturing loans, Vasakronan issued two public bonds during the quarter totalling SEK 1.7 billion. These bonds attracted a great deal of investor interest. During the quarter, bonds totalling SEK 851 million that mature in 2022 and 2023 were repurchased early, under favourable terms. As a result of

the long-term borrowing, the average loan-to-maturity increased from 5.5 to 5.6 years.

Interest rate hikes from Sweden's central bank (Riksbanken) mean that the average interest rate for loans and derivatives during the quarter increased from 1.5% to 2.0% at the end of the period. At the same time, interest rate sensitivity decreased as the share with fixed-interest maturity within 12 months decreased from 47% to 39% of total interest-bearing liabilities. This has been carried out through restructuring interest-rate derivatives. The average fixed-interest tenor remained unchanged at four years.

## Focus on work environment

The work environment at construction sites is an important sustainability topic for Vasakronan. To focus on this, Vasakronan participated in Håll Nollan's safety push during the quarter, which was a demonstration for an accident-free construction industry held in September. The demonstration entailed a short production stop on Vasakronan's construction projects to discuss safety issues. Vasakronan is one of the initiators of the Håll Nollan association.

## Third quarter results

	Q3 2022	Q3 2021
Rental revenue, SEK m	2,132	1,852
Operating surplus, SEK m	1,512	1,418
Profit before value changes and tax, SEK m	1,129	1,082
Change in value of investment properties, SEK m	-2,140	2,553
Change in value of investment properties, %	-1.1	1.5
Change in value of financial instruments, SEK m	-48	332
Profit after tax, SEK m	-832	3,150
Cash flow from operating activities, SEK m	1,270	1,393

# The market during the third quarter

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## Slowing economy

High energy prices continue to drive up prices for a variety of goods and services, and thereby inflation. This trend is hitting the European and Swedish economies hard. The improvement in the first half of 2022 is now slowing and the National Institute of Economic Research (NIER) predicts that Sweden will enter a recession next year. Higher prices for electricity, food and interest rates make it likely that households will decrease their consumption in the future. The scope and duration of the recession is currently hard to predict, since it depends on the political measures taken and on developments in the operating environment.

Despite the uncertain conditions, the labour market remains strong with several sectors experiencing labour shortages. The service sector, in particular, is continuing to hire. However, the economic slowdown is expected to affect the labour market, with lower demand for labour as a result.

## A cycle of interest rate hikes introduced by the Riksbank

Earlier this year, the Riksbank raised the key interest rate over zero percent for the first time since 2014 and, in September, raised the interest rate for the third time this year to 1.75%. More interest rate hikes are expected in the future. However, considerable uncertainty prevails over how large the hikes will be and how long the key interest rate will remain at a higher level. How the economy performs and how long inflation remains at today's record-high levels will be decisive both for short- and for long-term market interest rates.

Capital market activity has been somewhat higher than the previous quarter, with increased volumes issued by companies with better credit ratings. Among property companies, it was

primarily companies with links to state ownership that issued bonds during the quarter. They are deemed to have good access to capital.

## Increased flows in city centres

People returned to the city centres and physical retail grew after the pandemic. This was also confirmed by Vasakronan's own city retail index. To some extent, the increase in physical retail has been at the expense of online shopping, which is declining according to the E-Barometer. Vasakronan's city retail index primarily noted a strong performance for restaurants and clothing retailers. However, decreased discretionary consumption is expected to lead to decreased growth, primarily for industries that had more stable sales during the pandemic, such as furniture and electronics.

## Lettings market remains positive

Demand remains healthy for modern office premises in central locations in all areas where Vasakronan owns property and rent levels are stable. Demand has even increased from new customer groups that did not previously have offices close to city centres, which is one way they are encouraging employees to return to the office.

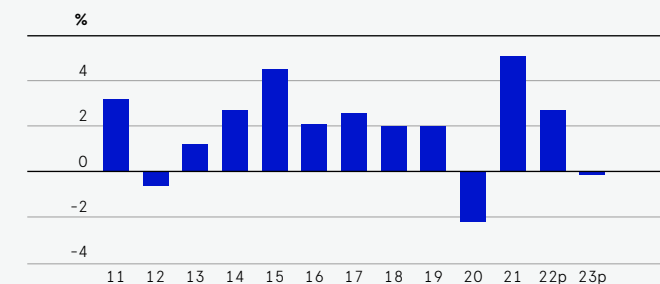
## Cautious transaction market

High transaction volumes marked the start of the year. The market has since turned somewhat more cautious, but transaction volumes for the year remain high from a historical perspective. The total transaction volume for the first nine months of the year thus amounted to SEK 146 billion, compared with SEK 231 billion in the corresponding period last year, when several major transactions were carried out. Residential and industrial properties were the largest segments in terms of

transaction volume and 36% of the transaction volume was in Stockholm.

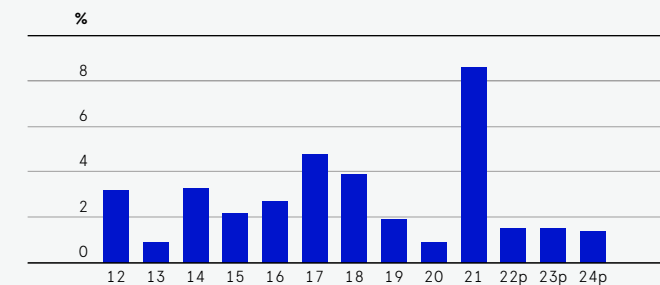
Yield requirements in completed transactions remain at historic lows, even if the assessment is that they will increase in the future as a result of rising interest rates.

## GDP growth



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

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Amounts in SEK million	Jan–Sep 2022	Jan–Sep 2021	Jul–Sep 2022	Jul–Sep 2021	Oct 2021– Sep 2022	Jan–Dec 2021
Rental revenue	6,024	5,512	2,132	1,852	7,937	7,425
Operating expenses	-630	-560	-215	-173	-830	-760
Repairs and maintenance	-83	-72	-29	-21	-111	-100
Property administration	-268	-261	-78	-72	-371	-364
Property tax	-632	-499	-298	-168	-801	-668
<b>Total property expenses</b>	<b>-1,613</b>	<b>-1,392</b>	<b>-620</b>	<b>-434</b>	<b>-2,113</b>	<b>-1,892</b>
<b>Operating surplus</b>	<b>4,411</b>	<b>4,120</b>	<b>1,512</b>	<b>1,418</b>	<b>5,824</b>	<b>5,533</b>
Central administration	-83	-104	-26	-32	-135	-124
Result from participations in associates and joint ventures	-29	168	2	5	1	193
Financial income	10	3	8	1	12	4
Financial expenses	-837	-810	-327	-270	-1,352	-1,055
Interest expense lease liability; ground rents and land leases	-120	-120	-40	-40	-200	-160
<b>Profit before value changes and tax</b>	<b>3,352</b>	<b>3,257</b>	<b>1,129</b>	<b>1,082</b>	<b>4,150</b>	<b>4,391</b>
Change in value of investment properties	11,028	8,079	-2,140	2,553	20,757	15,255
Depreciation of right-of-use assets	-5	-5	-2	-2	-9	-7
Change in value of financial instruments	1,715	856	-48	332	2,129	938
Impairment of goodwill	-2	-	-2	-	-7	-5
<b>Profit before tax</b>	<b>16,088</b>	<b>12,187</b>	<b>-1,063</b>	<b>3,965</b>	<b>27,020</b>	<b>20,572</b>
Current tax	-294	-309	-106	-99	-307	-223
Deferred tax	-3,008	-2,200	337	-716	-5,514	-3,990
<b>Profit for the period</b>	<b>12,786</b>	<b>9,678</b>	<b>-832</b>	<b>3,150</b>	<b>21,199</b>	<b>16,359</b>
Of which, attributable to non-controlling interests	-3	-5	-1	-2	-6	-6
<b>Of which, attributable to the Parent Company shareholders</b>	<b>12,789</b>	<b>9,683</b>	<b>-831</b>	<b>3,152</b>	<b>21,205</b>	<b>16,365</b>

Amounts in SEK million	Jan–Sep 2022	Jan–Sep 2021	Jul–Sep 2022	Jul–Sep 2021	Oct 2021– Sep 2022	Jan–Dec 2021
<b>Other comprehensive income<sup>1)</sup></b>						
<i>Items that may not be reclassified<sup>2)</sup></i>						
Pensions, revaluation	-	-	-	-	73	73
Restriction for surplus in pension plan with asset cap	-	-	-	-	-2	-2
Income tax on pensions	-	-	-	-	-15	-15
<b>Other comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>56</b>
<b>Total comprehensive income for the period<sup>1)</sup></b>	<b>12,789</b>	<b>9,683</b>	<b>-831</b>	<b>3,152</b>	<b>21,261</b>	<b>16,421</b>
<b>Key metrics</b>						
Surplus ratio, %	73	75	71	77	73	75
Interest coverage ratio, multiple	5.2	5.0	4.9	5.7	5.3	5.2

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.

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*Comments on the consolidated income statement*

**Rental revenue**

Rental revenue for the period increased 9% (5) to SEK 6,024 million (5,512). For comparable property holdings, the increase in rental revenue was 6% (2). The increase is primarily due to increased onward invoicing of property tax and electricity as well as of indexation. Most of Vasakronan’s leases include indexation clauses, primarily with quarterly settlement. The indexation largely follows the consumer price index. The increase in revenue during the period was offset by increased loss of revenue due to increased vacancies.

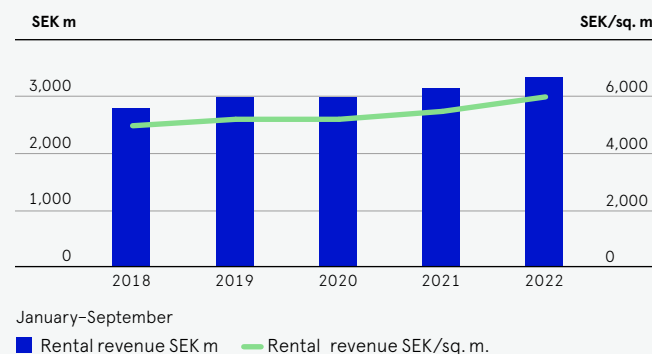
New lettings corresponding to 124,000 square metres (83,000) and an annual rent of SEK 741 million (374) were contracted in the first nine months, of which 20% (21) of the annual rents impact on revenue in 2022. Of the new lettings for the period, SEK 279 million (80) pertained to project developments.

Notices to vacate were received during the period corresponding to annual rent of SEK 463 million (561) and net lettings amounted to SEK 278 million (negative: 187).

Lettings corresponding to 221,000 square metres (262,000) and an annual rent of SEK 802 million (917) were renegotiated during the period. These resulted in an increase on the previous rent payable of 6% (9). The result of renegotiations for the period for office leases amounted to 7% (12) and for retail the result was 1% (-4).

Of all the contracts that have been the subject of renegotiation in the past twelve months, including those that have moved within the portfolio, almost 71% (74) have chosen to remain a tenant of Vasakronan.

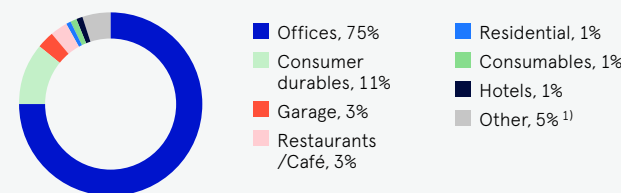
**Rising rental revenue**



January–September

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

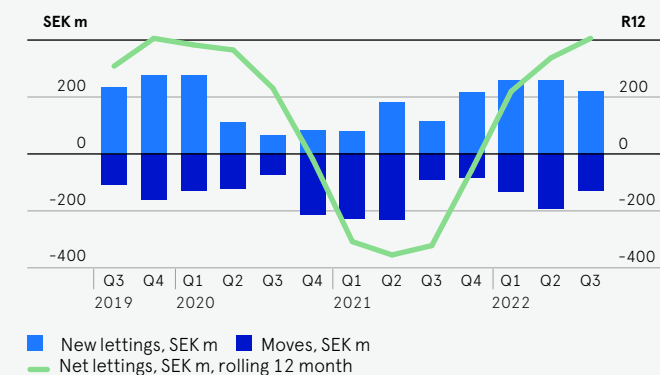
**Predominantly office tenants**



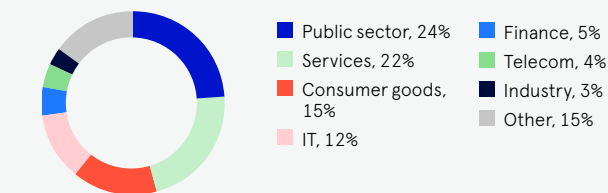
Breakdown by sector, share of contracted rent.

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

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Contracted rent at the end of the period amounted to SEK 8,370 million (7,576), of which 24% pertained to the public sector. The average remaining maturity for the entire lease portfolio was 3.8 years (3.7). For leases to the public sector, the maturity is 6.0 years (6.4).

The occupancy rate at the end of the period was 90.8%, compared with 91.0 at the end of the year-earlier period. Compared with the previous quarter, the occupancy rate decreased by a net 0.8 percentage points. The change was primarily due to two major planned move-outs. Of total vacancies at the end of the period, 1.2 percentage points (1.7) were attributable to vacancies in ongoing project developments and development properties.

**Property expenses**

Property expenses amounted to SEK 1,613 million (expense: 1,392) for the period. In comparable property holdings, the increase in property expenses was 14% (0). The increase was mainly due to increased property tax and higher electricity costs compared with the corresponding period last year. Excluding property tax, costs rose 10%.

**Operating surplus and yield**

Operating surplus for the period increased 7% (6) to SEK 4,411 million (4,120). For comparable property holdings, the increase in operating surplus was 3% (2). The surplus ratio was 73% (75).

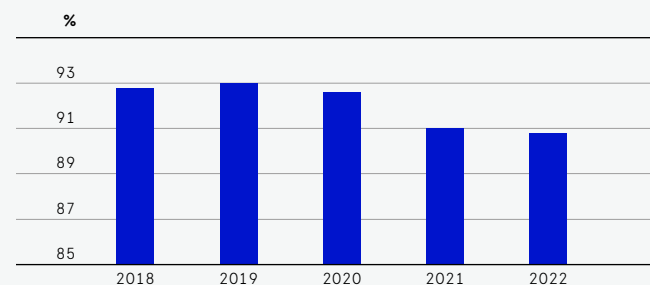
The rolling 12-month yield amounted to 3.3% (3.4) for the total property portfolio and 3.6% (3.7) for investment properties. The yield has been calculated as the operating surplus with the add back of ground rents in relation to the market value of the properties.

**Widely distributed over many tenants**

	Share in %
Ericsson	3
Swedish Police Authority	3
Swedish Prison and Probation Service	2
The Swedish Tax Agency	2
H&M	2
King	2
Försäkringskassan (Social Insurance Agency)	2
EY	1
Scandic Hotels	1
Swedish National Courts Administration	1
<b>Total</b>	<b>19</b>

Largest tenants, share of contracted rent.

**Lower occupancy rate**



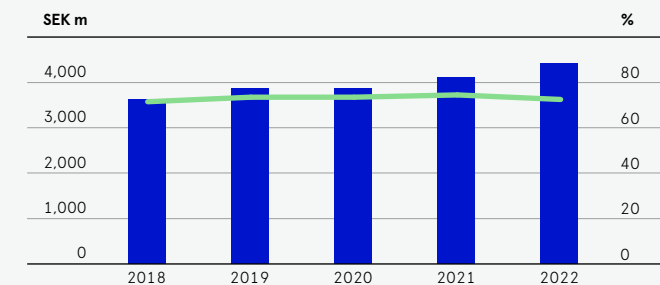
On 30 September.

**Even distribution of rents to maturity**

	No. of contracts	Annual rent, SEK m	% of total
2022	285	206	3
2023	1,065	1,118	13
2024	809	1,322	16
≥2025	1,914	5,377	64
<b>Total</b>	<b>4,073</b>	<b>8,023</b>	<b>96</b>
Residential	1,169	111	1
Garage	-	236	3
<b>Total</b>	<b>5,242</b>	<b>8,370</b>	<b>100</b>

Maturity structure for contracted rent.

**Improved operating surplus**



On 30 September.

■ Operating surplus, SEK m — Surplus ratio, %



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**Administration**

Property administration costs for the year were SEK 268 million (cost: 261). Central administration costs decreased to SEK 83 million (cost: 104), primarily due to lower development costs compared with the year-earlier period.

**Net financial items**

Net financial items for the period declined to an expense of SEK 827 million (expense: 807), primarily due to increased interest-bearing liabilities during the period. The average interest rate for loans and derivatives amounted to 2.0% (1.5) at the end of the period.

The LTM interest coverage ratio amounted to a multiple of 5.3 (5.0). The policy for the interest coverage ratio does not permit it falling below a multiple of 2.0 over a rolling 12-month period.

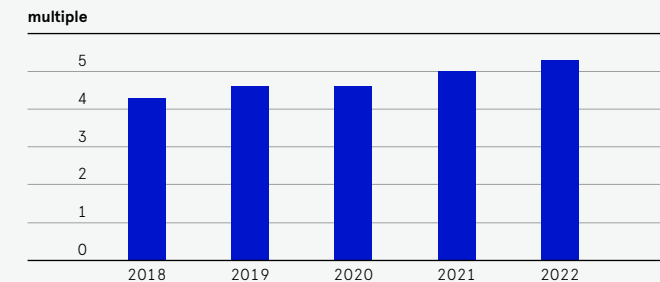
**Profit before value changes and tax**

Profit before value changes and tax rose to SEK 3,352 million (3,257). Excluding the result from participations in associates and joint ventures, earnings amounted to SEK 3,381 million (3,089), up 9% (10). The change was attributable to the increased operating surplus.

**Financial risks**

	Financial policy in brief	Outcome, 30 Sep 2022
<b>Financing risk</b>		
Loan-to-maturity, excluding unutilised credit commitments	min. 2 years	5.2 years
Loan-to-maturity	–	5.6 years
Loans maturing, 12 months	max. 40%	18%
Credit commitments and cash/loans maturing 12 months	min. 100%	155%
<b>Interest-rate risk</b>		
Interest coverage ratio	min. 2.0x (LTM)	5.3x
Fixed-interest period	min. 2 years	4.0 years
Fixed-interest maturity within 12 months	max. 55%	39%
<b>Credit risk</b>		
Counterpart’s rating	min. A-, or BBB+ with CSAs	met
<b>Currency risk</b>		
Currency exposure	No exposure	met

**High interest coverage ratio**



On 30 June, rolling 12-month period

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**Change in value of investment properties**

On 30 September 2022, the entire property portfolio had been valued internally. The net change in value for the quarter amounted to -1.1% (1.5). Property values have been lowered due to the increase in assessed yield requirements due to the uncertain market situation and rising market interest rates. The decline in value was mitigated by an inflation-driven increase in operating surplus. Altogether, the change in value for the period amounted to SEK 11,028 million (8,079), up 6% (5).

The change in value for the investment portfolio amounted to SEK 8,657 million (6,454) for the period, corresponding to an increase in value of 5.5% (4.8). The percentage increase in value was greatest for office properties in Stockholm's CBD and Central Stockholm.

The change in value for the project developments and development properties amounted to SEK 2,426 million (1,716), up 9.8% (6.5). The value increase was due to reduced completion risk and improved occupancy rates.

The average yield requirement used for valuation of the property portfolio was 3.82%, compared with 3.87% for corresponding properties at the end of 2021.

**Change in value of financial instruments**

The value change in derivatives increased in value to SEK 1,715 million (856), which was mainly due to the substantial increase in long-term market interest rates during the period.

Derivatives are used to adjust interest-rate risk in the loan portfolio and to hedge borrowings in foreign currencies. At the end of the period, the derivative portfolio amounted to SEK 85,051 million compared with SEK 75,474 million at year end, of which SEK 56,835 million (49,580) comprised interest-rate swaps and SEK 28,216 million (25,894) cross-currency basis swaps.

**Tax**

The Group reported a total tax expense of SEK 3,302 million (expense: 2,509). Of the tax expense, SEK 294 million (expense: 309) was current tax expense and SEK 3,008 million (expense: 2,200) was deferred tax expense resulting from temporary differences attributable to investment properties and financial instruments.

The effective tax rate for the period amounted to 20.5% (20.6).

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

**Factors impacting value**

	Value impact, %
Yield requirement	1.45
Market rents	3.25
Vacancies and other valuation parameters, e.g., changed cost and investment assumptions	1.41
<b>Total</b>	<b>6.11</b>

**Change in value by region**

	Change in value, %	Contribution to change in value, percentage points
Stockholm	7.90	5.36
Gothenburg	3.26	0.60
Uppsala	1.46	0.09
Malmö	0.75	0.06
<b>Total</b>		<b>6.11</b>

**Change in value, by category**

	Change in value, %	Contribution to change in value, percentage points
Investment properties	5.52	4.77
Project developments and development properties	9.82	1.34
Transactions	–	–
<b>Total</b>		<b>6.11</b>

# Consolidated balance sheet

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Amounts in SEK million	30 Sep 2022	30 Sep 2021	30 Jun 2022	30 Jun 2021	31 Dec 2021
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	2,017	2,047	2,018	2,047	2,044
<b>Property, plant and equipment (PPE)</b>					
Investment properties	194,037	173,471	195,809	169,863	181,575
Right-of-use assets, leaseholds and land leases	5,152	5,159	5,154	5,160	5,157
Equipment	102	104	104	108	102
	<b>199,291</b>	<b>178,734</b>	<b>201,067</b>	<b>175,131</b>	<b>186,834</b>
<b>Financial assets</b>					
Participations in associates and joint ventures	833	896	958	891	971
Receivables from joint ventures	20	–	20	–	20
Derivatives	6,339	908	5,457	820	1,062
Other non-current receivables	1,823	727	1,656	891	231
<b>Total financial assets</b>	<b>9,015</b>	<b>2,531</b>	<b>8,061</b>	<b>2,602</b>	<b>2,284</b>
<b>Total non-current assets</b>	<b>210,323</b>	<b>183,312</b>	<b>211,146</b>	<b>179,780</b>	<b>191,162</b>
<b>Current assets</b>					
Accounts receivable	35	69	42	69	45
Receivables from joint ventures	1	21	1	131	1
Current tax assets	–	–	10	–	79
Derivatives	384	44	267	17	78
Other current receivables, prepaid expenses and accrued income	1,383	1,024	1,286	1,444	1,308
Cash and cash equivalents	3,867	4,285	4,025	3,389	3,521
<b>Total current assets</b>	<b>5,670</b>	<b>5,443</b>	<b>5,631</b>	<b>5,050</b>	<b>5,032</b>
<b>TOTAL ASSETS</b>	<b>215,993</b>	<b>188,755</b>	<b>216,777</b>	<b>184,830</b>	<b>196,194</b>

Amounts in SEK million	30 Sep 2022	30 Sep 2021	30 Jun 2022	30 Jun 2021	31 Dec 2021
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>94,064</b>	<b>78,552</b>	<b>94,896</b>	<b>75,401</b>	<b>85,290</b>
<b>Non-current liabilities</b>					
Interest-bearing liabilities	64,578	59,620	64,676	59,001	59,342
Lease liability, leaseholds and land leases	5,153	5,160	5,155	5,161	5,158
Deferred tax liability	29,281	24,469	29,618	23,752	26,273
Derivatives	4,236	2,631	3,835	3,083	1,957
Other non-current liabilities	111	57	89	58	69
Provision for pensions	44	124	45	122	45
<b>Total non-current liabilities</b>	<b>103,403</b>	<b>92,061</b>	<b>103,418</b>	<b>91,177</b>	<b>92,844</b>
<b>Current liabilities</b>					
Interest-bearing liabilities	14,098	14,143	14,953	14,699	14,496
Accounts payable	27	9	47	17	57
Liabilities joint ventures	23	26	23	26	22
Current tax liabilities	35	129	–	89	–
Derivatives	46	73	25	113	38
Other current liabilities, accrued expenses and deferred income	4,297	3,762	3,415	3,308	3,447
<b>Total current liabilities</b>	<b>18,526</b>	<b>18,142</b>	<b>18,463</b>	<b>18,252</b>	<b>18,060</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>215,993</b>	<b>188,755</b>	<b>216,777</b>	<b>184,830</b>	<b>196,194</b>

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**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. As of 30 September 2022, goodwill was SEK 1,901 million, compared with SEK 1,903 million at year-end 2021.

The remaining portion of intangible assets comprised the value of the Vasakronan brand and technical platforms in the subsidiary Idun, which amounted to SEK 100 million (100) and SEK 16 million (41), respectively. The decrease following the year end was due to the sale of the subsidiary Tmpl Work.

**Investment properties**

As of 30 September 2022, Vasakronan's entire property portfolio had been valued internally. The assessed market value of the property portfolio was SEK 194,037 million at the end of the period, compared with SEK 181,575 million at the end of 2021. The change in value during the period amounted to an increase of SEK 11,028 million (8,079), corresponding to an increase in value of 6.1% (5.0). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 11.8 billion/positive SEK 13.5 billion on the value of the current property portfolio.

The internal valuation was conducted based on the most recent 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 109–110 of Vasakronan's 2021 Annual Report.

During the quarter, Vasakronan divested the Kurland 11 property in central Stockholm to Gillesvik for a purchase price of SEK 155 million. The property currently comprises office space of 2,400 square metres but will be converted to housing following the sale. After the end of the period, the company also divested the Diktaren property in Solna. The underlying property value in the divestment amounted to SEK 410 million. The property comprises just over 6,400 square metres and, since 2021, is fully let to Internationella Engelska Skolan for a term of 15 years.

**Change in property values**

SEK m	2022	2021
<b>Opening value, 1 January</b>	181,575	162,420
Investments	1,583	3,131
Acquisitions	0	204
Sales	-150	-362
Change in value	11,028	8,079
<b>Closing value, 30 September</b>	<b>194,037</b>	<b>173,471</b>

**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 96% (94) of our investment portfolio based on its market value was environmentally certified, of which 94 percentage points (82) were rated according to LEED Gold or higher. During the spring, a number of properties underwent recertification, which resulted in higher classifications due to the effect of the energy saving measures implemented at the properties.

**Right-of-use assets, leaseholds and land leases**

On 30 September 2022, right-of-use agreements totalled SEK 5,152 million, compared with SEK 5,157 million at the year end.

The right-of-use agreements primarily pertain to ground rent agreements. The company has a total of 13 ground rent agreements, of which 11 pertain to properties in Stockholm. 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%.

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**Property projects**

At the end of the period, the total investment volume of ongoing property projects amounted to SEK 6,360 million (10,134), of which SEK 3,755 million (7,932) had been capitalised. The occupancy rate for major projects was 74% at the end of the period compared with 83% at the end of last year. The changes in investment volume and occupancy rate were primarily attributable to the completion of the properties Platinan in Gothenburg, Kronan in Sundbyberg and Magasin X in Uppsala with a total investment volume of SEK 4,800 million.

During the quarter, redevelopment of Kronhusgatan was started. The property encompasses 4,300 square metres, of which 2,300 square metres are utilised by the tenant NTI Gymnasiet as a school with a co-working space operated in the remaining 2,000 square metres. Work has now commenced with converting the latter into school premises for which a ten-year lease was signed with NTI Gymnasiet during the quarter. This means that the development property is now fully let to NTI Gymnasiet.

In total, contracts have been signed in major ongoing projects equivalent to SEK 340 million in annual rent. The total contracted annual rent for these projects when fully let amounts to SEK 500 million.

**Shares and participations in associates and joint ventures**

The value of holdings in the form of shares and participations in joint ventures amounted to SEK 833 million (971) at the end of the period. The change in the holdings was attributable to dividends distributed during the year.

**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, % <sup>1)</sup>	Estimated completion date	LEED environmental certification <sup>3)</sup>
Stockholm	Sergelgatan	1,925	1,673	87%	15,500	N/A	N/A <sup>2)</sup>	Mar 2023	Gold
Stockholm	Nattugglan, block 2	800	750	94%	15,000	Q2 2022	100	Jun 2022	Platinum
Uppsala	Lumi	740	117	16%	15,000	Q4 2024	73	Dec 2024	Platinum
Stockholm	Sperlingens Backe 47	610	116	19%	8,500	Q4 2023	91	Jan 2024	Platinum
Stockholm	Hästskon 9	570	20	4%	9,100	Q4 2024	63	Dec 2024	Platinum
Stockholm	Hötorgshus 2	460	305	66%	8,000	Q3 2022	6	Apr 2023	Gold
Stockholm	Sperlingens Backe 45	370	308	83%	3,900	N/A	76	Dec 2022	Gold
Gothenburg	Kronhusgatan	90	1	1%	2,540	Q3 2024	100	Jul 2024	Gold
<b>Total major property projects</b>		<b>5,565</b>	<b>3,290</b>	<b>59%</b>			<b>74</b>		
Other projects		795	465						
<b>Total</b>		<b>6,360</b>	<b>3,755</b>						

1) Calculated based on area.

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

3) Forecast at completion.

**Deferred tax**

On 30 September 2022, the deferred tax liability was SEK 29,281 million, compared with SEK 26,273 million at year-end 2021.

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.

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**Financing**

Since 2018, Vasakronan has held a rating of A3 with a stable outlook from Moody's. 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.

Vasakronan's strong credit rating not only provides Vasakronan with access to longer tenors – it also makes financing accessible in the majority of markets. In total during the period, Vasakronan raised borrowings of SEK 11.4 billion (11.9), of which SEK 7.1 billion (11.9) comprised bonds issued to investors in the Nordic region, Central Europe and Asia. Vasakronan has bonds denominated in eight currencies and 35% (35) of the total liability at the end of the period consisted of borrowing in currencies other than SEK. Borrowing in foreign currencies is fully hedged through cross-currency basis swaps, which eliminates currency risk.

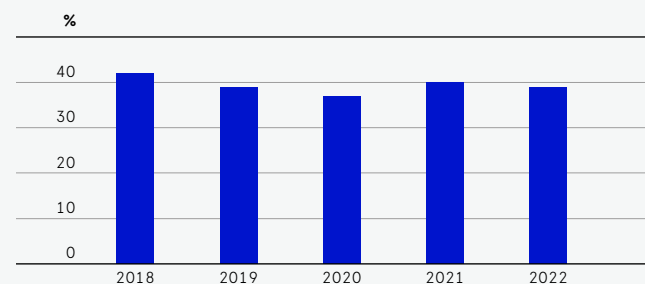
During the period, bank financing of SEK 4.3 billion (–) was raised, of which SEK 2.3 billion (–) comprised secured bank loans. Total secured bank loans amounted to 5% (4) of the company's total assets at the end of the period.

At the end of the period, interest-bearing liabilities net of cash and cash equivalents amounted to SEK 74,809 million, compared with SEK 70,317 million at year end. The loan-to-value ratio was thus 39%, which was on a par with year-end 2021. Fixed-interest maturity within 12 months declined in the period to 39%

(43) of interest-bearing liabilities and the average fixed-interest tenor amounted to 4.0 years (4.6) at the end of the period.

The increase in market interest rates have resulted in the average interest rate for loans and derivatives increasing to 2.0% at the end of the period, compared with 1.3% at year-end 2021.

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, the credit facility was unutilised during the period. Cash and cash equivalents of SEK 3,867 million (3,521) and the unutilised credit facility from the owners together correspond to 155% (162) of loans maturing over the next 12 months. The average loan-to-maturity, including the above credit facilities, had increased to 5.6 years (5.5) at the end of the period.

**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	30,624	39	14,098	18
1–2 years	2,041	3	11,578	15
2–3 years	3,494	4	8,331	11
3–4 years	2,448	3	5,010	6
4–5 years	6,751	9	9,912	13
5–6 years	10,700	14	2,281	3
6–7 years	10,800	14	5,067	6
7–8 years	2,300	3	4,706	6
8–9 years	5,700	7	3,858	5
9–10 years	600	1	2,733	3
10 years or more	3,218	4	11,102	14
<b>Total</b>	<b>78,676</b>	<b>100</b>	<b>78,676</b>	<b>100</b>

**Breakdown of funding sources**

SEK m	Carrying amount, SEK m	Share, %
Commercial paper	6,825	9
Bonds, SEK	26,960	34
Bonds, NOK	12,923	16
Bonds, Other currencies	14,750	19
NSV (Namensschuldverschreibung), EUR	543	1
Secured bank loans	10,143	13
NIB and EIB	6,532	8
<b>Total</b>	<b>78,676</b>	<b>100</b>

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**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 increased to SEK 45,318 million (43,317).

In 2018, Vasakronan issued the world’s first green commercial paper. At the end of the period, the volume outstanding of green commercial paper increased to SEK 6,345 million (4,280). The volume outstanding of green loans with the Nordic Investment Bank and the European Investment Bank totalled SEK 6,532 million (4,940) at the end of the period, and green secured bank loans amounted to SEK 4,037 million (1,760).

All new financing during the period was green and the share of green financing, consisting of green bonds, green commercial paper, green Namensschuldverschreibung (NSVs) (Eng: registered bond) and green bank loans, increased to 82% (74) 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 173–180 of Vasakronan’s 2021 Annual Report.

**Green financing under the framework**

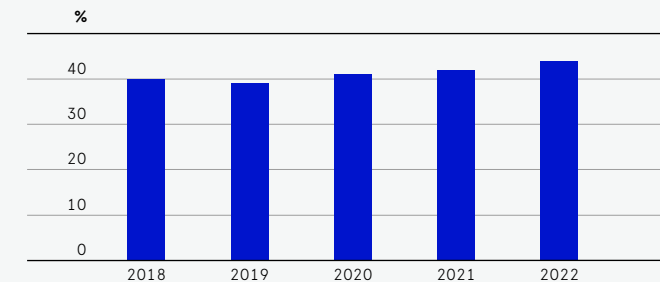
	Amounts in SEK million
Green commercial paper	6,345
Green bonds, SEK	26,952
Green bonds, NOK	7,433
Green bonds, Other currencies	10,933
Green NSVs (Namensschuldverschreibung), EUR	514
<b>Total volume of Green Finance Instruments</b>	<b>52,177</b>
Total volume of Green Assets – Green Pool	65,078
<b>Remaining approved borrowing capacity</b>	<b>12,901</b>

**Equity**

Equity increased to SEK 94,064 million as of 30 September 2022, compared with SEK 85,290 million at year-end 2021. Comprehensive income for the period amounted to SEK 12,786 million, compared with SEK 9,678 million for the corresponding year-earlier period. The minority share of equity amounted to negative SEK 9 million, compared with SEK 6 million at year-end 2021. The change was mainly due to the sale of the subsidiary Tmpl Work.

At the end of the period, the equity/assets ratio was 44% compared with 43% at year-end 2021.

**Improved equity/assets ratio**



On 30 September.

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Amounts in SEK million	Share capital	Other contributed capital	Retained earnings	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
<b>Equity, opening balance on 1 Jan 2021</b>	<b>4,000</b>	<b>4,227</b>	<b>62,636</b>	<b>70,863</b>	<b>6</b>	<b>70,869</b>
Profit for the period	-	-	16,365	16,365	-6	16,359
Other comprehensive income	-	-	56	56	-	56
<i>Comprehensive income for the period</i>	-	-	<i>16,421</i>	<i>16,421</i>	<i>-6</i>	<i>16,415</i>
<i>Transactions with owners</i>						
Non-controlling interests	-	-	-	-	6	6
Dividend	-	-	-2,000	-2,000	-	-2,000
<b>Equity, closing balance on 31 Dec 2021</b>	<b>4,000</b>	<b>4,227</b>	<b>77,057</b>	<b>85,284</b>	<b>6</b>	<b>85,290</b>
<b>Equity, opening balance on 1 Jan 2022</b>	<b>4,000</b>	<b>4,227</b>	<b>77,057</b>	<b>85,284</b>	<b>6</b>	<b>85,290</b>
Profit for the period	-	-	12,789	12,789	-3	12,786
Other comprehensive income	-	-	-	-	-	-
<i>Comprehensive income for the period</i>	-	-	<i>12,789</i>	<i>12,789</i>	<i>-3</i>	<i>12,786</i>
<i>Transactions with owners</i>						
Non-controlling interests	-	-	-	-	-12	-12
Dividend	-	-	-4,000	-4,000	-	-4,000
<b>Equity, closing balance at 30 Sep 2022</b>	<b>4,000</b>	<b>4,227</b>	<b>85,846</b>	<b>94,073</b>	<b>-9</b>	<b>94,064</b>



# Consolidated cash-flow statement

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Amounts in SEK million	Jan–Sep 2022	Jan–Sep 2021	Jul–Sep 2022	Jul–Sep 2021	Oct 2021– Sep 2022	Jan–Dec 2021
<b>Operating activities</b>						
Operating surplus	4,411	4,120	1,512	1,418	5,824	5,533
Central administration	-82	-104	-26	-31	-102	-124
Add back amortisation and depreciation	22	19	7	7	30	27
Adjustment for other non-cash items	6	3	0	1	-2	-5
<b>Cash flow from operating activities before interest and tax</b>	<b>4,357</b>	<b>4,038</b>	<b>1,493</b>	<b>1,395</b>	<b>5,750</b>	<b>5,431</b>
Interest paid <sup>1)</sup>	-1,034	-1,002	-350	-314	-1,575	-1,543
Interest received	5	4	3	2	5	4
Taxes paid	-180	-251	-60	-60	-249	-320
<b>Cash flow before changes in working capital</b>	<b>3,148</b>	<b>2,789</b>	<b>1,086</b>	<b>1,023</b>	<b>3,931</b>	<b>3,572</b>
Increase (-)/decrease (+) in operating receivables	-142	-193	-122	-75	170	119
Increase (+)/decrease (-) in operating liabilities	-3	327	306	445	-74	256
<b>Cash flow from operating activities</b>	<b>3,003</b>	<b>2,923</b>	<b>1,270</b>	<b>1,393</b>	<b>4,027</b>	<b>3,947</b>
<b>Investing activities</b>						
Investments in existing properties	-1,583	-3,131	-517	-1,030	-2,589	-4,137
Property acquisitions	0	-204	0	-26	-10	-214
Property divestments	150	362	151	0	237	449
Other PPE, net	-17	-74	-3	-2	-21	-78
Acquisition of intangible assets	-3	-6	0	-2	-7	-10
Disposals of net assets in Group companies	18	-	0	-	18	-
Transactions with associates and joint ventures	107	182	125	-	107	182
Other financial assets, net	-2	-	0	-	-52	-50
<b>Cash flow from investing activities</b>	<b>-1,330</b>	<b>-2,871</b>	<b>-244</b>	<b>-1,060</b>	<b>-2,317</b>	<b>-3,858</b>
<b>Cash flow after investing activities</b>	<b>1,673</b>	<b>52</b>	<b>1,026</b>	<b>333</b>	<b>1,710</b>	<b>89</b>

Amounts in SEK million	Jan–Sep 2022	Jan–Sep 2021	Jul–Sep 2022	Jul–Sep 2021	Oct 2021– Sep 2022	Jan–Dec 2021
<b>Financing activities</b>						
Dividend	-4,000	-2,000	-	-	-4,000	-2,000
Raised debt: interest-bearing liabilities	31,418	30,813	6,210	8,303	35,027	34,422
Repayment of debt: interest-bearing liabilities	-28,161	-27,186	-7,817	-8,513	-32,265	-31,290
Change in collateral	-566	44	438	773	-631	-21
Redemption of financial instruments	-18	0	-15	0	-259	-241
Transactions with non-controlling interests	0	4	0	0	0	4
<b>Cash flow from financing activities</b>	<b>-1,327</b>	<b>1,675</b>	<b>-1,184</b>	<b>563</b>	<b>-2,128</b>	<b>874</b>
<b>Cash flow for the period</b>	<b>346</b>	<b>1,727</b>	<b>-158</b>	<b>896</b>	<b>-418</b>	<b>963</b>
Opening balance, cash and cash equivalents	3,521	2,558	4,025	3,389	4,285	2,558
Cash flow for the period	346	1,727	-158	896	-418	963
<b>Closing balance, cash and cash equivalents</b>	<b>3,867</b>	<b>4,285</b>	<b>3,867</b>	<b>4,285</b>	<b>3,867</b>	<b>3,521</b>

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

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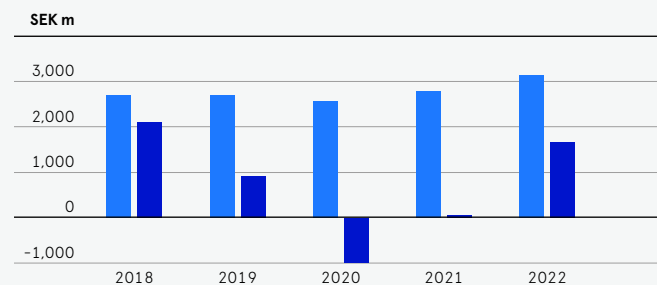
## Comments to the consolidated cash-flow statement

Cash flow from operating activities before changes in working capital increased to SEK 4,357 million (4,038) as a result of a higher operating surplus and lower taxes paid.

Investments in existing properties decreased during the period to SEK 1,583 million (3,131) as a result of a lower project volume.

In total, net borrowing for the period amounted to SEK 3,257 million (3,627). Altogether, cash and cash equivalents increased SEK 346 million (1,727) and totalled SEK 3,867 million (4,285) 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 divestments 2022

Property	City	Buyer	Purchase price, SEK m	Transfer date
Kurland 11	Stockholm	Gillesvik	155	Aug 2022
<b>Total agreed property value</b>			<b>155</b>	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-5	
<b>Total purchase price</b>			<b>150</b>	

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	Total Vasakronan		Stockholm		Gothenburg		Malmö		Uppsala	
January–September	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Market value of properties, SEK m	194,037	173,471	133,857	117,217	34,693	31,962	13,896	13,458	11,591	10,834
Rental revenue, SEK m	6,024	5,512	3,918	3,571	1,066	960	573	531	467	450
Operating surplus, SEK m	4,411	4,120	2,914	2,712	780	715	391	362	326	331
Surplus ratio, %	73%	75%	74%	76%	73%	74%	68%	68%	70%	74%
Occupancy rate, %	91	91	90	90	92	95	93	90	94	95
Number of properties	167	170	77	78	34	34	31	33	25	25
Area, thousand sq. m.	2,404	2,333	1,414	1,376	447	392	299	311	244	254
Environmental certification in the investment portfolio based on market value, %	96	93	95	92	97	96	100	100	90	82

	Total Vasakronan		Stockholm		Gothenburg		Malmö		Uppsala	
<b>Contracted rent by geographic market</b>	<ul style="list-style-type: none"> <li>Stockholm 65%</li> <li>Gothenburg 18%</li> <li>Malmö 9%</li> <li>Uppsala 8%</li> </ul>		<p>65%</p>		<p>18%</p>		<p>9%</p>		<p>8%</p>	
Pertains to share of contracted rent.										
<b>Contracted rent by property type</b>	<ul style="list-style-type: none"> <li>Offices 77%</li> <li>Retail 16%</li> <li>Other 7%</li> </ul>		<ul style="list-style-type: none"> <li>Offices 83%</li> <li>Retail 10%</li> <li>Other 7%</li> </ul>		<ul style="list-style-type: none"> <li>Offices 61%</li> <li>Retail 31%</li> <li>Other 8%</li> </ul>		<ul style="list-style-type: none"> <li>Offices 64%</li> <li>Retail 25%</li> <li>Other 11%</li> </ul>		<ul style="list-style-type: none"> <li>Offices 72%</li> <li>Retail 18%</li> <li>Other 10%</li> </ul>	
Pertains to share of contracted rent.										

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## Income statement

Amounts in SEK million	Jan–Sep 2022	Jan–Sep 2021
Net sales	419	369
Operating expenses	-539	-511
<b>EBIT</b>	<b>-120</b>	<b>-142</b>
<b>Financial items</b>		
Profit from participations in subsidiaries	13,074	607
Net interest	-150	-297
Change in value of financial instruments	1,715	856
<b>Profit before tax</b>	<b>14,519</b>	<b>1,024</b>
Tax	-246	-86
<b>Profit for the period</b>	<b>14,273</b>	<b>938</b>

## Statement of comprehensive income

Profit for the period recognised in profit or loss	14,273	938
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>14,273</b>	<b>938</b>

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

Profit from participations in subsidiaries of SEK 13,074 million (607) pertained to tax free dividends received from subsidiaries.

The value change in financial instruments was SEK 1,715 million (856) as a result of the substantial increase in market interest rates during the period. Profit before tax thus amounted to SEK 14,519 million (1,024). Closing cash and cash equivalents amounted to SEK 3,857 million (4,272).

## Balance sheet

Amounts in SEK million	30 Sep 2022	30 Sep 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Equipment	66	68
Shares and participations in subsidiaries	37,579	37,636
Receivables from subsidiaries	49,469	38,972
Participations in joint ventures	1	0
Receivables from joint ventures	20	-
Deferred tax assets	-	191
Derivatives	6,339	908
Non-current receivables	1,816	721
<b>Total non-current assets</b>	<b>95,289</b>	<b>78,497</b>
<b>Current assets</b>		
Receivables from subsidiaries	11,196	8,192
Receivables from joint ventures	1	21
Derivatives	384	44
Current receivables	1,086	847
Cash and cash equivalents	3,857	4,272
<b>Total current assets</b>	<b>16,524</b>	<b>13,376</b>
<b>TOTAL ASSETS</b>	<b>111,813</b>	<b>91,873</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	23,350	11,762
Untaxed reserves	922	686
<b>Liabilities</b>		
Interest-bearing liabilities	78,676	73,763
Derivatives	4,282	2,704
Deferred tax liability	232	-
Non-interest-bearing liabilities	1,532	959
Liabilities to subsidiaries	2,819	1,999
<b>Total liabilities</b>	<b>87,541</b>	<b>79,425</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>111,813</b>	<b>91,873</b>

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### Personnel

The number of employees at the end of the period was 290, compared with 290 at the end of 2021.

### Risks and uncertainties

The war in Ukraine, soaring inflation and rapidly rising interest rates are dominating the operating environment and have, in turn, led to higher credit spreads and reduced access to capital markets. Household purchasing power has declined and Sweden is now entering a recession. While Vasakronan is being impacted by rising electricity, material and interest expenses, the company's revenues are rising in line with indices and surcharges. Vasakronan's position is stable with long-term owners and good access to capital.

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. Aside from the above, no changes have been made to the company's risk assessment since the publication of the 2021 Annual Report. The company's risks are described in the 2021 Annual Report on pages 62–68.

### 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 prop-

erties. Refer to page 110 of Vasakronan's 2021 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 120 of Vasakronan's 2021 Annual Report.

At the end of the period, the Third Swedish National Pension Fund held bonds issued by Vasakronan to a total value of SEK 625 million, compared with SEK 715 million at year-end 2021.

### 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 2021 Annual Report, pages 99–122.

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, NSVs, 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 100 of Vasakronan's 2021 Annual Report.

### Alternative performance measures

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

The APMs used in Vasakronan's interim report are defined and motivated on page 22. Page 23 also includes a breakdown of specific performance measures where this is required.

### Significant events after the end of the period

After the end of the period, the Diktaren property in Solna was divested at an underlying property value of SEK 410 million.

### Johanna Skogestig

*Chief Executive Officer*

#### For more information about this interim report, please contact:

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

## Introduction

We have reviewed the condensed interim report for Vasakronan AB (publ) as of 30 September 2022 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review 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 with the Annual Accounts Act regarding the Parent Company.

Stockholm 28 October 2022

Ernst & Young AB

**Katrine Söderberg**

*Authorised Public Accountant*

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<b>Property-related information</b>						
Closing occupancy rate, %	90.8	91.0	90.8	91.0	90.8	91.4
Surplus ratio, %	73	75	71	77	73	75
Investments in existing projects, SEK m	1,583	3,131	517	1,030	2,589	4,137
Property acquisitions, SEK m	0	204	0	26	10	214
Property divestments, SEK m	-151	-362	-151	0	-236	-447
Net investments, SEK m	1,432	2,973	366	1,056	2,363	3,904
Closing market value of property, SEK m	194,037	173,471	194,037	173,471	194,037	181,575
Closing area, thousand sq. m.	2,404	2,333	2,404	2,333	2,404	2,348
Closing number of properties	167	170	167	170	167	168
Environmental certification of investment portfolio, share of total area, %	93	92	93	92	93	92
Environmental certification, of investment portfolio, share of market value, %	96	93	96	93	96	94
Energy intensity on closing date, kWh/sq. m., rolling 12 months	77	83	77	83	77	83

	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Oct 2021– Sep 2022	Jan-Dec 2021
<b>Financial metrics</b>						
EBITDA margin, %	72	74	74	73	72	73
Interest coverage ratio, multiple	5.2	5.0	4.9	5.0	5.3	5.2
Closing equity/assets ratio, %	44	42	44	42	44	43
Closing loan-to-value ratio, %	39	40	39	40	39	39
Fixed-interest tenor <sup>1)</sup> , year	4.0	4.8	4.0	4.8	4.0	4.6
Loan-to-maturity <sup>1)</sup> , years	5.6	5.1	5.6	5.1	5.6	5.5
Closing EPRA NRV <sup>1)</sup> , SEK m	119,003	102,865	119,003	102,865	119,003	110,515
Closing EPRA NTA <sup>1)</sup> , SEK m	109,540	95,355	109,540	95,355	109,540	102,179
Closing EPRA NDV <sup>1)</sup> , SEK m	96,425	76,162	96,425	76,162	96,425	83,118
Closing average interest rate, %	2.0	1.5	2.0	1.5	2.0	1.3
Closing net interest-bearing liabilities, SEK m	74,809	69,478	74,809	69,478	74,809	70,317
Cash flow before changes in working capital, SEK m	3,149	2,789	1,087	1,023	3,932	3,572
Net interest-bearing liabilities/EBITDA <sup>2)</sup>	-	-	-	-	13.2	13.0
<b>Other</b>						
Closing number of employees	290	293	290	293	290	290

1) Last day in the period.

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

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	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Oct 2021– Sep 2022	Jan-Dec 2021
<b>1. EPRA NRV, SEK m</b>						
Equity	94,064	78,552	94,064	78,552	94,064	85,290
Add back goodwill attributable to deferred tax	-1,901	-1,908	-1,901	-1,908	-1,901	-1,903
Add back derivatives	-2,441	1,752	-2,441	1,752	-2,441	855
Add back recognised deferred tax	29,281	24,469	29,281	24,469	29,281	26,273
	<b>119,003</b>	<b>102,865</b>	<b>119,003</b>	<b>102,865</b>	<b>119,003</b>	<b>110,515</b>
<b>2. EPRA NTA, SEK m</b>						
Equity	94,064	78,552	94,064	78,552	94,064	85,290
Add back goodwill attributable to deferred tax	-1,901	-1,908	-1,901	-1,908	-1,901	-1,903
Add back other intangible assets	-116	-139	-116	-139	-116	-141
Add back derivatives	-2,441	1,752	-2,441	1,752	-2,441	855
Add back recognised deferred tax	29,281	24,469	29,281	24,469	29,281	26,273
Deferred tax at fair value <sup>1)</sup>	-9,347	-7,371	-9,347	-7,371	-9,347	-8,195
	<b>109,540</b>	<b>95,355</b>	<b>109,540</b>	<b>95,355</b>	<b>109,540</b>	<b>102,179</b>
<b>3. EPRA NDV, SEK m</b>						
Equity	94,064	78,552	94,064	78,552	94,064	85,290
Add back goodwill attributable to deferred tax	-1,901	-1,908	-1,901	-1,908	-1,901	-1,903
Adjustment of interest-bearing liabilities to fair value	4,262	-482	4,262	-482	4,262	-443
	<b>96,425</b>	<b>76,162</b>	<b>96,425</b>	<b>76,162</b>	<b>96,425</b>	<b>82,944</b>
<b>4. EBITDA, SEK m</b>						
Operating surplus	4,411	4,120	1,512	1,418	5,825	5,533
Central administration	-83	-104	-26	-32	-103	-124
Cash flow from dividends from joint ventures	125	182	125	-	126	183
Ground rents and land leases	-125	-125	-42	-42	-166	-167
	<b>4,328</b>	<b>4,073</b>	<b>1,569</b>	<b>1,344</b>	<b>5,682</b>	<b>5,425</b>

	Jan-Sep 2022	Jan-Sep 2021	Jul-Sep 2022	Jul-Sep 2021	Oct 2021– Sep 2022	Jan-Dec 2021
<b>5. EBITDA margin, %</b>						
Rental revenue	6,024	5,512	2,132	1,852	7,937	7,425
EBITDA	4,328	4,073	1,569	1,344	5,682	5,425
	<b>72</b>	<b>74</b>	<b>74</b>	<b>73</b>	<b>72</b>	<b>73</b>
<b>6. Interest coverage ratio, multiple</b>						
EBITDA	4,328	4,073	1,569	1,344	5,682	5,425
Net financial items	-827	-807	-319	-269	-1,073	-1,051
	<b>5.2</b>	<b>5.0</b>	<b>4.9</b>	<b>5.0</b>	<b>5.3</b>	<b>5.2</b>
<b>7. Net interest-bearing liabilities, SEK m</b>						
Non-current interest-bearing liabilities	64,578	59,620	64,578	59,620	64,578	59,342
Current interest-bearing liabilities	14,098	14,143	14,098	14,143	14,098	14,496
Cash and cash equivalents	-3,867	-4,285	-3,867	-4,285	-3,867	-3,521
	<b>74,809</b>	<b>69,478</b>	<b>74,809</b>	<b>69,478</b>	<b>74,809</b>	<b>70,317</b>
<b>8. Loan-to-value ratio, %</b>						
Net interest-bearing liabilities	74,809	69,478	74,809	69,478	74,809	70,317
Fair value of investment properties	194,037	173,471	194,037	173,471	194,037	181,575
	<b>39</b>	<b>40</b>	<b>39</b>	<b>40</b>	<b>39</b>	<b>39</b>

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



# Definitions

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Vasakronan third quarter

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## Area, sq. m.

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

## 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 remaining term to maturity, years

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

## 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.

## 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.

## Comparable property holdings

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

## 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.

## Contracted rent, SEK m

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

## EBITDA margin, %

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

## 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.

## 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.

## 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. Project developments are not included in the investment portfolio.

## 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 24.

## 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 24.

## 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 24.

## Equity/assets ratio, %

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

## Fixed-interest, 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.

## 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.

## Investments in existing projects, SEK m

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

## Loan-to-maturity, years

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

## 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.

## Net financial items

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

## 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.

## 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 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.

## 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.

## Occupancy rate, %

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

## 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.

## 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.

## 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.

## Rental value, SEK m

Contracted rent plus the assessed market rent for vacant premises.

## 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 2022	3 February 2023
Annual Report 2022	March 2023

### ANNUAL GENERAL MEETING

Annual General Meeting	28 April 2023
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### Vasakronan in brief

Vasakronan is Sweden's leading property company. The property portfolio comprises 167 properties with a total area of about 2.4 million square metres and a market value of SEK 194 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](http://www.vasakronan.se)