

Interim Report

January–June 2023

Q2

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- > Rental revenue increased 16% (6) to a total of SEK 4,504 million (3,892). The increase was primarily due to indexing and more completed projects generating rental revenue. In comparable property holdings, the increase in rental revenue was 13% (4).
- > New lettings were contracted corresponding to 66,000 square metres (89,000) and an annual rent of SEK 342 million (519). Net lettings amounted to a negative SEK 95 million (positive: 187) for the period and a negative SEK 12 million (positive: 341) for the rolling 12-month period.
- > The price change after renegotiations was on average 3% above index (6) and, in total, renegotiations were completed in the period corresponding to an annual rent of SEK 851 million (603).
- > The occupancy rate was 91.5% at the end of the period, compared with 91.2% at the end of 2022. Of total vacancies, 1.0 percentage point (1.2) was attributable to ongoing project developments and development properties.
- > Operating surplus increased 14% (7) to a total of SEK 3,311 million (2,899). For comparable property holdings, the increase was 11% (3).
- > Net financial items deteriorated to an expense of SEK 841 million (expense: 508), due to higher interest expenses during the period.
- > The LTM interest coverage ratio decreased to a multiple of 4.0 (5.3), due to higher net financial items.
- > Income from property management amounted to SEK 2,330 million (2,253), up 3% (12).
- > The change in the property value amounted to a decrease of SEK 7,679 million (increase: 13,168) for the period, corresponding to a decline in value of 4.1% (increase: 7.3). The change in value was primarily due to higher assessed yield requirements. The property portfolio value at the end of the period amounted to SEK 182 billion.
- > The value change in financial instruments amounted to a decrease of SEK 255 million (increase: 1,763).
- > Profit after tax amounted to a loss of SEK 4,562 million (profit: 13,618).

Rental revenue

+16%

Operating surplus

+14%

Income from
property management

+3%

Occupancy rate

92%

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Rental revenue	4,504	3,892	2,283	1,990	8,779	8,167
Operating surplus	3,311	2,899	1,691	1,499	6,380	5,968
Net financial items	-841	-508	-432	-265	-1,541	-1,208
Profit after net financial items	2,238	2,223	1,120	1,139	4,348	4,333
Income from property management	2,330	2,253	1,183	1,088	4,558	4,481
Change in value of investment properties	-7,679	13,168	-2,631	10,246	-15,930	4,917
Profit after tax	-4,562	13,618	-1,252	9,723	-9,715	8,465
Cash flow from operating activities	1,839	1,733	872	929	4,542	4,436
Cash flow after investing activities	535	647	188	387	2,532	2,644
Market value of properties	181,926	195,809	181,926	195,809	181,926	188,317
Occupancy rate, %	91.5	91.6	91.5	91.6	91.5	91.2
Surplus ratio, %	74	74	74	75	73	73
Closing average interest rate, %	2.6	1.5	2.6	1.5	2.6	2.1
Interest coverage ratio, multiple	3.8	5.4	3.7	5.4	4.0	4.8
Loan-to-value (LTV) ratio, %	41	39	41	39	41	40
Closing EPRA NRV, SEK m	108,395	120,777	108,395	120,777	108,395	113,542
Closing EPRA NTA, SEK m	99,700	111,228	99,700	111,228	99,700	104,406
Closing EPRA NDV, SEK m	88,411	96,714	88,411	96,714	88,411	93,121
Environmental certification of investment portfolio, share of market value, %	94	94	94	94	94	93
Energy intensity on closing date, kWh/sq. m., rolling 12 months	74	78	74	78	74	75

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Considerable uncertainty prevails in the operating environment. Inflation remains high and higher interest rates are affecting the property sector. At the same time, the labour market in the service sector is standing strong, though there is still uncertainty about future market conditions. For Vasakronan, work in daily operations continues and we are focused entirely on what we can affect, namely our partnerships with our customers and the continued development of our properties and areas. With secure financing and properties in the very best locations, Vasakronan has a stable outlook.

Strong income from property management

We delivered strong income from property management for the first half of the year, which increased 3% year-on-year despite higher interest expenses. This trend was largely due to increased rental revenue in comparable property holdings and contributions from completed projects.

Activity in the lettings market remains high and in the first half of the year we had lettings of SEK 342 million. The business sector is still going well, which is reflected in interest for our locations. Many of our customers are investing in their offices. This has become a way for them to attract and retain employees in a market where competition for labour is still a factor.

At the same time, we are noting increased caution in the market and it is taking longer than it used to for customers to make a decision. Many are reviewing what they need in their premises, often due to a changed way of working, and are reducing

square metres in favour of high-quality premises at better locations. An increasing number of customers have clearly expressed that they are looking for attractive offices, and my perception is that we have never before seen such a large difference in willingness to pay when it comes to the difference in quality not only of premises but also locations.

Despite a high volume of new lettings, net lettings for the quarter were negative. This is due to greater activity in the market and Kungliga Operan's and Dramaten's announcement that by the end of 2024 they will be leaving their production centre at Kvarnholmen in Nacka. We have been expecting this for some time, and it will allow us to continue developing the area, whose proximity to water makes it an ideal location for housing.

Continued investments in projects

Project operations remain an important part of our business and we are working actively with our development portfolio. Our ongoing projects in central Stockholm are progressing according to plan and both Hästskon 9 on Hamngatan and Grev Tureplan on Birger Jarlsgatan are expected to be completed by the end of 2024. The office-premises are first class and fully let.

Over the spring, Sturehof also opened the doors to its new restaurant in the culturally significant Sperlingens Backe 45 property at Stureplan. The building has undergone comprehensive renovation in the last few years, including restoration of the attractive original facade from the 1800s.



“With secure financing and properties in the very best locations, Vasakronan has a stable outlook.”

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During the quarter, we let 12,800 square metres of office space to SEB at the Kaj 16 property in Lilla Bommen, one of Vasakronan's and Gothenburg's most important development areas. This means that we have chosen to start construction and completion of the property is planned for 2027. The location by the docks, facing the river and adjacent to our Platinan property, makes Kaj 16 an important piece of the development puzzle in the area, helping to open up that district of the city to the river. In this project, as usual, we have focused a great deal on sustainability. Kaj 16 will be our second – and largest to date new construction project with a focus on construction in wood. The letting is a good example of a partnership with a tenant in search of quality in all aspects.

Continued confidence from bond investors

We believe that, generally speaking, there is still plenty of capital in the bond market. At the same time, several property companies have had their credit ratings downgraded and news about the Swedish property sector has been negative. This has

affected the industry as a whole and created caution among investors when it comes to property bonds.

We have always maintained a close dialogue with our investors, which is naturally even more important during more turbulent times and during the last quarter, several of our foreign investors visited us in person to hear our opinion of the market. Their continued confidence in Vasakronan is confirmed by the fact that we have been able to raise all of our financing this year from the bond market. During the quarter, we issued debt of SEK 4.2 billion and with only SEK 2 billion in maturing bonds for the remainder of the year, the financial situation looks very good.

With that said, rising interest rates are of course also affecting us and our financing costs. However, this has thus far been offset by increased revenue from existing leases and projects that were completed in the last few years. Altogether, this means that the interest coverage ratio is at a reassuring level – a multiple of 3.7 for the quarter.

Low activity in the transaction market

Higher interest rates are affecting the transaction market and activity is still low. Therefore, it is difficult to draw any clear conclusions about the conditions in our market. However, my assessment is that there is capital that is in search of exactly our type of high-quality properties and locations. Given the right location and property, there are institutions, funds and private investors on the buyer's side.

By the middle of the year, our entire property portfolio had been externally valued. Despite the lack of evidence in the market, yield requirements were adjusted nearly 50 basis

points upwards compared to mid-2022 to offset higher interest rates. This led to a decrease in value of 4.1% by mid-2023 and a total decrease of 8% since mid-year 2022. The value of Vasakronan's properties therefore amounted to SEK 182 billion.

With good access to capital and a reassuring loan-to-value ratio of 41%, I believe that Vasakronan is well positioned to address the challenges as well as the opportunities in the market.

Outlook

There is much in the macroeconomic situation that is uncertain right now and we cannot know exactly what is waiting around the corner. As previously noted, uncertainty characterises our operations in various ways, but I remain confident. With a focus on long-term customer relationships, good financial governance and the continued development of our properties and locations, I am convinced that Vasakronan will continue to deliver value going forward. After all, there is nothing to indicate that the growth and appeal of Sweden's four largest cities will decrease in the future.

Stockholm, 7 July 2023

Johanna Skogestig,
Chief Executive Officer

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New lettings, renegotiations and net lettings

During the quarter, new lettings corresponding to 43,000 square metres (45,000) and annual rent of SEK 221 million (259) were signed.

A ten-year lease was signed with SEB during the quarter for 12,800 square metres of office space in Lilla Bommen in Gothenburg. This means the start of construction on the Kaj 16 project and the continued development of the area. SEB's occupancy is planned for summer 2027. With this lease, the occupancy rate at Kaj 16 reached 43% by the start of construction.

The Kaj 16 property includes approximately 30,000 square metres of lettable area and will include offices, restaurants, cafés and services. With 12 of the 16 storeys built from wood, the project is Vasakronan's largest wood-focused new construction project to date. Moreover, it has also set a high level of ambition for reuse. The property is being environmentally certified in accordance with LEED with the aim of achieving Platinum.

Demand for modern office premises in central locations has remained high. H&M signed a five-year lease for 1,800 square metres at the Klara Zenit property in central Stockholm and Vermiculus Financial Technology signed a five-year lease at the Klara C property on Vasagatan.

Notices to vacate corresponding to annual rent of SEK 270 million (197) were received during the quarter. The previously announced notice to vacate Kvarnholmen in Nacka by Operan and Dramaten had a negative effect on the outcome. Net lettings for the quarter thus amounted to a loss of SEK 49 million (profit: 62).

Renegotiations were also completed in the quarter corresponding to 104,000 square metres (91,000), an annual rent of SEK 497 million (318) and an average contract length of 3.0 years.

The result of renegotiations for the second quarter amounted to 1% (5) over index.

In Nordstan in central Gothenburg, SEB extended its lease of 13,000 square metres until occupancy of Kaj 16 in summer 2027. Handelsbanken has extended its lease of 12,500 square metres at the Tre Vapen property in Östermalm in Stockholm and the Riksdag Administration has signed three extensions at Jakob Större in Stockholm for 9,300 square metres.

Rising yield requirements due to an uncertain market

On 30 June 2023, the entire property portfolio had been valued externally. The change in value amounted to a decrease of SEK 2,631 million (increase: 10,246) equivalent to a decline in value of 1.4% (increase: 5.5). The property values decreased due to upward adjustments of yield requirements due to the uncertain market conditions and rising interest rates.

Financing during the quarter

During the quarter, bonds of SEK 4.2 billion were issued. Net financial items for the quarter deteriorated from an expense of SEK 265 million to an expense of SEK 432 million due to higher interest rates. The average interest rate at the end of the period was 2.6% compared with 1.5% for the same quarter last year. Despite rising interest expenses, the interest coverage ratio was a reassuring multiple of 3.7 for the quarter and 4.0 for the rolling 12-month period. According to Vasakronan's financial policy, the interest coverage ratio is to be at least a multiple of 2.0 for the rolling 12-month period.

Pioneer in circular construction

Vasakronan has earned several recognitions and awards for its committed work with reusing materials and during the quarter the company was named "Reuser of the Year" (Sw: Årets återbrukare) by Business Region Göteborg. The award was based on Vasakronan's work to "help advance the entire market through a high degree of maturity, systematic implementation within its own organisation and proactively spreading the influence to others, in its own contractor chain as well as within the city."

Second quarter results

	Q2 2023	Q2 2022
Rental revenue, SEK m	2,283	1,990
Operating surplus, SEK m	1,691	1,499
Income from property management	1,183	1,088
Profit after net financial items	1,120	1,139
Change in value of investment properties, SEK m	-2,631	10,246
Change in value of investment properties, %	-1.4	5.5
Change in value of financial instruments, SEK m	-26	862
Profit/loss after tax, SEK m	-1,252	9,723
Cash flow from operating activities, SEK m	872	929
Cash flow	853	554

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Slightly better outlook for the economy

More and more commentators are expecting a milder downturn in the economy than previously. Growth forecasts look generally more positive, even if the Swedish economy is entering a recession. In June, The National Institute of Economic Research estimated that GDP will decrease 0.4% in 2023 and then once again grow 1.4% in 2024. The continued strong labour market and public consumption in the form of investments in defence are contributing factors. However, missed housing investments are still hampering growth. Household consumption has also decreased as a natural consequence of inflation pressure and reduced purchasing power in combination with rising interest rates.

Downgrading of credit ratings created turbulence

During the quarter, several property companies had their credit rating downgraded, which led to increased turbulence in the property market. The primary bond issuers in the bond market have been property companies with higher credit ratings, including Vasakronan, whose credit rating was confirmed during the quarter. Access to financing for this group of companies remains good, both in the banking and in the capital markets.

Inflation continues to decline but remains high. Given this situation, Sweden's central bank is expected to continue raising the policy rate during the year.

City retail remains strong despite household challenges

Unlike GDP forecasts, the mood for households is low and the outlooks for household consumption have dimmed. This means additional challenges for consumer durables. HUI Research predicts a decrease of 9% in volume during 2023,

but price increases mean that drop in turnover will amount to 4%. The clothing industry, which is essential for city retail, is likely to perform the best due to the lack of capital-intensive purchases. Vasakronan's city retail index indicates that turnover will continue to increase beyond pre-pandemic levels, but with relatively large differences between companies and sectors. The weak krona benefits retail, since the number of visitors from outside the country is increasing.

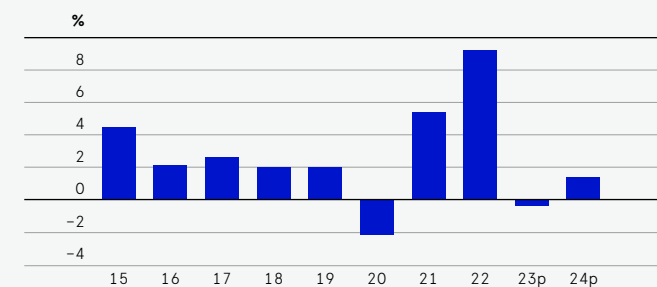
Strong labour market supports the office rental market

The high level of employment continues to benefit the office rental market. Demand for premises is still good, though the new way of working, with a higher proportion of people working from home, has polarised the lettings market. To a greater extent, companies are demanding products and locations that attract labour and encourage employees to come to the office. Market rents in central locations continue to climb, though at a lower rate than inflation. Comprehensive new construction in Gothenburg has led to an increased number of moves and, therefore, higher vacancy rates. In Vasakronan's other areas, vacancies have not increased to the same extent.

Investors waiting for the right timing

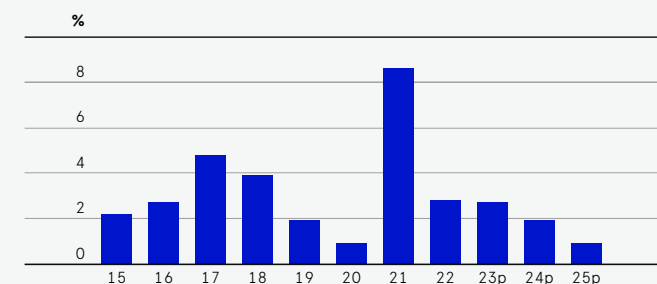
Activity in the transaction market has been very low during the year. The volume for the second quarter totalled SEK 27 billion, compared with SEK 59 billion for the year-earlier period. During the latter half of the year, properties changed owners for a total of SEK 40 billion. Buyers and sellers are still having difficulties agreeing on price expectations. Institutions and funds with access to capital are waiting for the right timing. Listed companies continue to sell to improve their key metrics, but so far only in relatively limited volumes. Housing and logis-

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.

tics properties dominate transactions completed and the share of office properties has been lower than normal. Foreign players during the quarter were net buyers, but accounted only for 14% of the transaction volume since the beginning of the year.

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Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Rental revenue	4,504	3,892	2,283	1,990	8,779	8,167
Operating expenses	-472	-415	-223	-197	-921	-864
Repairs and maintenance	-67	-54	-31	-25	-130	-117
Property administration	-238	-190	-131	-103	-427	-379
Property tax	-416	-334	-207	-166	-921	-839
Total property expenses	-1,193	-993	-592	-491	-2,399	-2,199
Operating surplus	3,311	2,899	1,691	1,499	6,380	5,968
Central administration	-60	-57	-37	-29	-119	-116
Result from participations in associates and joint ventures	-92	-31	-62	-26	-212	-151
Operating profit	3,159	2,811	1,592	1,444	6,049	5,701
Financial income	61	2	35	1	89	30
Financial expenses	-902	-510	-467	-266	-1,630	-1,238
Interest expense lease liability; ground rents and land leases	-80	-80	-40	-40	-160	-160
Profit after net financial items	2,238	2,223	1,120	1,139	4,348	4,333
<i>– Of which, income from property management</i>	<i>2,330</i>	<i>2,253</i>	<i>1,183</i>	<i>1,088</i>	<i>4,558</i>	<i>4,481</i>
Change in value of investment properties	-7,679	13,168	-2,631	10,246	-15,930	4,917
Depreciation of right-of-use assets	-3	-3	-1	-1	-7	-7
Change in value of financial instruments	-255	1,763	-26	862	-727	1,291
Impairment of goodwill	0	0	0	0	0	-2
Profit/loss before tax	-5,699	17,151	-1,538	12,246	-12,293	10,532
Current tax	-237	-188	-140	-98	-184	-135
Deferred tax	1,374	-3,345	426	-2,425	2,787	-1,932
Profit/loss for the period	-4,562	13,618	-1,252	9,723	-9,715	8,465
Of which, attributable to non-controlling interests	-2	-2	-1	-1	-3	-3
Of which, attributable to the Parent Company shareholders	-4,560	13,620	-1,251	9,724	-9,712	8,468

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Other comprehensive income ¹⁾						
<i>Items that may not be reclassified²⁾</i>						
Pensions, revaluation	-	-	-	-	81	81
Restriction for surplus in pension plan with asset cap	-	-	-	-	-49	-49
Income tax on pensions	-	-	-	-	-7	-7
Other comprehensive income for the period, net of tax	-	-	-	-	25	25
Total comprehensive income for the period¹⁾	-4,560	13,620	-1,251	9,724	-9,687	8,493
Key metrics						
Surplus ratio, %	7.4	7.4	7.4	7.5	7.3	7.3
Interest coverage ratio, multiple	3.8	5.4	3.7	5.4	4.0	4.8

1) Other comprehensive income is attributable in its entirety to the Parent Company 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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Rental revenue

Rental revenue for the period increased 16% (6) to SEK 4,504 million (3,892). The increase was primarily due to indexation, income from completed projects and increased onward invoicing of property tax. Most of Vasakronan's leases include indexation clauses that primarily follow the consumer price index. Approximately two thirds of the portfolio has quarterly indexation. For comparable property holdings, the increase in rental revenue was 13% (4).

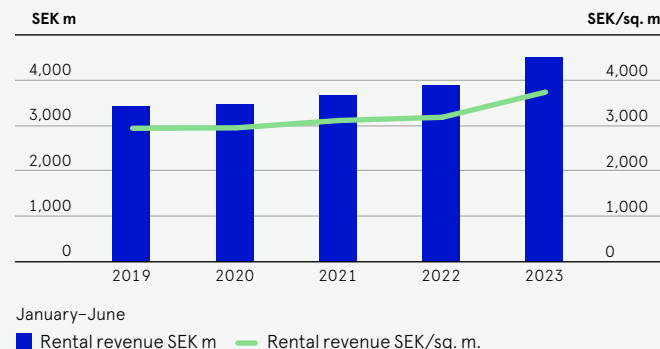
New lettings corresponding to 66,000 square metres (89,000) and annual rent of SEK 342 million (519) were contracted during the period, of which 22% (26) of the annual rents impacted revenue in 2023.

Notices to vacate corresponding to annual rent of SEK 437 million (332) were received during the period. The outcome was negatively impacted by somewhat larger, though previously announced notices of termination, primarily JM's lease in Frösunda during the first quarter and Operan's and Dramaten's lease in Gäddviken during the second quarter.

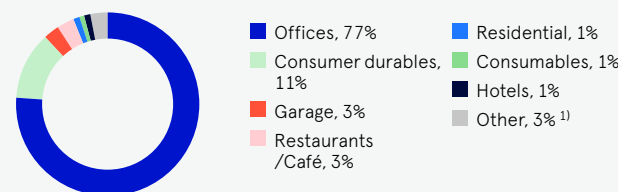
Net lettings for the period amounted to negative SEK 95 million (positive: 187). Net lettings for the rolling 12-month period amounted to a negative SEK 12 million (positive: 341), where the comparative figures were positively impacted by some major new lettings.

Lettings corresponding to 189,000 square metres (162,000) and annual rent of SEK 851 million (603) were renegotiated during the period. These renegotiations resulted in an increase on the previous rent payable of 3% (6) above index. The result of renegotiations for the period for office leases amounted to 4% (8) and for retail the result was a decrease of 1% (0).

Rising rental revenue



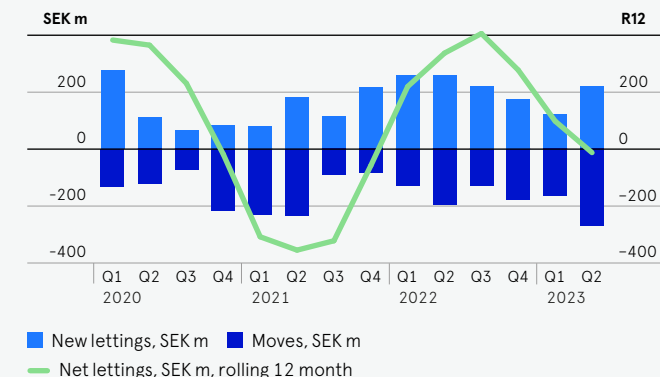
Predominantly office tenants



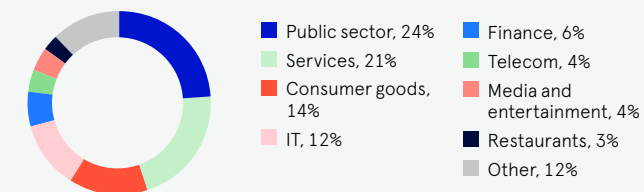
Breakdown by sector, share of contracted rent.

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

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Of all the contracts that have been the subject of renegotiation in the past twelve months, including those that have moved within the property portfolio, almost 70% (70) have chosen to remain a tenant of Vasakronan.

Contracted rent at the end of the period amounted to SEK 9,193 million (8,169), of which 24% pertained to the public sector. The average remaining maturity for the entire lease portfolio was 3.4 years (3.9). For leases to the public sector, the maturity is 5.3 years (6.1).

The occupancy rate at the end of the period was 91.5%, compared with 91.6% at the end of the year-earlier period and 91.2% at the end of 2022. Of total vacancies at the end of the period, 1.0 percentage point (1.2) was attributable to vacancies in ongoing project developments and development properties.

At the end of the quarter, the occupancy rate was 91.0% for offices and 94.1% for retail, compared with 90.7% and 93.6%, respectively, at the end of the year.

Property expenses

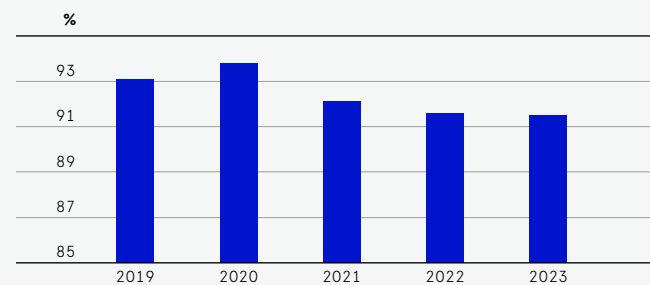
Property expenses increased 20% during the period to SEK 1,193 million (993). For comparable property holdings, the increase was 18% (4). Excluding property tax and property administration, costs rose 12% in comparable property holdings. The increase was primarily due to higher electricity costs, which were partially borne by tenants through additional rental charges. Property tax amounted to SEK 416 million (334), where the increase was largely attributable to higher taxation values in 2022 that were initially adjusted in the third quarter of 2022.

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)	1
Swedish National Courts Administration	1
EY	1
Åhléns	1
Total	18

Largest tenants, share of contracted rent.

Stable occupancy rate



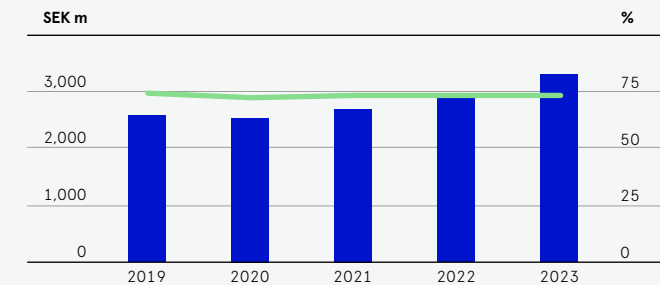
On 30 June.

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2023	489	607	7
2024	1,048	1,550	17
2025	851	1,886	21
≥2026	1,646	4,781	51
Total	4,034	8,824	96
Residential	1,169	111	1
Garage	–	258	3
Total	5,203	9,193	100

Maturity structure for contracted rent.

Improved operating surplus



On 30 June.

■ Operating surplus, SEK m — Surplus ratio, %

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Administration

Administration costs totalled SEK 298 million (247) for the period, of which property administration costs were SEK 238 million (190) and central administration costs SEK 60 million (57). The change is largely due to increased costs for marketing, business development and IT. Some portion is also due to amended reporting of costs, which includes reallocation of costs from other operating expenses to property administration.

Operating surplus and revised yield

Operating surplus for the period increased 16% (7) to SEK 3,311 million (2,899). For comparable property holdings, the increase in operating surplus was 11% (3). The surplus ratio was thus 74%, which was on a par with the year-earlier period.

The reported rolling 12-month yield amounted to 3.09% (3.3) for the total property portfolio and 3.38% (3.45) for the investment portfolio.

Result from participations in associates and joint ventures

The result from associates and joint ventures pertains primarily to Vasakronan's holding in Stora Ursvik KB and Järvastaden AB that develop residential development rights. The loss for the period amounted to SEK 92 million (loss: 31), which pertains in its entirety to the decline in value of residential development rights, including tax.

SEK m	Jan–Jun 2023	Jan–Jun 2022
Income from property management	0	–1
Change in value	–113	–38
Tax	21	8
Other	–	–
Total result from participations in associates and joint ventures	–92	–31

Net financial items

Net financial items for the period deteriorated to an expense of SEK 841 million (expense: 508), primarily due to higher interest rates during the period. The average interest rate for loans and derivatives increased to 2.6% (1.5) at the end of the period.

The LTM interest coverage ratio increased to a multiple of 4.0 (5.3), primarily due to lower net financial items. The policy for the interest coverage ratio does not permit it falling below a multiple of 2.0 over the most recent 12-month period.

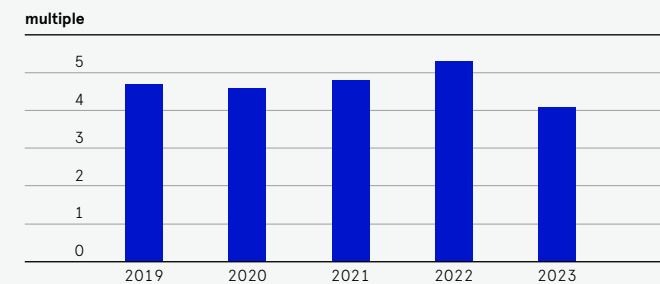
Income from property management

Income from property management increased 3% (12) to SEK 2,330 million (2,253). The increase was explained by a higher operating surplus, which was concurrently offset by a deterioration in net financial items.

Financial risks

	Financial policy in brief	Outcome, 30 June 2023
Financing risk		
Loan-to-maturity, excluding unutilised credit commitments	min. 2 years	5.2 years
Loan-to-maturity	–	5.5 years
Loans maturing, 12 months	max. 40%	15%
Credit commitments and cash/loans maturing 12 months	min. 100%	176%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	4.0x
Fixed-interest period	min. 2 years	3.7 years
Fixed-interest maturity within 12 months	max. 55%	26%
Credit risk		
Counterpart's rating	min. A-, or BBB+ with CSAs	met
Currency risk		
Currency exposure	No exposure	met

Declining interest coverage ratio



On 30 June, rolling 12-month period

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Change in value of investment properties

On 30 June 2023, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighetsekonomi, respectively. The change in value of the properties for the first half of the year amounted to a decrease of SEK 7,631 (increase: 13,168), equivalent to a negative value change of 4.1% (positive: 7.3). The property values decreased as a result of raised assessed yield requirements due to the uncertain market. Since mid-2022, the value has decreased approximately 8%.

The change in value for the investment portfolio amounted to a decrease of SEK 7,679 million (increase: 10,526), corresponding to a decrease in value of 4.2% (increase: 6.7). The percentage decrease in value was greatest for office properties in Gothenburg and the least for the office properties in Stockholm's CBD.

The change in value for project developments and development properties amounted to a decrease of SEK 127 million (increase: 2,673), down 1.5% (up: 10.9).

The average yield requirement used for valuation of the property portfolio was 4.19%, compared with 3.95% for corresponding properties at the end of 2022. Since mid-2022, yield requirements have increased approximately 0.5 percentage points.

Change in value of financial instruments

The negative value change in derivatives amounted to SEK 255 million (positive: 1,763), of which half pertained to electricity derivatives and the remainder to interest-rate derivatives. Electricity derivatives decreased in value due to falling energy prices and interest-rate derivatives decreased in value primarily due to the downturn in long market interest rates during the period.

Derivatives are used to secure energy prices, adjust interest-rate risk in the loan portfolio and to hedge borrowings in foreign currencies. At the end of the period, the derivative portfolio related to the company's borrowings amounted to SEK 90,909 million compared with SEK 82,755 million at year-end 2022, of which SEK 63,200 million (54,200) comprised interest-rate swaps and SEK 27,709 million (28,555) cross-currency basis swaps.

Tax

The Group reported a tax income of SEK 1,137 million (expense: 3,533). Of the tax, an expense of SEK 237 million (expense: 188) comprised current tax expense and SEK 1,374 million (expense: 3,345) comprised deferred tax income resulting from temporary differences attributable to a change in value for investment properties and financial instruments.

The effective tax rate for the period amounted to 20.0% (20.6).

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

Factors impacting value

	Value impact, %
Yield requirement	-5.50
Market rents	2.47
Vacancies and other valuation parameters, e.g., changed cost and investment assumptions	-1.02
Total	-4.05

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	-3.33	-2.29
Gothenburg	-6.63	-1.18
Uppsala	-4.97	-0.31
Malmö	-3.74	-0.27
Total		-4.05

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	-4.18	-3.98
Project developments and development properties	-1.47	-0.07
Transactions	–	0.00
Total		-4.05

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Amounts in SEK million	30 Jun 2023	30 Jun 2022	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	2,019	2,018	2,018
Property, plant and equipment (PPE)			
Investment properties	181,926	195,809	188,317
Right-of-use assets, leaseholds and land leases	5,147	5,154	5,150
Equipment	147	104	153
	187,220	201,067	193,620
Financial assets			
Participations in associates and joint ventures	619	958	711
Receivables from joint ventures	0	20	0
Derivatives	6,127	5,427	6,173
Other non-current receivables	2,150	1,656	1,436
Total financial assets	8,896	8,061	8,320
Total non-current assets	198,135	211,146	203,958
Current assets			
Accounts receivable	92	42	67
Receivables from joint ventures	71	1	41
Current tax assets	0	10	52
Derivatives	43	267	255
Other current receivables, prepaid expenses and accrued income	1,900	1,286	1,228
Cash and cash equivalents	2,942	4,025	2,984
Total current assets	5,048	5,631	4,627
TOTAL ASSETS	203,183	216,777	208,585

Amounts in SEK million	30 Jun 2023	30 Jun 2022	31 Dec 2022
EQUITY AND LIABILITIES			
Equity	85,205	94,896	89,767
Non-current liabilities			
Interest-bearing liabilities	65,303	64,676	66,484
Lease liability, leaseholds and land leases	5,148	5,155	5,151
Deferred tax liability	26,838	29,618	28,212
Derivatives	4,367	3,835	3,874
Other non-current liabilities	65	89	78
Provision for pensions	6	45	10
Total non-current liabilities	101,728	103,418	103,809
Current liabilities			
Interest-bearing liabilities	11,927	14,953	10,941
Accounts payable	64	47	71
Liabilities joint ventures	23	23	23
Current tax liabilities	66	–	0
Derivatives	56	25	18
Other current liabilities, accrued expenses and deferred income	4,115	3,415	3,956
Total current liabilities	16,251	18,463	15,009
TOTAL EQUITY AND LIABILITIES	203,183	216,777	208,585

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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 June 2023, goodwill was SEK 1,901 million, unchanged compared with year-end 2022.

Of intangible assets, SEK 100 million (100) comprised the value of the Vasakronan brand. SEK 18 million (17) was recognised as an intangible asset pertaining to investments in technical platforms in the subsidiary Idun.

Investment properties

As of 30 June 2023, Vasakronan's entire property portfolio had been valued externally. The assessed market value of the property portfolio was SEK 181,926 million at the end of the period, compared with SEK 188,317 million at the end of 2022. The change in value during the period amounted to a decrease of SEK 7,679 million (increase: 13,168), corresponding to a decline in value of 4.1% (increase: 7.3). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 10.1 billion/positive SEK 11.5 billion on the value of the current property portfolio.

The valuations were performed pursuant to the RICS Red Book and apply the same methodology as previous valuations. Market value is influenced by property-specific events during the period, such as new and renegotiated leases, properties being vacated and investments made. Consideration has also been taken for any assessed changes in market rents and yield requirements since the previous valuation. A more comprehensive description of Vasakronan's property valuation methodology is available on pages 114–115 of Vasakronan's 2022 Annual Report.

Change in property values

SEK m	2023	2022
Opening value, 1 January	188,317	181,575
Investments	1,288	1,066
Acquisitions	0	0
Sales	0	0
Change in value	-7,679	13,168
Closing value, 30 June	181,926	195,809

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 94% of our investment portfolio was environmentally certified, compared with 93% at the end of 2022. Based on market value, 88 percentage points (88) were certified according to LEED Gold or higher.

Right-of-use assets, leaseholds and land leases

On 30 June 2023, right-of-use assets totalled SEK 5,147 million, compared with SEK 5,150 million at the year-end 2022.

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 8,902 million, of which SEK 4,332 million had been capitalised, compared with SEK 5,680 million and SEK 3,388 million, respectively, at the end of 2022. The occupancy rate for major projects was 64% compared with 70% at the end of 2022.

During the quarter, construction started on the Kaj 16 property in the Lilla Bommen area of Gothenburg. The property comprises a lettable area of about 30,000 square metres, encompassing offices, restaurants and service premises, and entails an investment of SEK 1,600 million. A ten-year agreement was signed with SEB in the quarter, which means that 43% of the Kaj 16 property has already been let by the start of construction. Occupancy is planned for summer 2027.

In total, leases have been signed in major ongoing projects equivalent to SEK 400 million in annual rent. The total contracted annual rent for these projects when fully let amounts to SEK 550 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 619 million compared with SEK 711 million at the end of 2022. The change was attributable to the value decrease in residential development rights.

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 ²⁾
Stockholm	Sergelgatan	1,925	1,779	92	15,500	Q2 2021	87	May 2023	Gold
Gothenburg	Kaj 16	1,600	0	0	30,000	Q2 2027	43	May 2027	Platinum
Uppsala	Lumi	740	374	51	15,000	Q2 2024	76	Dec 2024	Platinum
Stockholm	Sperlingens Backe 47	690	317	46	8,500	Q2 2024	96	Jan 2024	Platinum
Stockholm	Hästkön 9	570	80	14	9,100	Q4 2024	63	Dec 2024	Platinum
Stockholm	Hötorgshus 2	460	365	79	8,000	Q1 2023	21	Sep 2023	Platinum
Stockholm	Sperlingens Backe 45	430	421	98	3,700	Q1 2023	85	Apr 2023	Gold
Gothenburg	Kronhusgatan	90	11	12	2,540	Q3 2024	100	Jul 2024	Gold
Total major property projects		6,505	3,347	51	92,340		64		
Other projects		2,397	985						
Total		8,902	4,332						

1) Calculated based on area.

2) Forecast at completion.

Deferred tax

On 30 June 2023, the deferred tax liability was SEK 26,838 million, compared with SEK 28,212 million at year-end 2022. The deferred tax liability pertained primarily to investment properties. The change in tax liabilities was due to the period's unrealised value decreases 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

Through strengthening its A3 rating from Moody's and due to its close links to state ownership, Vasakronan has continued to have good access to financing during the period. Vasakronan issued debt for a total of SEK 5.5 billion (9.5) in the bond market to investors from the Nordic region and Asia. Vasakronan has bonds denominated in eight currencies and 36% (36) of the total liability at the end of the period consisted of borrowing in currencies other than SEK. The change in value on foreign currency borrowings is recognised against interest-bearing liabilities in the balance sheet. At the end of the period, the negative value of foreign currency borrowings amounted to SEK 1,112 million (negative: 1,654) resulting in the carrying amount exceeding the nominal amount. Borrowing in foreign currencies is fully hedged through cross-currency basis swaps, which eliminate currency risk during the tenor of the loans. A corresponding positive value can thus also be found in the balance sheet in underlying derivatives.

No new bank borrowings were raised in the period (2.3) and, at the end of the period, secured bank loans amounted to 5% (5) of the company's total assets.

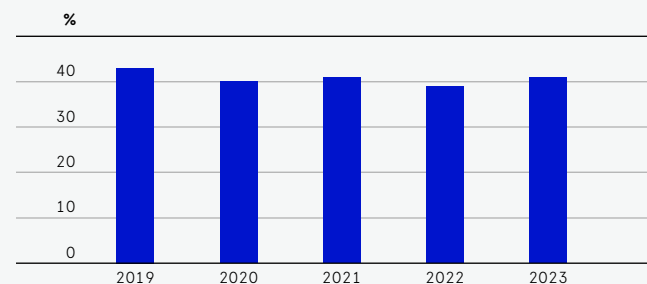
At the end of the period, interest-bearing liabilities amounted to SEK 77,230 million, compared with SEK 77,425 million at year end. After deduction of cash and cash equivalents, net debt at the end of the year-earlier period amounted to SEK 74,288 million, compared with SEK 74,441 million at the end of 2022.

The loan-to-value ratio was 41% at the end of the period compared with 40% at year-end 2022. Fixed-interest maturity within 12 months amounted to 26% (29) of interest-bearing

liabilities at period end, while the average fixed-interest tenor amounted to 3.7 years (4.0). The increase in variable market interest rates has resulted in the average interest rate for loans and derivatives increasing to 2.6% at the end of the period, compared with 2.1% at year-end 2022.

To minimise financing risk and secure its access to capital, the company has a credit facility with its owners, namely the First, Second, Third and Fourth Swedish national pension funds, that totals 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 2,942 million (2,984) and the unutilised credit facility from the owners together correspond to 176% (192) of loans maturing over the next 12 months. The average loan-to-maturity, including the above credit facilities, had increased to 5.5 years (5.7) at the end of the period.

Stable loan-to-value ratio



On 30 June.

Fixed-interest tenors and loan-to-maturity

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0–1 year	20,264	26	11,927	15
1–2 years	3,820	5	10,451	14
2–3 years	2,943	4	7,615	10
3–4 years	17,953	23	8,762	11
4–5 years	13,598	18	9,314	12
5–6 years	10,200	13	5,586	7
6–7 years	5,200	7	4,866	6
7–8 years	750	1	4,312	6
8–9 years	0	0	2,713	4
9–10 years	199	0	3,155	4
10 years or more	2,303	3	8,528	11
Total	77,230	100	77,230	100

Breakdown of funding sources

SEK m	Carrying amount, SEK m	Share, %
Commercial paper	4,213	6
Bonds, SEK	28,052	36
Bonds, NOK	11,865	15
Bonds, EUR, AUD, USD, HKD, CHF, JPY	15,843	21
Secured bank loans	11,131	14
NIB and EIB	6,126	8
Total	77,230	100

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Green financing

In 2013, Vasakronan issued the world's first green corporate bond, and in 2018 we issued the world's first green commercial paper. The company is Sweden's largest issuer of green corporate bonds and green commercial paper, and all borrowing during the period has been green. At the end of the period, the volume of green bonds amounted to SEK 47,341 million (44,835) and green commercial paper totalled SEK 4,213 million (4,364).

The volume outstanding of green loans with the Nordic Investment Bank and the European Investment Bank totalled SEK 6,126 million (6,396) at the end of the period, and green secured bank loans amounted to SEK 5,603 million (5,603).

The percentage of green financing, consisting of green bonds, green commercial paper and green bank loans, amounted to 82% (82) 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 180–188 of Vasakronan's 2022 Annual Report.

Green financing under the framework

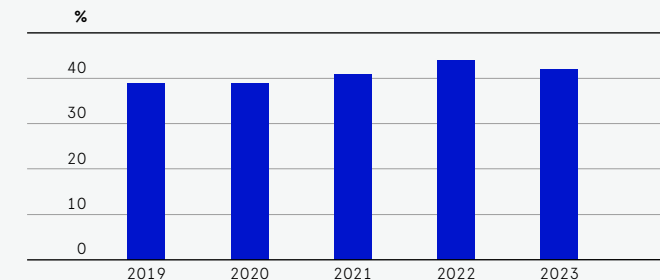
	Amounts in SEK million
Green commercial paper	4,213
Green bonds, SEK	28,058
Green bonds, NOK	7,433
Green bonds, EUR, AUD, USD, HKD, CHF, JPY	11,850
Total volume of Green Finance Instruments	51,554
Total volume of Green Assets – Green Pool	58,639
Remaining approved borrowing capacity	7,085

Equity

Equity decreased to SEK 85,205 million as of 30 June 2023, compared with SEK 89,767 million at year-end 2022. Comprehensive income for the year amounted to a loss of SEK 4,562 million, compared with income of SEK 13,618 million for the corresponding year-earlier period. The minority share of equity amounted to a negative SEK 11 million, compared with a negative SEK 9 million at year-end 2022.

At the end of the period, the equity/assets ratio was 42% compared with 43% at year-end 2022.

Stable equity/assets ratio



On 30 June.

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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
Equity, opening balance on 1 Jan 2022	4,000	4,227	77,057	85,284	6	85,290
Profit/loss for the period	–	–	8,468	8,468	–3	8,465
Other comprehensive income	–	–	25	25	0	25
<i>Comprehensive income for the period</i>	–	–	<i>8,493</i>	<i>8,493</i>	–3	<i>8,490</i>
<i>Transactions with owners</i>						
Non-controlling interests	–	–	–	–	–12	–12
Dividend	–	–	–4,000	–4,000	–	–4,000
Equity, closing balance on 31 Dec 2022	4,000	4,227	81,550	89,777	–9	89,767
Equity, opening balance on 1 Jan 2023	4,000	4,227	81,550	89,777	–9	89,767
Profit/loss for the period	–	–	–4,562	–4,562	–2	–4,560
Other comprehensive income	–	–	–	0	–	0
<i>Comprehensive income for the period</i>			<i>–4,562</i>	<i>–4,562</i>	–2	<i>–4,560</i>
<i>Transactions with owners</i>						
Non-controlling interests	–	–	–	–	–	–
Dividend	–	–	–	–	–	–
Equity, closing balance on 30 Jun 2023	4,000	4,227	76,988	85,216	–11	85,205

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Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Operating activities						
Operating surplus	3,311	2,899	1,691	1,499	6,380	5,968
Central administration	-60	-56	-37	-28	-120	-116
Add back amortisation and depreciation	21	15	11	8	51	45
Adjustment for other non-cash items	1	6	1	0	1	6
Cash flow from operating activities before interest and tax	3,273	2,864	1,666	1,479	6,312	5,903
Interest paid ¹⁾	-1,099	-684	-614	-354	-1,833	-1,418
Interest received	40	2	19	1	65	27
Taxes paid	-120	-120	-60	-60	-240	-240
Cash flow before changes in working capital	2,094	2,062	1,011	1,066	4,304	4,272
Increase (-)/decrease (+) in operating receivables	-677	-20	-2	284	-705	-48
Increase (+)/decrease (-) in operating liabilities	422	-309	-137	-421	943	212
Cash flow from operating activities	1,839	1,733	872	929	4,542	4,436
Investing activities						
Investments in existing properties	-1,288	-1,066	-748	-530	-2,588	-2,366
Property acquisitions	0	0	0	0	0	0
Property divestments	0	-1	0	-1	544	543
Other PPE, net	-12	-14	-5	-8	-85	-87
Acquisition of intangible assets	-4	-3	-1	-3	-4	-3
Disposals of net assets in Group companies	0	18	0	0	0	18
Transactions with associates and joint ventures	0	-18	0	0	125	107
Other financial assets, net	0	-2	0	0	-2	-4
Cash flow from investing activities	-1,304	-1,086	-754	-542	-2,010	-1,792
Cash flow after investing activities	535	647	118	387	2,532	2,644

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Financing activities						
Dividend	0	-4,000	0	-4,000	0	-4,000
Raised debt: interest-bearing liabilities	15,498	25,208	8,998	15,967	30,111	39,821
Repayment of debt: interest-bearing liabilities	-15,199	-20,344	-8,668	-10,185	-33,026	-38,171
Change in collateral	-868	-1,004	413	-1,615	-497	-633
Redemption of financial instruments	-8	-3	-8	0	-203	-198
Transactions with non-controlling interests	0	0	0	0	0	0
Cash flow from financing activities	-577	-143	735	167	-3,615	-3,181
Cash flow for the period	-42	504	853	554	-1,083	-537
Opening balance, cash and cash equivalents	2,984	3,521	2,089	3,471	4,025	3,521
Cash flow for the period	-42	504	853	554	-1,083	-537
Closing balance, cash and cash equivalents	2,942	4,025	2,942	4,025	2,942	2,984

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

Comments to the consolidated cash-flow statement

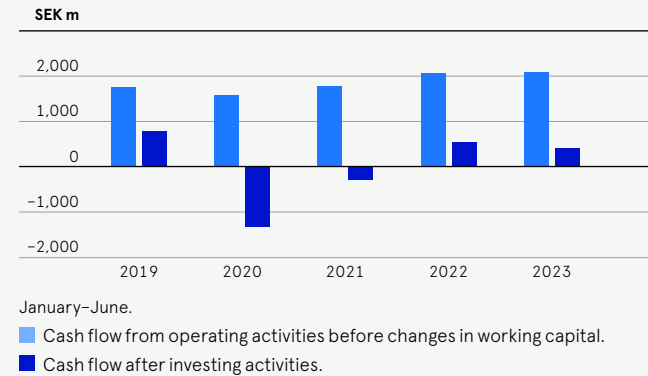
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Cash flow from operating activities before changes in working capital increased to SEK 2,094 million (2,062) as a result of a higher operating surplus.

During the period, investments in existing properties amounted to SEK -1,288 million (-1,066). Cash flow after investing activities increased to SEK 535 million (647).

In total, net borrowing for the period amounted to SEK 299 million (4,864). Altogether, during the period, cash and cash equivalents decreased SEK 42 million (increase: 504) and totalled SEK 2,942 million compared with SEK 4,025 million at the end of the year-earlier period and SEK 2,984 million at the end of 2022.

Strong cash flow from operating activities



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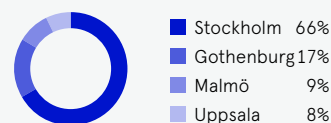
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Total Vasakronan

January–June	2023	2022
Market value of properties, SEK m	181,926	195,809
Rental revenue, SEK m	4,504	3,892
Operating surplus, SEK m	3,311	2,899
Surplus ratio, %	74	74
Occupancy rate, %	92	92
Number of properties	166	168
Area, thousand sq. m.	2,393	2,426
Environmental certification in the investment portfolio based on market value, %	94	94

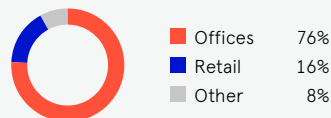
Contracted rent by geographic market

Pertains to share of contracted rent



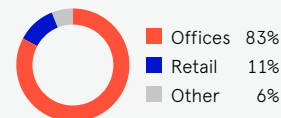
Contracted rent by property type

Pertains to share of contracted rent



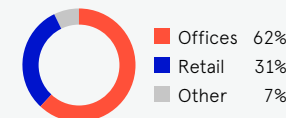
Stockholm

2023	2022
125,659	135,056
2,938	2,524
2,180	1,919
74	76
91	91
76	78
1,403	1,416
96	94



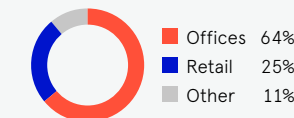
Gothenburg

2023	2022
31,584	35,007
808	692
596	514
74	74
92	93
34	34
447	447
85	96



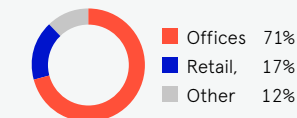
Malmö

2023	2022
13,295	14,024
418	375
296	255
71	68
91	93
31	31
299	299
100	100



Uppsala

2023	2022
11,388	11,722
340	301
239	211
70	70
95	94
25	25
244	264
90	83



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Income statement

Amounts in SEK million	Jan–Jun 2023	Jan–Jun 2022
Net sales	382	286
Operating expenses	-463	-368
EBIT	-81	-82
Financial items		
Profit from participations in subsidiaries	6,549	13,075
Net interest	-84	-101
Change in value of financial instruments	-255	1,763
Profit before tax	6,129	14,655
Tax	55	37
Profit/loss for the period	6,184	14,694

Statement of comprehensive income

Profit for the period recognised in profit or loss	6,184	14,694
Other comprehensive income	–	–
Total comprehensive income for the period	6,184	14,694

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 382 million (286), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered.

The value change in derivatives amounted to a negative SEK 255 million (positive: 1,763), which was due to the decline in long market interest rates and energy prices in the period. Profit before tax thus amounted to SEK 6,129 million (14,655). Closing cash and cash equivalents amounted to SEK 2,937 million (2,975).

Balance sheet

Amounts in SEK million	30 Jun 2023	31 Dec 2022
ASSETS		
Non-current assets		
Equipment	107	113
Shares and participations in subsidiaries	37,586	37,586
Receivables from subsidiaries	50,469	50,469
Derivatives	6,127	6,153
Non-current receivables	2,140	1,426
Total non-current assets	96,430	95,768
Current assets		
Accounts receivable	4	0
Receivables from subsidiaries	16,097	9,974
Receivables from joint ventures	71	41
Derivatives	43	255
Current receivables	1,118	916
Cash and cash equivalents	2,937	2,975
Total current assets	20,270	14,161
TOTAL ASSETS	116,700	109,929
EQUITY AND LIABILITIES		
Equity	29,959	23,775
Untaxed reserves	1,122	1,122
Liabilities		
Interest-bearing liabilities	77,231	77,425
Derivatives	4,423	3,892
Deferred tax liability	131	182
Non-interest-bearing liabilities	1,140	1,257
Liabilities to subsidiaries	2,694	2,276
Total liabilities	85,619	83,032
TOTAL EQUITY AND LIABILITIES	116,700	109,929

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Personnel

The number of employees at the end of the period was 295, compared with 294 at the end of 2022.

Risks and uncertainties

Geopolitical uncertainty, soaring inflation and 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, at the same time as 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 2022 Annual Report. The company's risks are described in the 2022 Annual Report on pages 84–90.

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 116 of Vasakronan's 2022 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 126 of Vasakronan's 2022 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, unchanged compared with year-end 2022.

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 the income and cash-flow statements pertain to the corresponding amounts for the same period last year. Comparative figures in the balance sheet pertain to the corresponding amounts at year-end 2022. 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 2022 Annual Report, pages 104–127.

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 105 of Vasakronan's 2022 Annual Report.

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New standards and interpretations

The amendment to IAS 12, pertaining to deferred tax on leases, entered force on 1 January 2023 and means that companies that apply IFRS in their consolidated financial statements must recognise deferred tax on all temporary differences. The amendment has only a marginal impact on the financial statements. At present, other new and amended standards and interpretations as endorsed by the EU are not assessed as having any material impact on Vasakronan's earnings or financial position.

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 24 also includes a breakdown of specific performance measures where this is required.

Significant events after the end of the period

There were no significant events after the end of the period.

Johanna Skogestig

Chief Executive Officer

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

For more information about this interim report, please contact:

Christer Nerlich, *Chief Financial Officer*

Telephone: +46 (0)8 566 205 40, E-mail: christer.nerlich@vasakronan.se

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	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Property-related information						
Closing occupancy rate, %	91.5	91.6	91.5	91.6	91.5	91.2
Surplus ratio, %	74	74	74	75	73	73
Investments in existing projects, SEK m	1,288	1,066	748	530	2,588	2,366
Property acquisitions, SEK m	0	0	0	0	0	0
Property divestments, SEK m	0	-1	0	-1	-542	-543
Net investments, SEK m	1,288	1,065	748	529	2,046	1,823
Closing market value of property, SEK m	181,925	195,809	181,925	195,809	181,925	188,317
Closing area, thousand sq. m.		2,426		2,426		2,398
Closing number of properties	166	168	166	168	166	166
Environmental certification, of investment portfolio, share of market value, %	94	94	94	94	94	93
Energy intensity on closing date, kWh/sq. m., rolling 12 months	74	78	74	78	74	75

	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
Financial metrics						
EBITDA margin, %	70	71	71	72	71	71
Interest coverage ratio, multiple	3.8	5.4	3.7	5.4	4.0	4.8
Closing equity/assets ratio, %	42	44	42	44	42	43
Closing loan-to-value ratio, %	41	39	41	39	41	40
Fixed-interest tenor ¹⁾ , years	3.7	4.0	3.7	4.0	3.7	4.0
Loan-to-maturity ¹⁾ , years	5.5	5.5	5.5	5.5	5.5	5.7
Closing EPRA NRV ¹⁾ , SEK m	108,395	120,777	108,395	120,777	108,395	113,542
Closing EPRA NTA ¹⁾ , SEK m	99,700	111,228	99,700	111,228	99,700	104,406
Closing EPRA NDV ¹⁾ , SEK m	88,411	96,714	88,411	96,714	88,411	93,121
Closing average interest rate, %	2.6	1.5	2.6	1.5	2.6	2.1
Closing net interest-bearing liabilities, SEK m	74,288	75,604	74,288	75,604	74,288	74,441
Cash flow before changes in working capital, SEK m	2,094	2,062	1,011	1,066	4,304	4,272
Net interest-bearing liabilities/EBITDA ²⁾	–	–	–	–	12.0	12.8
Other						
Closing number of employees	295	283	295	283	295	294

1) Last day in the period.

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

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	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
1. EPRA NRV, SEK m						
Equity	85,205	94,896	85,205	94,896	85,205	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,903	-1,901	-1,903	-1,901	-1,901
Add back derivatives	-1,747	-1,834	-1,747	-1,834	-1,747	-2,536
Add back recognised deferred tax	26,838	29,618	26,838	29,618	26,838	28,212
	108,395	120,777	108,395	120,777	108,395	113,542
2. EPRA NTA, SEK m						
Equity	85,205	94,896	85,205	94,896	85,205	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,903	-1,901	-1,903	-1,901	-1,901
Add back other intangible assets	-118	-115	-118	-115	-118	-117
Add back derivatives	-1,747	-1,834	-1,747	-1,834	-1,747	-2,536
Add back recognised deferred tax	26,838	29,618	26,838	29,618	26,838	28,212
Deferred tax at fair value ¹⁾	-8,577	-9,434	-8,577	-9,434	-8,577	-9,019
	99,700	111,228	99,700	111,228	99,700	104,406
3. EPRA NDV, SEK m						
Equity	85,205	94,896	85,205	94,896	85,205	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,903	-1,901	-1,903	-1,901	-1,901
Adjustment of interest-bearing liabilities to fair value	5,115	3,721	5,115	-3,721	5,115	5,255
	88,411	96,714	88,411	96,714	88,411	93,121
4. EBITDA, SEK m						
Operating surplus	3,311	2,899	1,691	1,499	6,380	5,968
Central administration	-60	-57	-37	-29	-119	-116
Transactions with associates and joint ventures	0	0	0	0	107	107
Ground rents and land leases	-83	-83	-41	-41	-167	-167
	3,168	2,759	1,613	1,429	6,201	5,792

	Jan–Jun 2023	Jan–Jun 2022	Apr–Jun 2023	Apr–Jun 2022	Jul 2022– Jun 2023	Jan–Dec 2022
5. EBITDA margin, %						
Rental revenue	4,504	3,892	2,283	1,990	8,779	8,167
EBITDA	3,168	2,759	1,613	1,429	6,201	5,792
	70	71	71	72	71	71
6. Interest coverage ratio, multiple						
EBITDA	3,168	2,759	1,613	1,429	6,201	5,792
Net financial items	-841	-508	-432	-265	-1,541	-1,208
	3.8	5.4	3.7	5.4	4.0	4.8
7. Net interest-bearing liabilities, SEK m						
Non-current interest-bearing liabilities	65,303	64,676	65,303	64,676	65,303	66,484
Current interest-bearing liabilities	11,927	14,953	11,927	14,953	11,927	10,941
Cash and cash equivalents	-2,942	-4,025	-2,942	-4,025	-2,942	-2,984
	74,288	75,604	74,288	75,604	74,288	74,441
8. Loan-to-value ratio, %						
Net interest-bearing liabilities	74,288	75,604	74,288	75,604	74,288	74,441
Fair value of investment properties	181,926	195,809	181,926	195,809	181,926	188,317
	41	39	41	39	41	40

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

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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.

Income from property management

Profit after net financial items excluding changes in value, tax and interest expenses from associated companies and joint ventures.

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.

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Interim report Jan-Sep 2023	27 October 2023
Year-end report 2023	5 February 2024
Annual Report 2023	March 2024

ANNUAL GENERAL MEETING

Annual General Meeting	26 April 2024
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Vasakronan in brief

Vasakronan is Sweden's leading property company. The property portfolio comprises 166 properties with a total area of about 2.4 million square metres and a market value of SEK 182 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