

Interim Report

January–September 2023

Q3

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- > Rental revenue increased 13% (9) to a total of SEK 6,826 million (6,024). The increase was primarily due to indexing. In comparable property holdings, the increase in rental revenue was 11% (6).
- > New lettings were contracted corresponding to 85,000 square metres (124,000) and an annual rent of SEK 438 million (741). Net lettings amounted to a negative SEK 79 million (positive: 278) for the period and a negative SEK 85 million (positive: 341) for the rolling 12-month period.
- > Renegotiations were completed in the period corresponding to an annual rent of SEK 1,046 million (802), with an average price change of 2% above index (6).
- > The occupancy rate was 91.1% at the end of the period, compared with 91.2% at the end of 2022.
- > Operating surplus increased 16% (7) to a total of SEK 5,110 million (4,411). For comparable property holdings, the increase was 13% (3).
- > Net financial items deteriorated to an expense of SEK 1,294 million (expense: 827), due to higher interest rates during the period.
- > The LTM interest coverage ratio decreased to a multiple of 3.8 (5.3) due to the deterioration in net financial items.
- > Income from property management amounted to SEK 3,608 million (3,379), up 7% (7).
- > The change in the property value amounted to a decrease of SEK 9,160 million (increase: 11,028) for the period, corresponding to a decline in value of 4.8% (increase: 6.1). 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 181 billion.
- > The value change in financial instruments amounted to a decrease of SEK 855 million (increase: 1,715).
- > Profit after tax amounted to a loss of SEK 5,209 million (profit: 12,786).

Rental revenue Operating surplus Income from property management Occupancy rate

+13% **+16%** **+7%** **91%**

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022–Sep 2023	Jan–Dec 2022
Rental revenue	6,826	6,024	2,322	2,132	8,969	8,167
Operating surplus	5,110	4,411	1,799	1,512	6,667	5,968
Net financial items	-1,294	-827	-453	-319	-1,675	-1,208
Profit after net financial items	3,502	3,352	1,264	1,129	4,483	4,333
Income from property management	3,608	3,379	1,278	1,127	4,709	4,481
Change in value of investment properties	-9,160	11,028	-1,481	-2,140	-15,271	4,917
Profit after tax	-5,209	12,786	-647	-832	-9,530	8,465
Cash flow from operating activities	3,177	3,003	1,338	1,270	4,610	4,436
Cash flow after investing activities	1,228	1,673	693	1,026	2,199	2,644
Market value of properties	181,088	194,037	181,088	194,037	181,088	188,317
Occupancy rate, %	91.1	90.8	91.1	90.8	91.1	91.2
Surplus ratio, %	75	73	77	71	74	73
Closing average interest rate, %	2.7	2.0	2.7	2.0	2.7	2.1
Interest coverage ratio, multiple	3.8	5.2	3.8	4.9	3.8	4.8
Loan-to-value (LTV) ratio, %	41	39	41	39	41	40
Closing EPRA NRV, SEK m	107,832	119,003	107,832	119,003	107,832	113,542
Closing EPRA NTA, SEK m	99,316	109,540	99,316	109,540	99,316	104,406
Closing EPRA NDV, SEK m	87,808	96,425	87,808	96,425	87,808	93,121
Environmental certification of investment portfolio, share of market value, %	94	96	94	96	94	93
Energy intensity on closing date, kWh/sq. m., rolling 12 months	73	77	73	77	73	75

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The operating environment remains turbulent, which is creating uncertainty among businesses as well as individuals, and while inflation is showing signs of slowing down, interest rates remain high. This combined with a weakening economy means that more people are beginning to adapt their decisions and behaviour to the new conditions now prevailing. We have noted this in our operations and in dialogues with our office and retail customers, and are responding to the signals and trends that we're seeing.

Positive income from property management

Despite a turbulent market, we continue to increase our cash flow and posted a positive performance in income from property management. This was due to the strong rent trend in combination with relatively stable net interest and a correctly positioned property portfolio. Completed projects also contributed to increased income and the operating surplus rose 16% for the entire property portfolio. The same trend was noted for comparable property holdings where the operating surplus increased 13%.

At the same time, we are noting greater caution among more companies and a slight slowdown in the market, particularly after the summer. Uncertainty regarding the economy, in combination with increased hybrid work, makes it more difficult for companies to define their future office needs and the number of dialogues with existing as well as new tenants is growing. Many customers also need guidance regarding how to design the best possible workplaces for increasing employee productivity and attracting talent. We note this primarily through the

high willingness to pay for top-notch premises and due to our know-how as an advisor on workplace strategy experiencing unprecedented demand and appreciation.

The turbulent operating environment is affecting street-level operations the most. That is why we are focusing on different ways to develop our streets and areas with the goal of creating safe, attractive places, which is having results. One example of this is Sergelgatan and Sergelterrassen in Stockholm, which have now been revitalised after a comprehensive upgrade and are busy once again.

Project development according to plan

Project development remains an important part of our operations and all of our ongoing plans are progressing according to plan. In Gothenburg, the development of Lilla Bommen continues. Groundworks and pile foundations are currently ongoing for the construction of Kaj 16, but we are also preparing for the next stage on the other side of the bridge, the Älvporten project.

In the most central parts of Stockholm, comprehensive renovations are ongoing of two of our historic properties, Hästskopalatset on Hamngatan and Grev Tureplan on Birger Jarlsgatan. Both projects have a high occupancy rate and will be ready for occupancy in 2024. Many of us look forward to when it is time to take down the scaffolding, fill the building with people and bring life and activity back to the street!



“We continue to increase our cash flow and posted a positive performance in income from property management.”

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Continued access to financing

After the summer, the bond market opened up to more property companies, which is positive for the sector as a whole. We have good access to capital and all SEK 6.6 billion of the borrowing during the period was completed in the capital market. With few maturities in the near future, our financial situation looks good. Our assessment is that there is considerable risk of continued volatility, which is why we are refinancing our bonds maturing in 2024 ahead of time. A relatively low loan-to-value ratio in combination with a stable cash flow means that the interest coverage ratio is 3.8x for the quarter as well as the rolling 12-month period.

Cautious transaction market

The volatile capital and financing market had a major impact on property companies and the willingness to invest. Together with higher interest rates, this has resulted in a cautious transaction market with noticeably lower activity and fewer transactions than the previous year. This makes it difficult to carry out fair market valuations for properties in general and the uncertainty interval is therefore larger than usual.

Our property portfolio is valued externally every full year and mid-year, and internally valued in other quarters. Since the end of last year, the value has decreased 4.8%, of which 0.8% pertained to the third quarter. This was largely due to higher yield requirements and the average valuation yield now amounts to 4.2%. It is 53 basis points higher compared with the peak prices we saw in valuations mid-2022.

Despite the prevailing uncertainty in the market, most agree that Vasakronan's properties and locations are those that perform best in these conditions. This is an opinion I share and I'm confident that the quality of our property portfolio will remain high and that we are well-positioned in this market and for the future.

Sustainability in focus

One of the most important issues within the framework for our social responsibility is to prevent accidents at our construction sites. That is why I participated in Håll Nollan's annual safety push on 19 September. Håll Nollan is the industry's initiative intended to achieve zero accidents in the construction industry and Vasakronan participated at four projects: Hästskopalatset and Grev Tureplan in Stockholm, Lumi in Uppsala and Kaj 16 in Gothenburg.

The long progress we have made in sustainability was confirmed in the recent presentation of GRESB, the Global Real Estate Sustainability Benchmark. Vasakronan was assessed in two categories, Existing Properties and Project Development, in the office and retail segments. In the highly competitive Project Development category, we were once again named a global sector leader. The high percentage of environmentally certified properties together with our systemic work with energy savings are two of the areas where we scored very highly.

In conclusion

We are delivering strong results for the underlying operations. At the same time, it is clear that market conditions will remain turbulent and that we are facing a recession. We are well-prepared for this and, over the long term, I have no doubt about Vasakronan's position or direction. We have high-quality premises in locations that are in demand and an organisation that is well-equipped at every level to support customers in times of change. I therefore have every confidence in our ability going forward to continue to create value for our owners, customers and society at large.

Stockholm, 27 October 2023

Johanna Skogestig,
Chief Executive Officer

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Improved income from property management

Income from property management increased 13% to SEK 1,278 million (1,127). The improvement was due to higher rental revenue as a result of indexing, which exceeded increases in operating and interest expenses. This resulted in a stable interest coverage ratio of 3.8x.

New lettings, renegotiations and net lettings

During the quarter, new lettings corresponding to 19,000 square metres (35,000) and annual rent of SEK 96 million (222) were signed.

A six-year lease was signed with a government agency for 5,700 square metres at the Bärnstenen property in Gothenburg. Bärnstenen is in the area around Ullevi and in close proximity to properties where the agency already leases premises. In Stockholm, the European Commission and the European Parliament signed a joint ten-year agreement for 1,400 square metres at the Pennfåktaren 11 property on Vasagatan.

Notices to vacate corresponding to annual rent of SEK 79 million (135) were received during the quarter. Net lettings for the quarter thus amounted to SEK 17 million (86).

Renegotiations were also completed in the quarter corresponding to 46,000 square metres (60,000), an annual rent of SEK 198 million (200) and an average contract length of 2.8 years. The result of renegotiations for the quarter amounted to 1% (5) over index.

At the Sejlaren 7 property in Stockholm, Visita has extended its lease of nearly 2,000 square metres for three years and, at Svea Artelleri in Stockholm, SATS has signed a ten-year extension of its lease for approximately 2,100 square metres.

Completed projects

The Sergelgatan and Sperlingens Backe 45 projects in Stockholm were completed during the quarter. The redevelopment of Sergelgatan includes the lower storeys of Hötorgshus 1–4 and a total investment of SEK 1,925 million. The redevelopment has upgraded the premises as well as the street level for a mix of experience concepts, food, meeting spaces and shopping as well as entirely new office premises. The development of Sergelgatan, Stockholm's first pedestrian street, was carried out in collaboration with the City of Stockholm.

As a part of the development of Sergelgatan, Sergel Conference opened in the lower storeys of Hötorgshus 1–4 during the quarter. The conference centre comprises over 1,000 square metres allocated across 14 rooms of various sizes.

The Sperlingens Backe 45 property is by Stureplan and is part of the upgrade and redevelopment now being carried out of the entire block. The investment amounted to SEK 430 million with an occupancy rate of 85% at completion. Tenants include the well-renown restaurant Sturehof, which was able to continue its operations throughout the project.

Taking initiative for a safe construction industry

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 September, which was a demonstration for an accident-free construction industry. The goal of the safety push is to send a strong, united signal to the entire construction industry that we are to achieve our vision and reduce construction site injuries to zero. By showcasing good examples from daily operations and sharing experiences, Håll Nollan intends to draw

attention to how partnerships over boundaries lead to a good safety culture and safer workplaces. Vasakronan is one of the initiators of the Håll Nollan association.

Dip in property values

On 30 September 2023, the entire property portfolio had been valued internally. The change in value amounted to a decrease of SEK 1,481 million (decrease: 2,140) equivalent to a decline in value of 0.8% (decrease: 1.1). Property values decreased primarily due to upward adjustments of yield requirements due to the uncertain market conditions and rising interest rates.

Third quarter results

	Q3 2023	Q3 2022
Rental revenue, SEK m	2,322	2,132
Operating surplus, SEK m	1,799	1,512
Profit after net financial items	1,264	1,129
Income from property management	1,278	1,127
Change in value of investment properties, SEK m	-1,481	-2,140
Change in value of investment properties, %	-0.8	-1.1
Change in value of financial instruments, SEK m	-600	-48
Profit/loss after tax, SEK m	-647	-832
Cash flow from operating activities, SEK m	1,338	1,270
Cash flow	462	-158

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Weaker economy with households in focus

While inflation is decreasing, it remains high and it will probably be some time before the policy rate is lowered. In September, the National Institute of Economic Research's (NIER) assessment was that the GDP for the current year would decline 0.6% and that the recession will worsen in 2024. Deteriorated conditions for household consumption and lower demand for exports are the primary reasons. The significant slowdown in housing investment is also having a negative effect. The labour market, which has demonstrated resilience until now, is expected to gradually weaken and employment is predicted to decline in the coming year. NIER's assessment is that the economy will regain its balance in 2026.

City retail benefits from strong clothing retail

Households' increased overheads affect both purchasing power and purchasing behaviour. Consumers are increasingly choosing low prices and vintage, and are drawn in by campaigns. Vasakronan's city retail index indicates that turnover will continue to increase, but with differences between various sectors. The weak krona has led to increased tourism and cross-border retail, which benefits city retail in Vasakronan's areas. Many restaurants are still busy, even if guests tend to spend less per visit. The clothing industry, which is essential for city retail, is likely to perform relatively well due to the lack of capital-intensive purchases.

Office lettings market remains polarised

The strong, late-cyclical labour market has thus far led to a stable office lettings market. New ways of working have benefited the best locations and products, and rent for modern office buildings in Stockholm City continued to increase during

the third quarter. As the economy weakens, we can see that activity in the lettings market has slowed somewhat. Vacancies in Vasakronan's areas remain relatively unchanged, except for Gothenburg where a comprehensive new construction project has led to an increased number of vacant premises in the market.

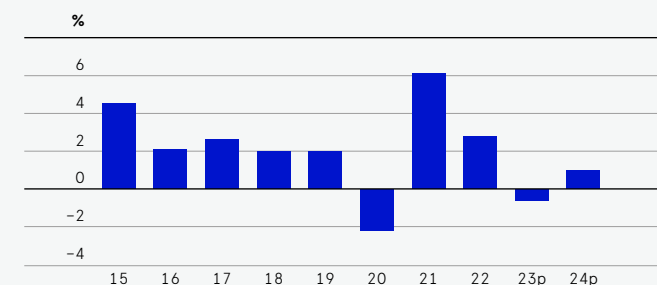
More stability in the bond market

Credit margins gradually decreased during the year, which was a contributing factor to several property companies issuing debt in the bond market during the third quarter. Property companies with lower credit ratings were also able to issue debt, unlike earlier in the year when it was primarily property companies with close ties to the state, like Vasakronan, who were active in the capital market. In total, property companies have issued bonds in the Swedish market for SEK 31 billion (46) to date this year.

Capital-strong investors cautious

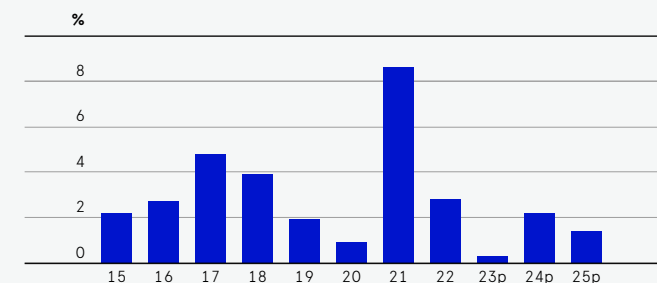
Activity is low in the Swedish investment market. Difficulty obtaining financing remains an obstacle for transactions. Those who have access to capital, such as funds and institutions, are waiting for the right moment. The transaction volume totalled SEK 19 billion (32) for the third quarter. Nearly half of the volume pertained to transactions in the Stockholm region and just under one fourth pertained to office properties. Volume for the four most recent quarters totalled SEK 110 billion, but only SEK 60 billion of that pertained to 2023. The average transaction volume during the last five years amounted to approximately SEK 230 billion per year. Swedish players were net sellers during the year.

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.

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Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
Rental revenue	6,826	6,024	2,322	2,132	8,969	8,167
Operating expenses	-662	-630	-190	-215	-896	-864
Repairs and maintenance	-96	-83	-29	-29	-130	-117
Property administration	-334	-268	-96	-78	-445	-379
Property tax	-624	-632	-208	-298	-831	-839
Total property expenses	-1,716	-1,613	-523	-620	-2,302	-2,199
Operating surplus	5,110	4,411	1,799	1,512	6,667	5,968
Central administration	-86	-83	-26	-26	-119	-116
Result from participations in associates and joint ventures	-108	-29	-16	2	-230	-151
Operating profit	4,916	4,299	1,757	1,488	6,318	5,701
Financial income	100	10	39	8	120	30
Financial expenses	-1,394	-837	-492	-327	-1,795	-1,238
Interest expense lease liability; ground rents and land leases	-120	-120	-40	-40	-160	-160
Profit after net financial items	3,502	3,352	1,264	1,129	4,483	4,333
– Of which, income from property management	3,608	3,379	1,278	1,127	4,709	4,481
Change in value of investment properties	-9,160	11,028	-1,481	-2,140	-15,271	4,917
Depreciation of right-of-use assets	-5	-5	-2	-2	-7	-7
Change in value of financial instruments	-855	1,715	-600	-48	-1,279	1,291
Impairment of goodwill	0	-2	0	-2	0	-2
Profit/loss before tax	-6,518	16,088	-819	-1,063	-12,074	10,532
Current tax	-335	-294	-98	-106	-176	-135
Deferred tax	1,644	-3,008	270	337	2,720	-1,932
Profit/loss for the period	-5,209	12,786	-647	-832	-9,530	8,465
Of which, attributable to non-controlling interests	-3	-3	-1	-1	-3	-3
Of which, attributable to the Parent Company shareholders	-5,206	12,789	-646	-831	-9,527	8,468

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
Other comprehensive income¹⁾						
<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⁾	-5,206	12,789	-646	-831	-9,502	8,493
Key metrics						
Surplus ratio, %	75	73	77	71	74	73
Interest coverage ratio, multiple	3.8	5.2	3.8	4.9	3.8	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 13% (9) to SEK 6,826 million (6,024). The increase was primarily due to indexation but also income from completed projects. Most of Vasakronan's leases include indexation clauses that primarily follow the consumer price index. Approximately two thirds of the portfolio has quarterly indexation, while the remaining portion has annual indexation. For comparable property holdings, the increase in rental revenue was 11% (6).

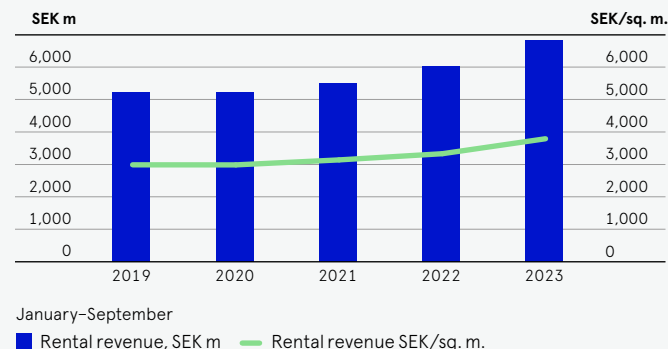
New lettings corresponding to 85,000 square metres (124,000) and an annual rent of SEK 438 million (741) were contracted in the first nine months, of which 20% (20) of the annual rents impact on revenue in 2023.

Notices to vacate corresponding to annual rent of SEK 517 million (463) were received during the period. The outcome includes some previously announced notices of termination, primarily JM's lease in Frösunda during the first quarter and Operan's and Dramaten's leases at Kvarnholmen in Nacka during the second quarter.

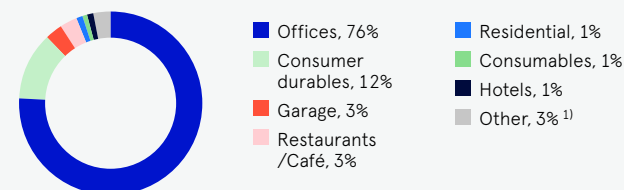
Net lettings for the period amounted to negative SEK 79 million (positive: 278). Net lettings for the rolling 12-month period amounted to a negative SEK 85 million (positive: 341), where the comparative figures were positively impacted by some major new lettings.

Lettings corresponding to 235,000 square metres (221,000) and annual rent of SEK 1,046 million (802) were renegotiated during the period. These renegotiations resulted in an increase on the previous rent payable of 2% (6) above index. The result of renegotiations for the period for office leases amounted to 4% (7) and for retail the result was a decrease of 3% (increase: 1).

Rising rental revenue



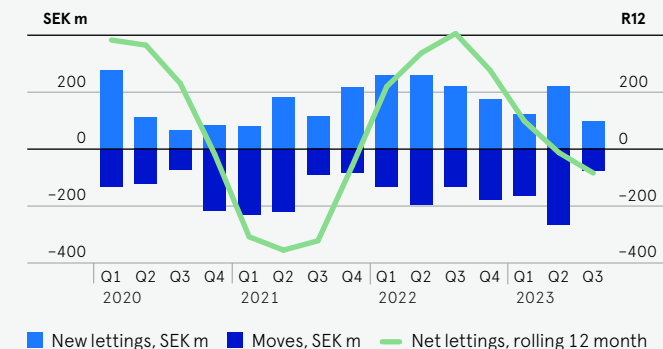
Predominantly office tenants



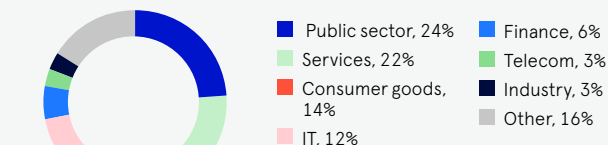
Breakdown by sector, share of contracted rent.

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 72% (71) have chosen to remain a tenant of Vasakronan.

Contracted rent at the end of the period amounted to SEK 9,341 million (8,370), of which 24% pertained to the public sector. The average remaining maturity for the entire lease portfolio was 3.3 years (3.8). For leases to the public sector, the maturity is 5.2 years (6.0).

The occupancy rate at the end of the period was 91.1%, compared with 90.8% 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, 0.5 percentage points (1.2) were attributable to ongoing project developments and development properties.

At the end of the quarter, the occupancy rate was 90.5% for offices and 94.4% for retail, compared with 90.7% and 93.6%, respectively, at the end of the year.

Property expenses

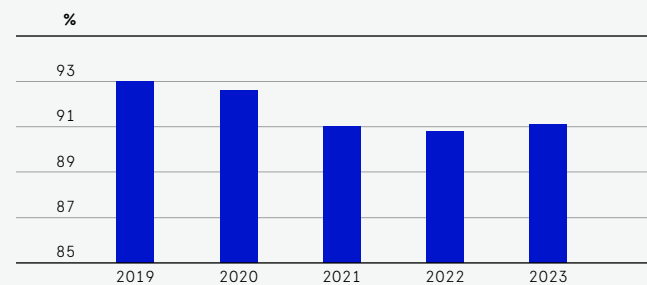
Property expenses increased 6% during the period to SEK 1,716 million (expense: 1,613). For comparable property holdings, the increase was 6% (14). Excluding property administration, costs rose 1% in comparable property holdings. The increase was primarily due to higher electricity costs, which were partially borne by tenants through additional rental charges.

Widely distributed over many tenants

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

Largest tenants, share of contracted rent.

Stable occupancy rate



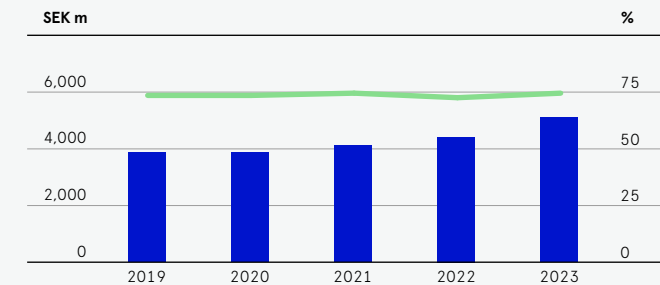
On 30 September.

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2023	302	381	4
2024	1,033	1,425	15
2025	892	1,789	19
≥2026	1,803	5,372	58
Total	4,030	8,968	96
Residential	1,169	112	1
Garage	–	261	3
Total	5,199	9,341	100

Maturity structure for contracted rent.

Improved operating surplus



On 30 September.

■ Operating surplus, SEK m — Surplus ratio, %

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Administration

Administration costs totalled SEK 420 million (expense: 351) for the period, of which property administration costs were SEK 334 million (expense: 268) and central administration costs SEK 86 million (expense: 83). The change was largely due to increased costs for marketing, business development and IT. A portion was also due to amended reporting of costs, which included 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 5,110 million (4,411). For comparable property holdings, the increase in operating surplus was 13% (3). The surplus ratio was 75%, compared with 73% last year.

The reported rolling 12-month yield amounted to 3.5% (3.3) for the total property portfolio and 3.7% (3.6) 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 108 million (loss: 29), which pertained in its entirety to the decline in value of residential development rights, including tax.

SEK m	Jan–Sep 2023	Jan–Sep 2022
Income from property management	–2	–2
Change in value	–132	–34
Tax	25	8
Other	1	–2
Total result from participations in associates and joint ventures	–108	–29

Net financial items

Net financial items for the period increased to an expense of SEK 1,294 million (expense: 827), due to higher interest rates during the period. The average interest rate for loans and derivatives increased to 2.7% (2.0) at the end of the period.

The LTM interest coverage ratio increased to a multiple of 3.8 (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.

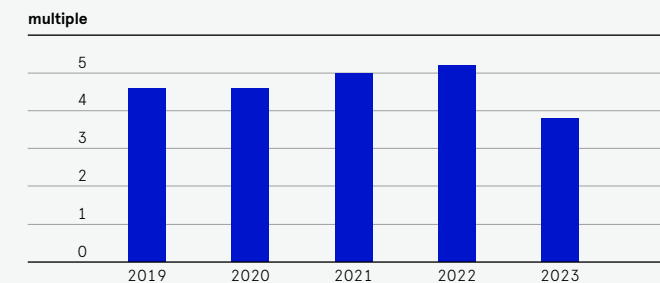
Income from property management

Income from property management increased 7% (7) to SEK 3,608 million (3,379). 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 Sep 2023
Financing risk		
Loan-to-maturity, excluding unutilised credit commitments	min. 2 years	5.1 years
Loan-to-maturity	–	5.4 years
Loans maturing, 12 months	max. 40%	17%
Credit commitments and cash/loans maturing 12 months	min. 100%	162%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	3.8x
Fixed-interest period	min. 2 years	3.5 years
Fixed-interest maturity within 12 months	max. 55%	28%
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 September, rolling 12-month period

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Change in value of investment properties

Every year and mid year, the entire property portfolio is valued by external valuation experts. The valuations are made according to RICS Red Book guidelines and MSCI Sweden Annual Property Index. Internal valuations of the entire property portfolio are carried out in other quarters, based on the most recent external valuation. On 30 September 2023, the entire property portfolio had been valued internally. Altogether, the change in the property value amounted to a decrease of SEK 9,160 million (increase: 11,028), which corresponded to a 4.8% decrease (increase: 6.1) in value for the period. The property values decreased as a result of raised assessed yield requirements due to the uncertain market.

The change in value for the investment portfolio amounted to a decrease of SEK 8,702 million (increase: 10,526), corresponding to a decrease in value of -4.8% (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 378 million (increase: 2,673), down 4.4% (up: 10.9).

The average yield requirement used for valuation of the property portfolio was 4.24%, compared with 3.95% for corresponding properties at the end of 2022. Since mid-2022, yield requirements have increased approximately 0.5 percentage points. For more information about valuation of the property portfolio, refer to page 114 in Vasakronan's Annual report.

Change in value of financial instruments

The value change in derivatives amounted to a negative SEK 855 million (positive: 1,715), which was due to the decrease in value of cross-currency derivatives as a result of the increase in some foreign market interest rates and the decline in value of electricity derivatives due to falling electricity prices.

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 91,678 million compared with SEK 82,755 million at year-end 2022, of which SEK 63,500 million (54,200) comprised interest-rate swaps and SEK 28,178 million (28,555) cross-currency basis swaps.

Tax

The Group reported a tax income of SEK 1,309 million (expense: 3,302). Of the tax, an expense of SEK 335 million (expense: 294) comprised current tax expense and SEK 1,644 million (expense: 3,008) 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 20.1% (20.5).

After an audit of the 2020 financial year, the Swedish Tax Agency decided to deny deductions for interest expenses of SEK 18 million. Vasakronan has appealed the decision to the Administrative Court.

Factors impacting value

	Value impact, %
Yield requirement	-6.71
Market rents	3.40
Vacancies and other valuation parameters, e.g., changed cost and investment assumptions	-1.51
Total	-4.82

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	-3.65	-2.51
Gothenburg	-9.42	-1.68
Uppsala	-5.25	-0.33
Malmö	-4.17	-0.30
Total		-4.82

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	-4.84	-4.62
Project developments and development properties	-4.36	-0.20
Transactions	-	0.00
Total		-4.82

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Amounts in SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	2,020	2,017	2,018
Property, plant and equipment (PPE)			
Investment properties	181,088	194,037	188,317
Right-of-use assets, leaseholds and land leases	5,157	5,152	5,150
Equipment	136	102	153
	186,381	199,291	193,620
Financial assets			
Participations in associates and joint ventures	603	833	711
Receivables from joint ventures	0	20	0
Derivatives	6,376	6,339	6,173
Other non-current receivables	2,563	1,823	1,436
Total financial assets	9,542	9,015	8,320
Total non-current assets	197,943	210,323	203,958
Current assets			
Accounts receivable	66	35	67
Receivables from joint ventures	71	1	41
Current tax assets	0	0	52
Derivatives	45	384	255
Other current receivables, prepaid expenses and accrued income	1,892	1,383	1,228
Cash and cash equivalents	3,404	3,867	2,984
Total current assets	5,478	5,670	4,627
TOTAL ASSETS	203,421	215,993	208,585

Amounts in SEK million	30 Sep 2023	30 Sep 2022	31 Dec 2022
EQUITY AND LIABILITIES			
Equity	84,558	94,064	89,767
Non-current liabilities			
Interest-bearing liabilities	63,916	64,578	66,484
Lease liability, leaseholds and land leases	5,158	5,153	5,151
Deferred tax liability	26,568	29,281	28,212
Derivatives	4,981	4,236	3,874
Other non-current liabilities	82	111	78
Provision for pensions	3	44	10
Total non-current liabilities	100,708	103,403	103,809
Current liabilities			
Interest-bearing liabilities	13,226	14,098	10,941
Accounts payable	137	27	71
Liabilities joint ventures	23	23	23
Current tax liabilities	105	35	0
Derivatives	47	46	18
Other current liabilities, accrued expenses and deferred income	4,617	4,297	3,956
Total current liabilities	18,155	18,526	15,009
TOTAL EQUITY AND LIABILITIES	203,421	215,993	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 September 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 19 million (16) invested in technical platforms was recognised as an intangible asset pertaining to investments in technical platforms in the subsidiary Idun.

Investment properties

As of 30 September 2023, Vasakronan's entire property portfolio had been valued internally. The assessed market value of the property portfolio was SEK 181,088 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 9,160 million (increase: 11,028), corresponding to a decline in value of 4.8% (increase: 6.1). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 9.9 billion/positive SEK 11.2 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 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	1,931	1,583
Acquisitions	0	0
Sales	0	-150
Change in value	-9,160	11,028
Closing value, 30 September	181,088	194,037

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 and on a market value basis, 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

As of 30 September 2023, right-of-use assets totalled SEK 5,157 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 6,450 million, of which SEK 2,443 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 58% compared with 70% at the end of 2022.

The Sperlingens Backe 45 project at Stureplan and the Sergelgatan project in central Stockholm were completed during the quarter. Sperlingens Backe 45 has been redeveloped and refurbished to new condition for a total investment volume of SEK 430 million. Sergelgatan has also undergone a complete redevelopment with upgraded premises for food, meetings and retail as well as completely new office premises and a conference facility. The total investment amounted to SEK 1,925 million.

In total, leases have been signed in major ongoing projects equivalent to SEK 313 million in annual rent. The total contracted annual rent for these projects when fully let amounts to SEK 450 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 603 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⁾
Göteborg	Kaj 16	1,600	34	2	30,000	Q2 2027	43	May 2027	Platinum
Uppsala	Lumi	740	469	63	15,000	Q2 2024	70	Dec 2024	Platinum
Stockholm	Sperlingens Backe 47	690	379	55	8,500	Q2 2024	96	Jan 2024	Platinum
Stockholm	Hästskon 9	570	117	21	9,100	Q4 2024	63	Dec 2024	Platinum
Stockholm	Hötorgshus 2	460	385	84	8,000	Q1 2023	27	Mar 2024	Platinum
Göteborg	Kronhusgatan	90	19	21	2,540	Q3 2024	100	Jul 2024	Gold
Total major property projects		4,150	1,403	34	74,140		58		
Other projects		2,300	1,040						
Total		6,450	2,443						

1) Calculated based on area.

2) Forecast at completion.

Deferred tax

On 30 September 2023, the deferred tax liability was SEK 26,568 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 6.6 billion (11.4) in the bond market to investors from the Nordic region and Asia. Vasakronan has bonds denominated in eight currencies and 37% (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 1,358 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 and, at the end of the period, secured bank loans amounted to 5% (5) of the company's total assets.

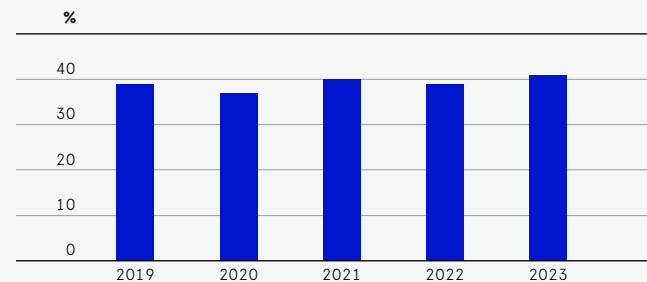
At the end of the period, interest-bearing liabilities amounted to SEK 77,142 million, compared with SEK 77,425 million at year end. After deduction of cash and cash equivalents, net debt at the end of the year-earlier period amounted to SEK 73,738 million, compared with SEK 74,441 million at the end 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 28% (29) of interest-bearing liabilities, while the average fixed-interest tenor amounted to 3.5 years (4.0). The increase in variable market interest rates has resulted in the average interest rate for loans and derivatives increasing to 2.7% 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 3,404 million (2,984) and the unutilised credit facility from the owners together correspond to 162% (192) of loans maturing over the next 12 months. The average loan-to-maturity, including the above credit facilities, had increased to 5.4 years (5.7) 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	21,612	28	13,226	17
1–2 years	3,593	5	10,286	13
2–3 years	2,450	3	5,844	8
3–4 years	21,151	27	10,302	13
4–5 years	14,800	19	8,157	11
5–6 years	9,800	13	6,394	8
6–7 years	1,000	1	4,672	6
7–8 years	250	1	3,823	5
8–9 years	0	0	2,719	4
9–10 years	204	0	4,253	6
10 years or more	2,282	3	7,465	9
Total	77,142	100	77,142	100

Breakdown of funding sources

SEK m	Carrying amount, SEK m	Share, %
Commercial paper	4,453	6
Bonds, SEK	27,390	36
Bonds, NOK	12,173	15
Bonds, EUR, AUD, USD, HKD, CHF, JPY	16,005	21
Secured bank loans	11,131	14
NIB and EIB	5,990	8
Total	77,142	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 46,897 million (44,819) and green commercial paper totalled SEK 4,453 million (4,400).

The volume outstanding of green loans with the Nordic Investment Bank and the European Investment Bank totalled SEK 5,990 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 83% (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

	Amount in SEK million
Green commercial paper	4,453
Green bonds, SEK	27,390
Green bonds, NOK	7,433
Green bonds, EUR, AUD, USD, HKD, CHF, JPY	12,074
Total volume of Green Finance Instruments	51,350
Total volume of Green Assets – Green Pool	59,017
Remaining approved borrowing capacity	7,667

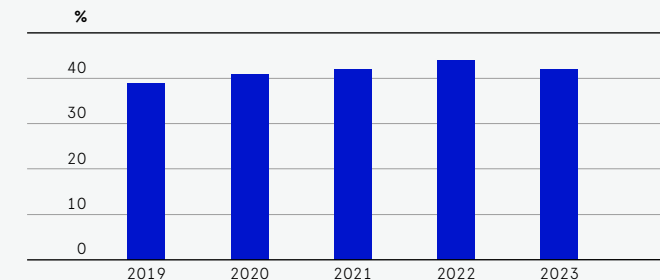
Equity

Equity decreased to SEK 84,558 million as of 30 September 2023, compared with SEK 89,767 million at year-end 2022.

Comprehensive income for the year amounted to a loss of SEK 5,206 million, compared with income of SEK 12,789 million for the corresponding year-earlier period. The minority share of equity pertains to the minority owners' holdings in the subsidiary Idun Real Estate Solutions AB and amounted to a negative SEK 12 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



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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	–	–	0	0	–12	–12
Dividend	–	–	–4,000	–4,000	0	–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	–	–	–5,206	–5,206	–3	–5,209
Other comprehensive income	–	–	0	0	0	0
<i>Comprehensive income for the period</i>	–	–	<i>–5,206</i>	<i>–5,206</i>	–3	<i>–5,209</i>
<i>Transactions with owners</i>						
Non-controlling interests	–	–	0	0	0	0
Dividend	–	–	0	0	0	0
Equity, closing balance on 30 Sep 2023	4,000	4,227	76,344	84,571	–12	84,558

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Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
Operating activities						
Operating surplus	5,110	4,411	1,799	1,512	6,667	5,968
Central administration	-86	-83	-26	-26	-119	-116
Add back amortisation and depreciation	35	22	14	7	58	45
Adjustment for other non-cash items	1	7	0	0	0	6
Cash flow from operating activities before interest and tax	5,060	4,357	1,787	1,493	6,606	5,903
Interest paid ¹⁾	-1,581	-1,034	-482	-350	-1,965	-1,418
Interest received	66	5	26	3	88	27
Taxes paid	-180	-180	-60	-60	-240	-240
Cash flow before changes in working capital	3,365	3,148	1,271	1,086	4,489	4,272
Increase (-)/decrease (+) in operating receivables	-666	-142	11	-122	-572	-48
Increase (+)/decrease (-) in operating liabilities	478	-3	56	306	693	212
Cash flow from operating activities	3,177	3,003	1,338	1,270	4,610	4,436
Investing activities						
Investments in existing properties	-1,931	-1,583	-643	-517	-2,714	-2,366
Property acquisitions	0	0	0	0	0	0
Property divestments	0	151	0	151	392	543
Other PPE, net	-14	-17	-2	-3	-84	-87
Acquisition of intangible assets	-4	-3	0	0	-4	-3
Disposals of net assets in Group companies	0	18	0	0	0	18
Transactions with associates and joint ventures	0	107	0	125	0	107
Other financial assets, net	0	-3	0	0	-1	-4
Cash flow from investing activities	-1,949	-1,330	-645	-244	-2,411	-1,792
Cash flow after investing activities	1,228	1,673	693	1,026	2,199	2,644

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
Financing activities						
Dividend	0	-4,000	0	0	0	-4,000
Raised debt: interest-bearing liabilities	19,041	31,418	3,543	6,210	27,444	39,821
Repayment of debt: interest-bearing liabilities	-19,091	-28,161	-3,892	-7,817	-29,101	-38,171
Change in collateral	-750	-566	118	438	-817	-633
Redemption of financial instruments	-8	-18	0	-15	-188	-198
Transactions with non-controlling interests	0	0	0	0	0	0
Cash flow from financing activities	-808	-1,327	-231	-1,184	-2,662	-3,181
Cash flow for the period	420	346	462	-158	-463	-537
Opening balance, cash and cash equivalents	2,984	3,521	2,942	4,025	3,867	3,521
Cash flow for the period	420	346	462	-158	-463	-537
Closing balance, cash and cash equivalents	3,404	3,867	3,404	3,867	3,404	2,984

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

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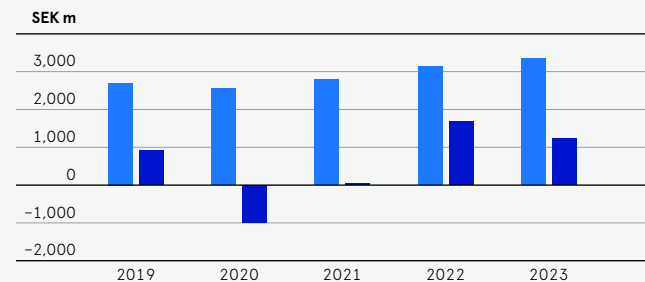
Cash flow from operating activities before changes in working capital increased to SEK 3,365 million (3,148) as a result of a higher operating surplus.

The net change in working capital for the period amounted to negative SEK 188 million (negative: 145). The increase in operating receivables amounted to negative SEK 666 million (negative: 142) and the increase in operating liabilities amounted to SEK 478 million (negative: 3). The change in both items was largely attributable to increases in property tax.

During the period, investments in existing properties amounted to SEK 1,931 million (1,583). Cash flow after investing activities increased to SEK 1,228 million (1,673).

In total, net borrowing for the period amounted to negative SEK 50 million (3,257). Altogether, during the period, cash and cash equivalents increased SEK 420 million (346) and totalled SEK 3,404 million at the end of the period, compared with SEK 3,867 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



January–September.

■ Cash flow from operating activities before changes in working capital.

■ Cash flow after investing activities.

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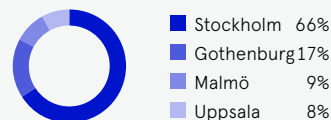
Financial Calendar

Total Vasakronan

January–September	2023	2022
Market value of properties, SEK m	181,088	194,037
Rental revenue, SEK m	6,826	6,024
Operating surplus, SEK m	5,110	4,411
Surplus ratio, %	75	73
Occupancy rate, %	91	91
Number of properties	166	167
Area, thousand sq. m.	2,393	2,404
Environmental certification in the investment portfolio based on market value, %	94	94

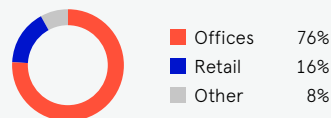
Contracted rent by geographic market

Pertains to share of contracted rent



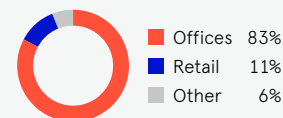
Contracted rent by property type

Pertains to share of contracted rent



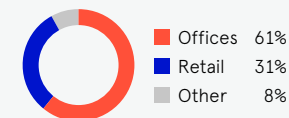
Stockholm

2023	2022
125,610	133,857
4,455	3,918
3,371	2,914
75	74
90	90
76	77
1,403	1,414
96	95



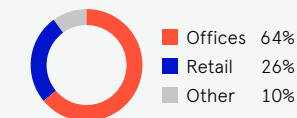
Gothenburg

2023	2022
30,741	34,693
1,226	1,066
919	780
75	73
93	92
34	34
447	447
85	97



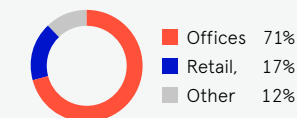
Malmö

2023	2022
13,265	13,896
631	573
450	391
71	68
91	93
31	31
299	299
100	100



Uppsala

2023	2022
11,472	11,591
514	467
370	326
72	70
94	94
25	25
244	244
98	90



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Income statement

Amounts in SEK million	Jan–Sep 2023	Jan–Sep 2022
Net sales	551	419
Operating expenses	-677	-539
EBIT	-126	-120
Financial items		
Profit from participations in subsidiaries	6,549	13,074
Net interest	-138	-150
Change in value of financial instruments	-855	1,715
Profit before tax	5,430	14,519
Tax	204	-246
Profit for the period	5,634	14,273

Statement of comprehensive income

Profit for the period recognised in profit or loss	5,634	14,273
Other comprehensive income	–	–
Total comprehensive income for the period	5,634	14,273

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 551 million (419), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered. Profit from participations in subsidiaries of SEK 6,549 million (13,074) pertained primarily to dividends.

The value change in derivatives amounted to a negative SEK 855 million (positive: 1,715), which was due to the decrease in value of cross-currency derivatives as a result of the increase in some foreign market interest rates and the decline in value of electricity derivatives due to falling electricity prices. Profit before tax thus amounted to SEK 5,430 million (14,519). Closing cash and cash equivalents amounted to SEK 3,400 million (3,857).

Balance sheet

Amounts in SEK million	30 Sep 2023	31 Dec 2022
ASSETS		
Non-current assets		
Equipment	98	113
Shares and participations in subsidiaries	37,586	37,586
Receivables from subsidiaries	50,469	50,469
Derivatives	6,376	6,173
Non-current receivables	2,554	1,426
Total non-current assets	97,083	95,768
Current assets		
Accounts receivable	2	0
Receivables from subsidiaries	15,672	9,974
Receivables from joint ventures	71	41
Derivatives	45	255
Current tax assets	296	0
Current receivables	989	916
Cash and cash equivalents	3,400	2,975
Total current assets	20,475	14,161
TOTAL ASSETS	117,558	109,929
EQUITY AND LIABILITIES		
Equity	29,408	23,775
Untaxed reserves	1,122	1,122
Liabilities		
Interest-bearing liabilities	77,142	77,425
Derivatives	5,028	3,892
Deferred tax liability	7	182
Non-interest-bearing liabilities	1,729	1,257
Liabilities to subsidiaries	3,122	2,276
Total liabilities	87,028	85,032
TOTAL EQUITY AND LIABILITIES	117,558	109,929

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Personnel

The number of employees at the end of the period was 301, 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 26. Page 25 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

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

Introduction

We have reviewed the condensed interim report for Vasakronan AB (publ) as of 30 September 2023 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 27 October 2023

Ernst & Young AB

Katrine Söderberg

Authorised Public Accountant

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	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
Property-related information						
Closing occupancy rate, %	91.1	90.8	91.1	90.8	91.1	91.2
Surplus ratio, %	75	73	77	71	74	73
Investments in existing projects, SEK m	1,931	1,583	643	517	2,714	2,366
Property acquisitions, SEK m	0	0	0	0	0	0
Property divestments, SEK m	0	-151	0	-151	-392	-543
Net investments, SEK m	1,931	1,432	643	366	2,322	1,823
Closing market value of property, SEK m	181,088	194,037	181,088	194,037	181,088	188,317
Closing area, thousand sq. m.	2,393	2,404	2,393	2,404	2,393	2,398
Closing number of properties	166	167	166	167	166	166
Environmental certification, of investment portfolio, share of market value, %	94	96	94	96	94	93
Energy intensity on closing date, kWh/sq. m., rolling 12 months	73	77	73	77	73	75

	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
Financial metrics						
EBITDA margin, %	72	72	74	74	71	71
Interest coverage ratio, multiple	3.8	5.2	3.8	4.9	3.8	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	3.5	4.0	3.5	4.0	3.5	4.0
Loan-to-maturity ¹⁾ , years	5.4	5.6	5.4	5.6	5.4	5.7
Closing EPRA NRV ¹⁾ , SEK m	107,832	119,003	107,832	119,003	107,832	113,542
Closing EPRA NTA ¹⁾ , SEK m	99,316	109,540	99,316	109,540	99,316	104,406
Closing EPRA NDV ¹⁾ , SEK m	87,808	96,425	87,808	96,425	87,808	93,121
Closing average interest rate, %	2.7	2.0	2.7	2.0	2.7	2.1
Closing net interest-bearing liabilities, SEK m	73,738	74,809	73,738	74,809	73,738	74,441
Cash flow before changes in working capital, SEK m	3,365	3,148	1,271	1,086	4,489	4,272
Net interest-bearing liabilities/EBITDA ²⁾	–	–	–	–	11.6	12.8
Other						
Closing number of employees	301	290	301	290	301	294

1) Last day in the period.

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

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	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
1. EPRA NRV, SEK m						
Equity	84,558	94,064	84,558	94,064	84,558	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,901	-1,901	-1,901	-1,901	-1,901
Add back derivatives	-1,393	-2,441	-1,393	-2,441	-1,393	-2,536
Add back recognised deferred tax	26,568	29,281	26,568	29,281	26,568	28,212
	107,832	119,003	107,832	119,003	107,832	113,542
2. EPRA NTA, SEK m						
Equity	84,558	94,064	84,558	94,064	84,558	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,901	-1,901	-1,901	-1,901	-1,901
Add back other intangible assets	-118	-116	-118	-116	-118	-117
Add back derivatives	-1,393	-2,441	-1,393	-2,441	-1,393	-2,536
Add back recognised deferred tax	26,568	29,281	26,568	29,281	26,568	28,212
Deferred tax at fair value ¹⁾	-8,397	-9,347	-8,397	-9,347	-8,397	-9,019
	99,316	109,540	99,316	109,540	99,316	104,406
3. EPRA NDV, SEK m						
Equity	84,558	94,064	84,558	94,064	84,558	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,901	-1,901	-1,901	-1,901	-1,901
Adjustment of interest-bearing liabilities to fair value	5,151	4,262	5,151	4,262	5,151	5,255
	87,808	96,425	87,808	96,425	87,808	93,121
4. EBITDA, SEK m						
Operating surplus	5,110	4,411	1,799	1,512	6,667	5,968
Central administration	-86	-83	-26	-26	-119	-116
Transactions with associates and joint ventures	0	107	0	125	0	107
Ground rents and land leases	-125	-125	-42	-42	-167	-167
	4,899	4,310	1,731	1,569	6,381	5,792

	Jan–Sep 2023	Jan–Sep 2022	Jul–Sep 2023	Jul–Sep 2022	Oct 2022– Sep 2023	Jan–Dec 2022
5. EBITDA margin, %						
Rental revenue	6,826	6,024	2,322	2,132	8,969	8,167
EBITDA	4,899	4,310	1,731	1,569	6,381	5,792
	72	72	74	74	71	71
6. Interest coverage ratio, multiple						
EBITDA	4,899	4,310	1,731	1,569	6,381	5,792
Net financial items	-1,294	-827	-453	-319	-1,675	-1,208
	3.8	5.2	3.8	4.9	3.8	4.8
7. Net interest-bearing liabilities, SEK m						
Non-current interest-bearing liabilities	63,916	64,578	63,916	64,578	63,916	66,484
Current interest-bearing liabilities	13,226	14,098	13,226	14,098	13,226	10,941
Cash and cash equivalents	-3,404	-3,867	-3,404	-3,867	-3,404	-2,984
	73,738	74,809	73,738	74,809	73,738	74,441
8. Loan-to-value ratio, %						
Net interest-bearing liabilities	73,738	74,809	73,738	74,809	73,738	74,441
Fair value of investment properties	181,088	194,037	181,088	194,037	181,088	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.

EPRA NRV

(Net Reinstatement Value), SEK m
Recognised equity, adding back goodwill, derivatives and deferred tax. The metric shows the company's EPRA NAV.

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.

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.

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.

Reported yield, %

Reported net operating income in relation to the sum of the properties' opening and closing market values divided by two.

Surplus ratio, %

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

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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 181 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