

Year-end report

January–December 2023

Q4

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarterConsolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equityConsolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

- > Rental revenue increased 12% (10) to a total of SEK 9,157 million (8,167). The increase was primarily due to indexation. In comparable property holdings, the increase in rental revenue was 10% (6).
- > New lettings were contracted corresponding to 117,000 square metres (159,000) and an annual rent of SEK 609 million (915). Net lettings amounted to a negative SEK 65 million (positive: 279) for the full year and SEK 14 million (negative: 4) for the quarter.
- > Renegotiations were completed in the year corresponding to an annual rent of SEK 1,480 million (1,078), with an average price change of 1% above index (5).
- > The occupancy rate was 90.9% at the end of the year, compared with 91.2% at the end of 2022.
- > Operating surplus increased 15% (8) to a total of SEK 6,862 million (5,968). For comparable property holdings, the increase was 12% (3).
- > Net financial items amounted to an expense of SEK 1,730 million (expense: 1,208), due to higher short interest rates during the year.
- > The interest coverage ratio for the year decreased to a multiple of 3.8 (4.8), due to higher interest expenses.
- > Income from property management amounted to SEK 4,852 million (4,481), up 8% (7).
- > The change in the property value amounted to a decrease of SEK 16,550 million (increase: 4,917) for the year, corresponding to a decline in value of 8.7% (increase: 2.8), based on the external valuation of the entire portfolio.
- > The property portfolio value at the end of the year amounted to SEK 175 billion (188).
- > The value change in financial instruments amounted to a decrease of SEK 1,720 million (increase: 1,291), attributable to the downturn in long market interest rates.
- > Profit after tax amounted to a loss of SEK 10,858 million (profit: 8,465).
- > The Board of Directors proposes to the Annual General Meeting that no dividend (0) be distributed.

Rental revenue

+12%

Operating surplus

+15%

Income from property
management

+8%

Occupancy rate

91%

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Rental revenue	9,157	8,167	2,331	2,143
Operating surplus	6,862	5,968	1,752	1,557
Net financial items	-1,730	-1,208	-436	-381
Profit after net financial items	4,645	4,333	1,143	981
Income from property management	4,852	4,481	1,243	1,101
Change in value of investment properties	-16,550	4,917	-7,390	-6,111
Profit after tax	-10,858	8,465	-5,649	-4,321
Cash flow from operating activities	4,534	4,436	1,358	1,433
Cash flow after investing activities	1,686	2,644	459	971
Market value of properties	174,569	188,317	174,569	188,317
Occupancy rate, %	90.9	91.2	90.9	91.2
Surplus ratio, %	75	73	75	73
Closing average interest rate, %	2.7	2.1	2.7	2.1
Interest coverage ratio, multiple	3.8	4.8	3.8	3.9
Loan-to-value (LTV) ratio, %	42	40	42	40
Closing EPRA NRV, SEK m	102,742	113,542	102,742	113,543
Closing EPRA NTA, SEK m	94,819	104,406	94,819	104,407
Closing EPRA NDV, SEK m	80,446	93,121	80,446	93,122
Environmental certification of investment portfolio, share of market value, %	93	93	93	93
Energy intensity on closing date, kWh/sq. m., rolling 12 months	73	75	73	75

Statement by the CEO

Statement by the CEO

Vasakronan fourth quarter

The market during the fourth quarter

Consolidated income statement

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated cash-flow statement

Segment reporting

Vasakronan AB – Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Strong income from property management

In many respects, 2023 was an eventful year. Nervous financial markets, high inflation and raised interest rates in combination with geopolitical turmoil in the operating environment have created uncertainty for many businesses and individuals.

The market changes have also affected Vasakronan and the year has been marked by high levels of activity across all parts of our operations. We have invested considerable focus on our customers, both new and existing, as well as on the management and development of our business, which has paid results. In a period in which many sectors and business models are facing challenges, our underlying operations continue to deliver stable figures and, despite increased interest expenses, our income from property management grew 8%.

Stable demand in a picky market

Demand for our office premises remains stable and the willingness to pay for premium quality offices in prime locations remains. The flight-to-quality trend continues and it is apparent that companies taking the decision to make changes are seeking something extra for their staff, both in terms of the office and in terms of the location. This pattern is clearest in the largest cities and favours companies with well-located, high-quality property portfolios, such as Vasakronan. This was also confirmed by the key metrics for the past year, in which we have once again reported strong trends both for rental revenue and for the operating surplus.

Numerous customer dialogues dominated the year and the renegotiation volume posted a historic high, corresponding to annual rent of SEK 1.5 billion. The year ended with several good lettings, including H&M, which in 2025 will once again open a store on Hamngatan in central Stockholm.

Despite a successful year for lettings, we reported negative net lettings. This was mainly attributable to a few large, but previously known, lease terminations: JM, which has notified that it will vacate its Frösunda office in 2025; and the Royal Swedish Opera and Dramaten, which will vacate their studios at Kvarnholmen in Nacka this summer. We are now continuing the development of the area, whose proximity to water makes it an ideal location for housing

The turbulent operating environment and the pressure on households' finances are particularly impacting street-level activities. Despite this, we are noting increasing turnover for many of our tenants, but also that there are substantial differences between various actors and streets. For these reasons, we continue to develop our areas with the aim of creating safe and attractive places where people thrive and want to be. This is having an effect and during the year footfall increased for several of our streets and shopping centres. Examples include Södra Förstadsgatan and Triangeln in Malmö and Fredsgatan and Nordstan in Gothenburg. In Stockholm, the change is clearest on Sergelgatan, which, following extensive refurbishment, is once again filling with people and coming to life.

Sustainable area/project development

Project operations remain an important component of our business and we are continuing work on our major urban development areas. In Gothenburg, our focus is on Lilla Bommen. Here we have completed several good lettings at the Läppstiftet and Platinan properties, but the most gratifying is the letting to SEB since it meant we could start construction of Kaj 16 in the summer. 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



“Our underlying operations continue to deliver stable figures and our income from property management grew 8%.”

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarterConsolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equityConsolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

open that district of the city to the river. With 12 of 16 floors made entirely of wood, 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.

Södra City in Uppsala is another one of our major urban transformation projects and where we are approaching the completion of Lumi, which is now essentially fully let and will be completed in 2024. It is an exciting project and one where we have successfully explored the possibilities of large-scale reuse. The concrete frame has been reused, as have materials from demolished facades, interior walls and glazing. The objective is to accelerate change in the industry with the aim of driving the market toward circular business models without sacrificing profitability and quality.

A decade of green corporate bonds

It is ten years since we issued the world's first green corporate bond. We noted early on that green financing increased our opportunities to source funding, which is a trend that has intensified in the past few years as capital is increasingly allocated to sustainable investments. The market and Vasakronan have both evolved in the decade since we issued the first green bond, and we have now seen the addition of the EU Taxonomy. For these reasons, we decided during the year to launch a new green framework. It is adapted to the Taxonomy's more stringent criteria for energy efficiency in existing property portfolios and includes thresholds for carbon dioxide emissions from the building phase in new construction and redevelopment projects.

Despite stricter requirements, we are confident that we have sufficient green assets to cover all of our debt outstanding that is currently classified as green, while also being able to finance new projects such as Kaj 16.

Good access to financing

As earlier, we have enjoyed good access to capital in the bond market and raised a total of SEK 10 billion during the year. This was helped largely by our A3 rating from Moody's, which was confirmed in November.

The year ended positively for the stock market and for a bond market that had opened up for virtually the entire property sector. One explanation for this is the general sentiment that the interest rate hiking cycle has likely reached its peak, together with expectations of the Riksbank cutting interest rates in 2024. Naturally, raised interest rates in 2023 also impacted us and our interest expenses have risen gradually during the year. However, the high proportion of fixed-interest borrowing, a relatively low loan-to-value ratio and increased rental revenue results in a reassuring interest coverage ratio of 3.8. Both on a quarterly and on a rolling 12-month basis.

Cautious transaction market

Our property portfolio is valued externally every full year and mid-year to establish its market value. Higher interest rates are affecting the transaction market and, although a few transactions took place in our markets in recent months, transaction activity remains low.

Yield requirements in valuations continue to be adjusted upward to compensate for market uncertainty and higher interest rates, and now average 4.5% across Vasakronan's

entire property portfolio. This represents an 80-basis-point increase over 18 months and entails a total value write-down of 13% since mid-2022. The value of our properties therefore amounted to SEK 175 billion, resulting in a loan-to-value ratio of 42%.

In conclusion

There are signs of inflation starting to ease and there is growing belief that a deeper recession can be avoided. Nevertheless, 2024 is likely to entail continued challenges both for businesses and for households. The uncertainties in our operating environment and in the macroeconomic situation remain, so we cannot know exactly what is waiting around the corner.

This means that we will continue to work with what we can affect. Namely, we will focus on long-term customer relationships, good financial management of the company and the development of our properties and locations. We will be active and continue to develop our own business and to leverage the opportunities that often arise in more challenging times. Vasakronan has a robust capital structure, a strong offering, and highly committed and professional employees. This makes us well-placed to continue our success and to deliver healthy returns to our owners.

Stockholm, 5 February 2024

Johanna Skogestig,
Chief Executive Officer

Vasakronan fourth quarter 2023

Statement by the CEO

Vasakronan fourth quarter

The market during the fourth quarter

Consolidated income statement

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated cash-flow statement

Segment reporting

Vasakronan AB – Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Improved income from property management

Income from property management during the quarter increased 13% to SEK 1,243 million (1,101). The improvement was due to higher rental revenue that exceeded increases in operating and interest expenses. The interest coverage ratio remained stable, amounting to a multiple of 3.8 for the quarter as well as the year.

High renegotiation volume

During the quarter, new lettings corresponding to 32,000 square metres (35,000) and annual rent of SEK 171 million (175) were signed.

During the quarter, Pharmethus signed a five-year lease for 1,700 square metres at the Lumi project development in the Södra City neighbourhood of Uppsala. Leases have previously been signed with Försäkringskassan (the Swedish Social Insurance Agency), Gyros and Tyréns for a total of 10,600 square metres at the same property. Lumi is the first phase in the development of the Hugin neighbourhood, an important part of creating an attractive area between Uppsala Travel Center and Fyrisån. Completion of the property is planned for the end of 2024 and the property had an occupancy rate of 82% at the end of 2023.

At the Hästskon 9 project in central Stockholm, an eight-year lease for 2,500 square metres was signed with H&M, which is re-establishing a store over three storeys at the property in 2025. The office premises at the property are already fully let and with the letting of the retail premises, 89% of the total property is now let.

Notices to vacate corresponding to annual rent of SEK 157 million (179) were received during the quarter. Net lettings for the quarter thus amounted to SEK 14 million (negative: 4).

Renegotiations were also completed in the quarter corresponding to 110,000 square metres (60,000), an annual rent of SEK 434 million (276) and an average lease length of 3.3 years. The result of renegotiations for the quarter amounted to 1% (above: 1) below 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 Artilleri in Stockholm, SATS has signed a ten-year extension of its lease for approximately 2,100 square metres.

Dip in property values

On 31 December 2023, the entire property portfolio had been valued externally. The change in value amounted to a decrease of SEK 7,390 million (decrease: 6,111) equivalent to a decline in value of 4.1% (decrease: 3.1). Property values decreased primarily due to upward adjustments of yield requirements due to the uncertain market conditions and rising interest rates.

Moody's affirms our strong rating

During the quarter, Moody's affirmed Vasakronan's rating of A3 with a stable outlook. The rating is a key prerequisite for reaching the financial objective of having as diversified a financing structure as possible, in terms of tenors and sources of funding. Moody's assessment of Vasakronan is based on its criteria for commercial property companies with the addition of one rating level due to its close links to state ownership. The rating is motivated by factors such as the strong ownership structure, good access to liquidity, and the property portfolio's high quality and a high proportion of public sector tenants.

Ten-year celebration and new green framework

November 2023 marked ten years since Vasakronan issued the world's first green corporate bond. In conjunction with the ten-year anniversary, Vasakronan launched a new updated Green Finance Framework with more stringent criteria for

what can be considered a green investment. The framework is adapted to the EU Taxonomy's criteria for energy efficiency in existing property portfolios together with the addition of strict requirements for environmental certifications and thresholds for carbon dioxide emissions from the building phase in new construction and redevelopment projects.

Increased demand for sustainability information

Many companies have prepared during the year to meet the more stringent sustainability reporting requirements that enter force in 2024. Some of the data that tenants require for their reporting is often in the hands of Vasakronan in its role as landlord. Accordingly, in order to meet customer expectations, the company has prepared a simple and clear report with data on premises' energy consumption, carbon emissions, waste volumes and water consumption. Moreover, all customers receive data regarding the property's energy performance certificate and whether or not the property is classified as environmentally sustainable according to the EU Taxonomy, which comprises important knowledge for all tenants who have signed or extended leases during the year.

Fourth quarter results

	Q4 2023	Q4 2022
Rental revenue, SEK m	2,331	2,143
Operating surplus, SEK m	1,752	1,557
Profit after net financial items, SEK m	1,143	981
Income from property management, SEK m	1,243	1,101
Change in value of investment properties, SEK m	-7,390	-6,111
Change in value of investment properties, %	-4.1	-3.1
Change in value of financial instruments, SEK m	-865	-424
Profit/loss after tax, SEK m	-5,649	-4,321
Cash flow from operating activities, SEK m	1,358	1,433
Cash flow after investing activities, SEK m	459	971

The market during the fourth quarter

Statement by the CEO

Vasakronan fourth quarter

The market during the fourth quarter

Consolidated income statement

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated cash-flow statement

Segment reporting

Vasakronan AB – Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Weak growth

The Riksbank, Sweden's central bank, refrained from raising the policy rate at its meeting in November. The market's interpretation is that peak interest has now been reached. The inflation goal is deemed to be within reach during the coming year, though the Riksbank's interest rate path does not indicate any decreases for 2024. However, the market and other commentators expect the decline to happen earlier and quicker.

In September, the National Institute of Economic Research's (NIER) assessment was that the GDP for the current year would decline 0.2%. The weak situation is expected to persist throughout the first half of the year 2024, while the economy is expected to start growing again in the second half of the year.

Weak household consumption and missed housing investments weighed the economy down in 2023. The situation remains gloomy for households but economic indicators suggest a decrease in pessimism. Household consumption will likely contribute to positive growth in 2024 thanks to the expected increase in purchasing power and reduced interest rate pressure. However, the trend remains weak within housing investments.

Vasakronan's city retail index indicates increased turnover

Retail was affected by reduced household consumption, but consumer durables were surprisingly resilient. In December, HUI Research adjusted its forecast for consumer durables in 2023 upward from negative 4% to negative 1.5% in current prices.

Households' increased overheads affect both purchasing power and purchasing behaviour. Consumers are increasingly choosing low prices and vintage, and are drawn in by cam-

paigns. Vasakronan's city retail index indicates that turnover will continue to increase for the company's retail tenants in all areas, but with differences between various sectors.

Willingness to pay for the best products

The office rental market remains stable. There is still demand for office premises despite the autumn's weakened labour market. Polarisation in the lettings market, however, has become even clearer. The best locations and products benefit from new ways of working at companies, which is also reflected in their willingness to pay. In Central Stockholm, market rents continued to climb during the fourth quarter.

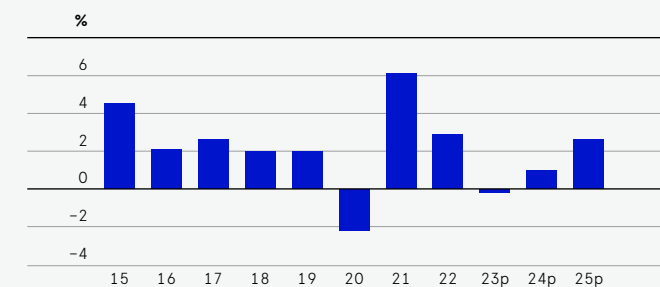
Vacancies in Vasakronan's areas remained relatively unchanged during the year. In Stockholm, the differences between various areas became even clearer, primarily in the suburbs. In central Gothenburg and Malmö, the share of vacant premises decreased somewhat.

Transaction market remains cautious

The transaction market remained characterised by low supply and few completed deals. Processes take a long time and investors with access to capital, such as funds and institutions, are cautious. The possibility of financing acquisitions remains limited for many players, largely due to high levels of indebtedness.

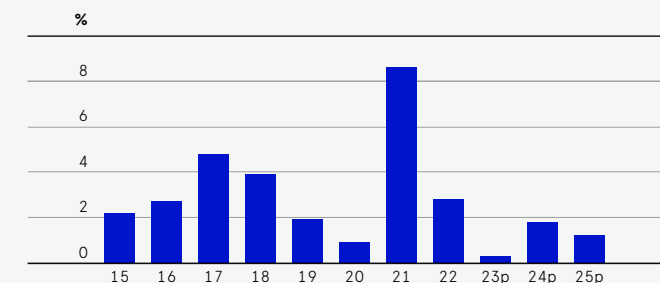
The transaction volume amounted to SEK 24 billion for the fourth quarter, down by half on the year-earlier value, SEK 50 billion. Over one third of the volume pertained to transactions in the Stockholm region and just under one sixth pertained to office properties. Volume for the year totalled SEK 92 billion, compared with SEK 196 billion for the previous 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.

Consolidated income statement

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Rental revenue	9,157	8,167	2,331	2,143
Operating expenses	-898	-864	-236	-234
Repairs and maintenance	-137	-117	-41	-34
Property administration	-440	-379	-106	-111
Property tax	-820	-839	-196	-207
Total property expenses	-2,295	-2,199	-579	-586
Operating surplus	6,862	5,968	1,752	1,557
Central administration	-111	-116	-25	-33
Result from participations in associates and joint ventures	-211	-151	-103	-122
Operating profit	6,540	5,701	1,624	1,402
Financial income	154	30	54	20
Financial expenses	-1,884	-1,238	-490	-401
Interest expense lease liability; ground rents and land leases	-165	-160	-45	-40
Profit after net financial items	4,645	4,333	1,143	981
<i>– Of which, income from property management</i>	<i>4,852</i>	<i>4,481</i>	<i>1,243</i>	<i>1,101</i>
Change in value of investment properties	-16,550	4,917	-7,390	-6,111
Depreciation of right-of-use assets	-7	-7	-2	-2
Change in value of financial instruments	-1,720	1,291	-865	-424
Impairment of goodwill	0	-2	0	0
Profit/loss before tax	-13,632	10,532	-7,114	-5,556
Current tax	-341	-135	-6	159
Deferred tax	3,115	-1,932	1,471	1,076
Profit/loss for the period	-10,858	8,465	-5,649	-4,321
Of which, attributable to non-controlling interests	-3	-3	-0	0
Of which, attributable to the Parent Company shareholders	-10,855	8,468	-5,669	-4,321

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Other comprehensive income¹⁾				
<i>Items that may not be reclassified²⁾</i>				
Pensions, revaluation	-14	81	-14	81
Restriction for surplus in pension plan with asset cap	-11	-49	-11	-49
Income tax on pensions	5	-7	5	-7
Other comprehensive income for the period, net of tax	-20	25	-20	25
Total comprehensive income for the period¹⁾	-10,875	8,493	-5,669	-4,296
Key metrics				
Surplus ratio, %	75	73	75	73
Interest coverage ratio, multiple	3.8	4.8	3.8	3.9

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.

Comments on the consolidated income statement

Statement by the CEO

Vasakronan fourth quarter

The market during the fourth quarter

Consolidated income statement

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated cash-flow statement

Segment reporting

Vasakronan AB – Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Rental revenue

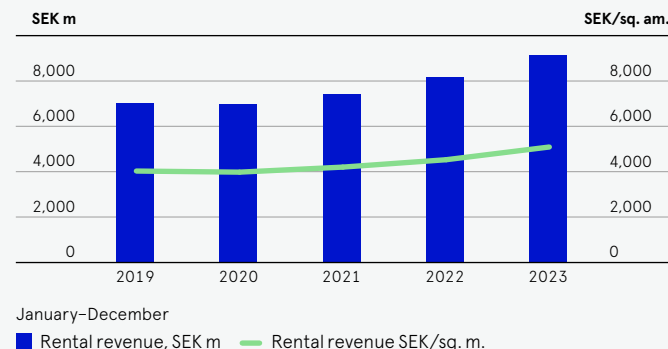
Rental revenue for the year increased 12% (10) to SEK 9,157 million (8,167). The increase was primarily due to indexation but also income from completed projects. Most of Vasakronan's leases include indexation clauses that primarily follow the consumer price index. Approximately two thirds of the portfolio has quarterly indexation, while the remaining portion has annual indexation. For comparable property holdings, the increase in rental revenue was 10% (6).

New lettings corresponding to 117,000 square metres (159,000) and an annual rent of SEK 609 million (915) were contracted during the year, of which 15% (17) of the annual rents impacted on revenue in 2023.

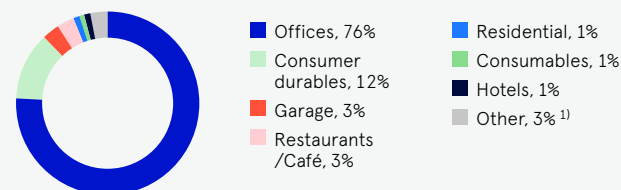
Notices to vacate corresponding to annual rent of SEK 673 million (648) were received during the year. The outcome includes some previously announced notices of termination, primarily JM's lease in Frösunda during the first quarter and Operan's and Dramaten's leases at Kvarnholmen in Nacka during the second quarter. Net lettings amounted to a negative SEK 65 million (positive: 279), of which SEK 14 million (negative: 4) pertained to the fourth quarter.

Lettings corresponding to 345,000 square metres (282,000) and annual rent of SEK 1,480 million (1,078) were renegotiated during the year. These renegotiations resulted in an increase on the previous rent payable of 1% (5) above index. The result of renegotiations for the year for office leases amounted to 3% (7) and for retail the result was down 3% (positive: 1).

Rising rental revenue



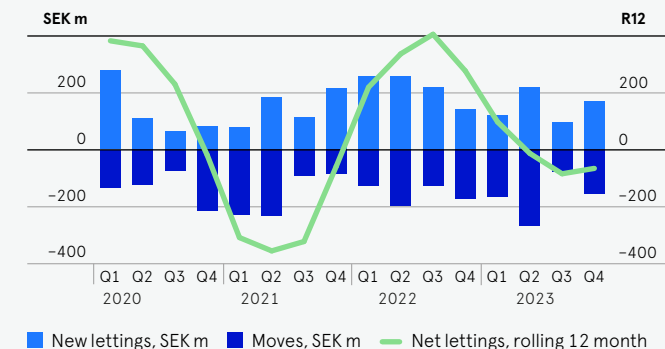
Predominantly office tenants



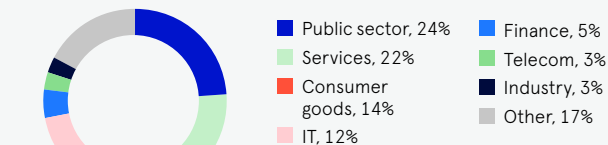
Breakdown by sector, share of contracted rent.

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.

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarterConsolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equityConsolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Comments on the consolidated income statement (Cont.)

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 76% (70) have chosen to remain a tenant of Vasakronan.

Contracted rent at the end of the year amounted to SEK 9,465 million (8,638) of which 24% pertained to the public sector. The average remaining maturity for the entire lease portfolio was 3.3 years (3.7). For leases to the public sector, the maturity is 5.2 years (5.8).

The occupancy rate at the end of the year was 90.9%, compared with 91.2% at the end of 2022. Of total vacancies at the end of the period, 0.3 percentage points (1.2) were attributable to ongoing project developments and development properties.

At the end of the year, the occupancy rate was 90.1% for offices and 95.6% for retail, compared with 90.7% and 93.6%, respectively, at the end of 2022.

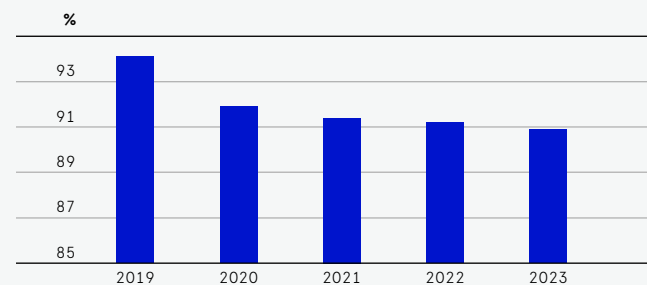
Property expenses

Property expenses increased 4% (16) during the year to SEK 2,295 million (expense: 2,199). For comparable property holdings, the increase was 4% (14). Excluding property administration, costs were in line with the previous year.

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
Scandic	1
Swedish National Courts Administration	1
Total	18

Largest tenants, share of contracted rent.

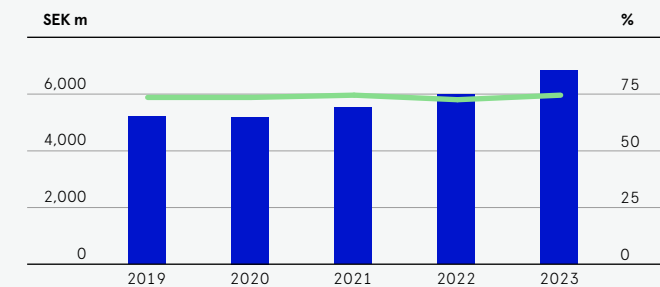
Stable occupancy rate

On 31 December.

Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2024	1,113	1,455	15
2025	950	1,773	19
2026	691	1,424	15
≥2027	1,283	4,437	47
Total	4,037	9,089	96
Residential	1,169	115	1
Garage	–	261	3
Total	5,206	9,465	100

Maturity structure for contracted rent.

Improved operating surplus

On 31 December.

■ Operating surplus, SEK m — Surplus ratio, %

Comments on the consolidated income statement (Cont.)

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Administration

Administration costs totalled SEK 551 million (expense: 495) for the year, of which property administration costs were SEK 440 million (expense: 379) and central administration costs SEK 111 million (expense: 116). 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 year increased 15% (8) to SEK 6,862 million (5,968). For comparable property holdings, the increase in operating surplus was 12% (3). The surplus ratio was 75%, compared with 73% last year.

The reported rolling 12-month yield amounted to 3.7% (3.2) for the total property portfolio and 3.9% (3.4) 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.

SEK m	2023	2022
Income from property management	-4	-4
Change in value	-171	-187
Other operating profit/loss	-67	0
Tax	31	40
Total result from participations in associates and joint ventures	-211	-151

Earnings also include Vasakronan's share of equity in the associated companies Hydda Holding AB and Idun Real Estate Solutions AB, which are both active within in PropTech. The loss for the year amounted to SEK 211 million (loss: 151), which pertained in large part to the decline in value of residential development rights in joint ventures, including tax.

Net financial items

Net financial items for the year increased to an expense of SEK 1,730 million (expense: 1,208), due to higher short interest rates. The average interest rate for loans and derivatives increased to 2.7% (2.1) at the end of the year.

The LTM interest coverage ratio amounted to a multiple of 3.8 (4.8), primarily due to higher interest expenses. 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.

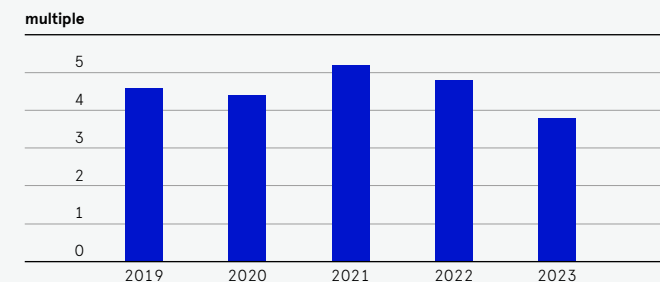
Income from property management

Income from property management increased 8% (7) to SEK 4,852 million (4,481). The increase was due to a higher operating surplus, which was offset by higher interest expenses.

Financial risks

	Financial policy in brief	Outcome, 31 Dec 2023
Financing risk		
Loan-to-maturity, excluding unutilised credit commitments	min. 2 years	4.9 years
Loan-to-maturity	–	5.2 years
Loans maturing, 12 months	max. 40%	15%
Credit commitments and cash/loans maturing 12 months	min. 100%	192%
Interest-rate risk		
Interest coverage ratio	min. 2.0x (LTM)	3.8x
Fixed-interest period	min. 2 years	4.1 years
Fixed-interest maturity within 12 months	max. 55%	22%
Credit risk		
Counterpart's rating	min. A-, or BBB+ with CSAs	met
Currency risk		
Currency exposure	No exposure	met

Declining interest coverage ratio



On 31 December, rolling 12-month period.

Comments on the consolidated income statement (Cont.)

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarterConsolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equityConsolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Change in value of investment properties

Every year and mid year, the entire property portfolio is valued by external valuation experts. As before, these valuations provide the basis for the external reporting. External valuations are made according to RICS Red Book guidelines and MSCI Sweden Annual Property Index.

On 31 December 2023, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighetsekonomi, respectively. For the full year, the change in the property value amounted to a decrease of SEK 16,550 million (increase: 4,917), which corresponded to a 8.7% decrease (increase: 2.8) in value. The property values decreased as a result of raised assessed yield requirements due to the uncertain market. Since the values started to fall in mid 2022, the accumulated decline in value has been approximately 13%.

The change in value for the investment portfolio amounted to a decrease of SEK 15,374 million (increase: 3,640), corresponding to a decrease in value of 8.6% (increase: 2.3). The percentage decrease in value was greatest for office properties in Gothenburg and the least for the office properties in Malmö.

The change in value for project developments and development properties amounted to a decrease of SEK 1,060 million (increase: 1,362), down 12.2% (up: 5.6).

The average yield requirement used for valuation of the property portfolio was 4.51%, compared with 3.95% for corresponding properties at the end of 2022. 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 1,720 million (positive: 1,291), which was due to the decline in long market interest rates.

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 year, the derivative portfolio related to the company's borrowings amounted to SEK 95,062 million compared with SEK 82,755 million at year-end 2022, of which SEK 67,850 million (54,200) comprised interest-rate swaps and SEK 27,212 million (28,555) cross-currency basis swaps.

Tax

The Group reported a tax income of SEK 2,774 million (expense: 2,067). Of the tax, an expense of SEK 341 million (expense: 135) comprised current tax expense and SEK 3,115 million (expense: 1,932) comprised deferred tax income resulting from temporary differences attributable to a change in value for investment properties and financial instruments.

After an audit of the 2020 financial year, the Swedish Tax Agency decided to deny deductions for interest expenses of SEK 18 million, corresponding to a tax expense of SEK 3 million. Vasakronan has appealed the decision to the Administrative Court.

Factors impacting value, properties

	Value impact, %
Yield requirement	-12.16
Market rents	7.07
Vacancies and other valuation parameters, e.g., changed cost and investment assumptions	-3.64
Total	-8.73

Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	-7.92	-5.43
Gothenburg	-13.68	-2.45
Uppsala	-7.13	-0.44
Malmö	-5.57	-0.41
Total		-8.73

Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	-8.56	-8.16
Project developments and development properties	-12.24	-0.56
Transactions	–	–
Total		-8.73

Consolidated balance sheet

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Amounts in SEK million	31 Dec 2023	31 Dec 2022	30 Sep 2023	30 Sep 2022
ASSETS				
Non-current assets				
Intangible assets	2,001	2,018	2,020	2,017
Property, plant and equipment (PPE)				
Investment properties	174,569	188,317	181,088	194,037
Right-of-use assets, leaseholds and land leases	6,329	5,150	5,157	5,152
Equipment	140	153	136	102
	181,038	193,620	186,381	199,291
Financial assets				
Participations in associates and joint ventures	530	711	603	833
Receivables from joint ventures	0	0	0	20
Derivatives	3,321	6,173	6,376	6,339
Other non-current receivables	2,468	1,436	2,563	1,823
Total financial assets	6,319	8,320	9,542	9,015
Total non-current assets	189,358	203,958	197,943	210,323
Current assets				
Accounts receivable	58	67	66	35
Receivables from joint ventures	136	41	71	1
Current tax assets	0	52	0	0
Derivatives	54	255	45	384
Other current receivables, prepaid expenses and accrued income	1,989	1,228	1,892	1,383
Cash and cash equivalents	3,225	2,984	3,404	3,867
Total current assets	5,462	4,627	5,478	5,670
TOTAL ASSETS	194,820	208,585	203,421	215,993

Amounts in SEK million	31 Dec 2023	31 Dec 2022	30 Sep 2023	30 Sep 2022
EQUITY AND LIABILITIES				
Equity	78,902	89,767	84,558	94,064
Non-current liabilities				
Interest-bearing liabilities	65,197	66,484	63,916	64,578
Lease liability, leaseholds and land leases	6,330	5,151	5,158	5,153
Deferred tax liability	25,093	28,212	26,568	29,281
Derivatives	3,964	3,874	4,981	4,236
Other non-current liabilities	65	78	82	111
Provision for pensions	10	10	3	44
Total non-current liabilities	100,659	103,809	103,403	103,403
Current liabilities				
Interest-bearing liabilities	11,062	10,941	13,226	14,098
Accounts payable	70	71	137	27
Liabilities joint ventures	23	23	23	23
Current tax liabilities	113	0	105	35
Derivatives	59	18	47	46
Other current liabilities, accrued expenses and deferred income	3,932	3,956	4,617	4,297
Total current liabilities	15,259	15,009	18,155	18,526
TOTAL EQUITY AND LIABILITIES	194,820	208,585	203,421	215,993

Comments on the consolidated balance sheet

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

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 31 December 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.

Investment properties

On 31 December 2023, Vasakronan's entire property portfolio had been valued externally. The assessed market value of the property portfolio was SEK 174,569 million at the end of the year, compared with SEK 188,317 million at the end of 2022. The change in value during the year amounted to a decrease of SEK 16,550 million (increase: 4,917), corresponding to a decline in value of 8.7% (increase: 2.8). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 9.1 billion/positive SEK 10.1 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 external 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	2,802	2,366
Acquisitions	0	0
Sales	0	-543
Change in value	-16,550	4,917
Closing value, 31 December	174,569	188,317

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, 93% (93) of our investment portfolio based was environmentally certified, of which 84 percentage points (88) were certified according to LEED Gold or higher.

Right-of-use assets, leaseholds and land leases

On 31 December 2023, right-of-use assets totalled SEK 6,329 million, compared with SEK 5,150 million at the year-end 2022. The higher valuation was attributable to higher estimates for ground rents on the ground rent agreements that expired during the year but that are still under negotiation.

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%.

Comments on the consolidated balance sheet (Cont.)

Statement by the CEO

Vasakronan fourth quarter

The market during the fourth quarter

Consolidated income statement

Consolidated balance sheet

Consolidated statement of changes in equity

Consolidated cash-flow statement

Segment reporting

Vasakronan AB – Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Property projects

At the end of the year, the total investment volume of ongoing property projects amounted to SEK 6,831 million (5,680), of which SEK 3,230 million (3,388) or 45% (59) had been capitalised.

New lettings at the Hästskon 9 and Lumi projects in the fourth quarter resulted in an increase in the occupancy rates for these projects to 89% and 82%, respectively, at the end of the year. The occupancy rate for major projects totalled 66% (70).

In total, leases have been signed in major ongoing projects equivalent to SEK 302 million in annual rent. The total contracted annual rent for these projects when fully let amounts to SEK 426 million.

Shares and participations in associates and joint ventures

At the end of the period, the value of holdings in the form of shares and participations in joint ventures amounted to SEK 530 million compared with SEK 711 million at the end of 2022. The change during the year was mainly attributable to the value decrease in residential development rights.

Deferred tax

On 31 December 2023, the deferred tax liability was SEK 25,093 million, compared with SEK 28,212 million at year-end 2022. The deferred tax liability pertained primarily to investment properties. The decrease in tax liabilities was due to the period's unrealised value changes in the investment properties.

Deferred tax is calculated using a nominal rate of 20.6% on differences between the carrying amount and tax base of assets and liabilities.

Large investments in property projects

City	Property	Total investment, SEK m	Capitalised, SEK m	Share capitalised, %	Area of premises, sq. m.	Start Occupancy	Occupancy rate, % ¹⁾	Estimated completion date	LEED environmental certification ²⁾
Gothenburg	Kaj 16	1,600	133	8	30,000	Q2 2027	43	May 2027	Platinum
Uppsala	Lumi	740	612	83	15,000	Q2 2024	82	Dec 2024	Platinum
Stockholm	Sperlingens Backe 47	690	527	76	8,500	Q2 2024	98	Apr 2025	Platinum
Stockholm	Hästskon 9	570	184	32	9,100	Q4 2024	89	Dec 2024	Platinum
Stockholm	Hötorgshus 2	460	386	89	8,000	Q1 2023	46	Mar 2024	Platinum
Gothenburg	Kronhusgatan	90	34	43	2,540	Q3 2024	100	Jul 2024	Gold
Total major property projects		4,150	1,876	45	74,140		66		
Other projects		2,681	1,354						
Total		6,831	3,230						

1) Calculated based on area.

2) Forecast at completion.

Comments on the consolidated balance sheet (Cont.)

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Financing

In the fourth quarter, Moody's affirmed the company's rating of A3 with a stable outlook. Through our strong rating and due to its close links to state ownership, Vasakronan has continued to have good access to financing throughout the year. A total of SEK 10.1 billion (11.4) has been raised in the bond market with investors from the Nordic region and Asia. Vasakronan has bonds denominated in eight different currencies, which correspond to 36% (36) of the total liability at the end of 2023. Borrowing in foreign currencies is fully hedged through cross-currency basis swaps, which eliminate currency risk during the tenor of the loans.

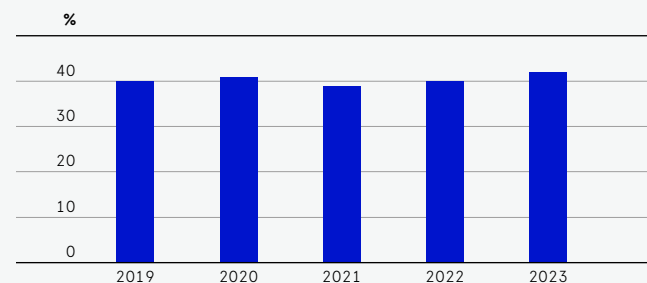
No new bank borrowings were raised in the year (8.9) and, at the end of the year, secured bank loans amounted to 6% (5) of the company's total assets.

At the end of the period, interest-bearing liabilities amounted to SEK 76,259 million, compared with SEK 77,425 million at the previous year end. After deduction of cash and cash equivalents, net debt decreased to SEK 73,034 million, compared with SEK 74,441 million at the end of 2022.

The loan-to-value ratio was 42% at the end of the year compared with 40% at year-end 2022. Fixed-interest maturity within 12 months decreased to 22% (29) of interest-bearing liabilities, while the average fixed-interest tenor amounted to 4.1 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 year, 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 3,225 million (2,984) and the unutilised credit facility from the owners together correspond to 192% (192) of loans maturing over the next 12 months. The average loan-to-maturity, including the above credit facilities, amounted to 5.2 years (5.7) at the end of the year.

Stable loan-to-value ratio



On 31 December.

Fixed-interest tenors and loan-to-maturity

Maturity date	Fixed-interest		Loan-to-maturity	
	SEK m	Share, %	SEK m	Share, %
0–1 year	16,874	22	11,062	15
1–2 years	2,694	3	10,365	14
2–3 years	5,899	8	8,458	11
3–4 years	24,151	32	11,016	14
4–5 years	9,700	13	10,236	13
5–6 years	7,800	10	3,986	5
6–7 years	1,000	1	4,430	6
7–8 years	750	1	2,910	4
8–9 years	0	0	2,502	3
9–10 years	1,548	2	4,764	6
10 years or more	5,843	8	6,530	9
Total	76,259	100	76,259	100

Breakdown of funding sources

SEK m	Carrying amount, SEK m	Share, %
Commercial paper	4,215	6
Bonds, SEK	27,847	37
Bonds, NOK	11,833	16
Bonds, EUR, AUD, USD, HKD, CHF, JPY	15,378	20
Secured bank loans	11,131	15
NIB and EIB	5,855	8
Total	76,259	100

Comments on the consolidated balance sheet (Cont.)

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

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 Green Finance Framework was updated in the fourth quarter. The new framework is adapted to the EU Taxonomy's criteria for energy efficiency in existing property portfolios together with the addition of, inter alia, strict requirements for environmental certifications and thresholds for carbon dioxide emissions from the building phase in new construction and redevelopment projects.

Vasakronan is Sweden's largest issuer of green corporate bonds and commercial paper, and all borrowing during the period has been green. At the end of the year, the volume of green bonds amounted to SEK 47,564 million (44,819) and green commercial paper totalled SEK 4,215 million (4,400).

The volume outstanding of green loans with the Nordic Investment Bank and the European Investment Bank totalled SEK 5,855 million (6,396) at year end, 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

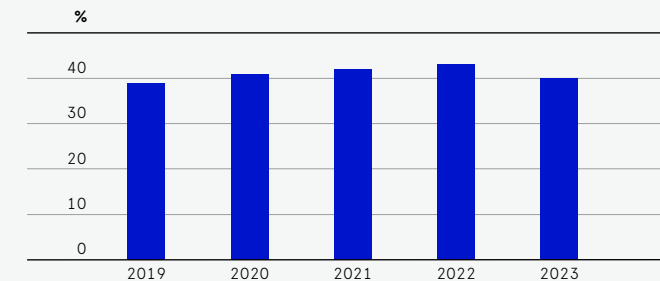
	Amount in SEK million
Green commercial paper	4,215
Green bonds, SEK	27,847
Green bonds, NOK	7,433
Green bonds, EUR, AUD, USD, HKD, CHF, JPY	12,284
Total volume of Green Finance Instruments	51,779
Total volume of Green Assets – Green Pool	64,698
Remaining approved borrowing capacity	12,919

Equity

Equity amounted to SEK 78,902 million as of 31 December 2023, compared with SEK 89,767 million at year-end 2022. Comprehensive income for the year amounted to a loss of SEK 10,855 million, compared with income of SEK 8,468 million for the corresponding year-earlier period. At the start of the year, non-controlling interests amounted to negative SEK 9 million and pertained to the minority owners' share of equity in the subsidiary Idun Real Estate Solutions AB. Following the decrease in Vasakronan's ownership interest to less than 50%, the company is no longer reported as a Group company with a minority interest in equity, which is why equity is attributable in its entirety to the parent company's owners.

At the end of the period, the equity/assets ratio was 40% compared with 43% at year-end 2022.

Stable equity/assets ratio



On 31 December.

Consolidated statement of changes in equity

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

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	–	25
<i>Comprehensive income for the period</i>	–	–	<i>8,493</i>	<i>8,493</i>	<i>–3</i>	<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	–	–	–10,855	–10,855	–3	–10,858
Other comprehensive income	–	–	–20	–20	0	–20
<i>Comprehensive income for the period</i>	–	–	<i>–10,875</i>	<i>–10,875</i>	<i>–3</i>	<i>–10,878</i>
<i>Transactions with owners</i>						
Changes in the Group structure	–	–	0	0	12	12
Dividend	–	–	0	0	0	0
Equity, closing balance on 31 Dec 2023	4,000	4,227	70,675	78,902	0	78,902

Consolidated cash-flow statement

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Operating activities				
Operating surplus	6,862	5,968	1,752	1,557
Central administration	-111	-116	-25	-33
Add back amortisation and depreciation	50	45	15	23
Adjustment for other non-cash items	-17	6	-17	0
Cash flow from operating activities before interest and tax	6,784	5,903	1,725	1,547
Interest paid ¹⁾	-2,102	-1,418	-522	-384
Interest received	107	27	41	22
Taxes paid	-200	-240	-20	-60
Cash flow before changes in working capital	4,589	4,272	1,224	1,124
Increase (-)/decrease (+) in operating receivables	-478	-48	188	94
Increase (+)/decrease (-) in operating liabilities	423	212	-54	215
Cash flow from operating activities	4,534	4,436	1,358	1,433
Investing activities				
Investments in existing properties	-2,802	-2,366	-871	-783
Property acquisitions	0	0	0	0
Property divestments	0	543	0	393
Other PPE, net	-33	-87	-19	-70
Intangible assets, net	-3	-3	1	0
Disposals of net assets in Group companies	0	18	0	0
Transactions with associates and joint ventures	-10	107	-10	0
Other financial assets, net	0	-4	0	-2
Cash flow from investing activities	-2,848	-1,792	-899	-462
Cash flow after investing activities	1,686	2,644	459	971

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Financing activities				
Dividend	0	-4,000	0	0
Raised debt: interest-bearing liabilities	25,793	39,821	6,752	8,403
Repayment of debt: interest-bearing liabilities	-25,554	-38,171	-6,463	-10,010
Change in collateral	-1,676	-633	-927	-67
Redemption of financial instruments	-8	-198	0	-180
Transactions with non-controlling interests	0	0	0	0
Cash flow from financing activities	-1,445	-3,181	-638	-1,854
Cash flow for the period	241	-537	-179	-883
Opening balance, cash and cash equivalents	2,984	3,521	3,404	3,867
Cash flow for the period	242	-537	-179	-883
Closing balance, cash and cash equivalents	3,225	2,984	3,225	2,984

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

- Statement by the CEO
- Vasakronan fourth quarter
- The market during the fourth quarter
- Consolidated income statement
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash-flow statement**
- Segment reporting
- Vasakronan AB – Parent Company in summary
- Other information
- Key metrics
- Basis for key metrics
- Definitions
- Financial Calendar

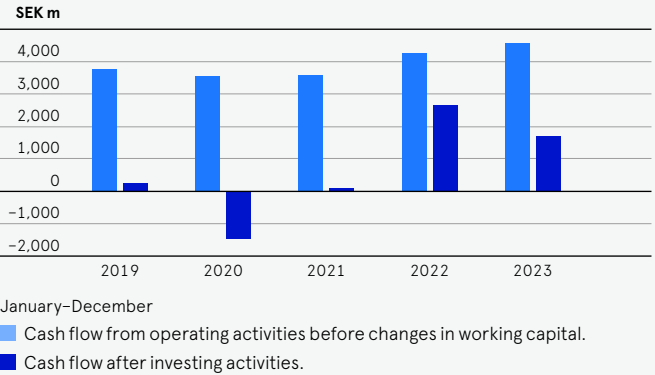
Comments to the consolidated cash-flow statement

Cash flow from operating activities before changes in working capital increased to SEK 4,589 million (4,272). The increase was attributable to an increase of SEK 894 million in the operating surplus, in parallel with a higher net interest expense of SEK 610 million.

During the year, investments in existing properties amounted to SEK 2,802 million (2,366). Cash flow after investing activities thus decreased to SEK 1,686 million (2,644).

In total, net borrowing for the year amounted to negative SEK 239 million (3,132). Altogether, cash and cash equivalents increased SEK 241 million (decrease: 537) and totalled SEK 3,225 million at year end, compared with SEK 2,984 million at year-end 2022.

Strong cash flow from operating activities



Segment reporting

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

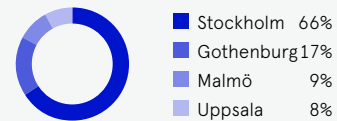
Financial Calendar

Total Vasakronan

January–December	2023	2022
Market value of properties, SEK m	174,569	188,317
Rental revenue, SEK m	9,157	8,167
Operating surplus, SEK m	6,862	5,968
Surplus ratio, %	75	73
Occupancy rate, %	91	91
Number of properties	166	166
Area, thousand sq. m.	2,393	2,398
Environmental certification in the investment portfolio based on market value, %	93	93

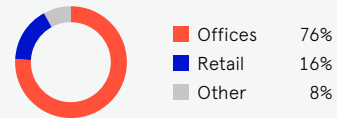
Contracted rent by geographic market

Pertains to share of contracted rent.



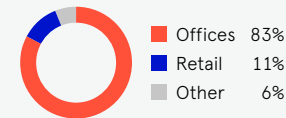
Contracted rent by property type

Pertains to share of contracted rent.



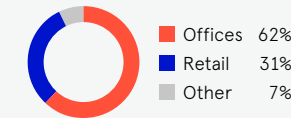
Stockholm

2023	2022
120,592	129,240
5,973	5,297
4,522	3,910
76	74
90	90
76	76
1,403	1,408
90	96



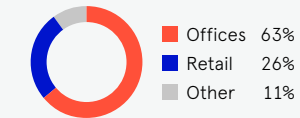
Gothenburg

2023	2022
29,449	33,650
1,654	1,462
1,243	1,080
75	74
93	92
34	34
447	447
97	83



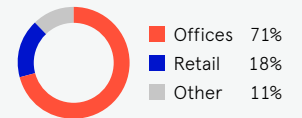
Malmö

2023	2022
13,113	13,725
841	777
600	533
71	69
91	92
31	31
299	299
100	100



Uppsala

2023	2022
11,415	11,702
689	631
497	445
72	71
94	94
25	25
244	244
98	90



Vasakronan AB – Parent Company in summary

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Income statement

Amounts in SEK million	Jan–Dec 2023	Jan–Dec 2022
Net sales	781	582
Operating expenses	-935	-761
EBIT	-154	-179
Financial items		
Profit from participations in subsidiaries	7,394	14,464
Net interest	-170	-240
Change in value of financial instruments	-1,720	1,291
Appropriations	0	-200
Profit before tax	5,350	15,136
Tax	246	-438
Profit for the period	5,596	14,698

Statement of comprehensive income

Profit for the period recognised in profit or loss	5,596	14,698
Other comprehensive income	–	–
Total comprehensive income for the period	5,596	14,698

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 year was SEK 781 million (582), which primarily consisted of the Parent Company's invoices to the subsidiaries for services rendered. Profit from participations in subsidiaries of SEK 6,526 million (14,464) pertained primarily to dividends and Group contributions.

The value change in derivatives amounted to a negative SEK 1,720 million (positive: 1,291), which was due to the decline in long market interest rates. Profit before tax thus amounted to SEK 5,350 million (15,136). Closing cash and cash equivalents amounted to SEK 3,222 million (2,975).

Balance sheet

Amounts in SEK million	31 Dec 2023	31 Dec 2022
ASSETS		
Non-current assets		
Equipment	103	113
Shares and participations in subsidiaries	37,564	37,586
Receivables from subsidiaries	50,469	50,469
Derivatives	3,321	6,173
Deferred tax assets	171	0
Non-current receivables	2,449	1,426
Total non-current assets	94,077	95,768
Current assets		
Accounts receivable	4	0
Receivables from subsidiaries	15,469	9,974
Receivables from joint ventures	95	41
Derivatives	54	255
Current tax assets	113	0
Current receivables	1,446	916
Cash and cash equivalents	3,222	2,975
Total current assets	20,403	14,161
TOTAL ASSETS	114,480	109,929
EQUITY AND LIABILITIES		
Equity	29,371	23,775
Untaxed reserves	1,122	1,122
Liabilities		
Interest-bearing liabilities	76,259	77,425
Derivatives	4,023	3,892
Deferred tax liability	0	182
Non-interest-bearing liabilities	1,150	1,257
Liabilities to subsidiaries	2,555	2,276
Total liabilities	83,987	85,032
TOTAL EQUITY AND LIABILITIES	114,480	109,929

Other information

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

Personnel

The number of employees at the end of 2023 was 300, 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 225 million, compared with SEK 625 million at 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. Aside from the change in IAS 12, 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.

Statement by the CEO
Vasakronan fourth quarter
The market during the fourth quarter
Consolidated income statement
Consolidated balance sheet
Consolidated statement of changes in equity
Consolidated cash-flow statement
Segment reporting
Vasakronan AB – Parent Company in summary
Other information
Key metrics
Basis for key metrics
Definitions
Financial Calendar

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

Significant events after the end of the period

To be able to maintain the scope for investment with the ambition of strengthening our customer offering and to adopt a responsible stance in uncertain market conditions, the Board of Directors proposes to the AGM that no dividend be distributed. Vasakronan's has a solid financial position and the Board intends to re-evaluate the situation after the summer.

Johanna Skogestig

Chief Executive Officer

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

For more information about this year-end report, please contact:

Christer Nerlich, *Chief Financial Officer*

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

This information is of such a kind that Vasakronan AB (publ) is legally required to disclose pursuant to the EU's Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication through the agency of the above contact people on 5 February 2024, at 2.00 p.m. CET.

Key metrics

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Property-related information				
Closing occupancy rate, %	90.9	91.2	90.9	91.2
Surplus ratio, %	75	73	75	73
Investments in existing projects, SEK m	2,802	2,366	871	783
Property acquisitions, SEK m	0	0	0	0
Property divestments, SEK m	0	-543	0	-393
Net investments, SEK m	2,802	1,823	871	390
Closing market value of property, SEK m	174,569	188,317	174,569	188,317
Closing area, thousand sq. m.	2,393	2,398	2,393	2,398
Closing number of properties	166	166	166	166
Environmental certification, of investment portfolio, share of market value, %	93	93	93	93
Energy intensity on closing date, kWh/sq. m., rolling 12 months	73	75	73	75

	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
Financial metrics				
EBITDA margin, %	72	71	72	75
Interest coverage ratio, multiple	3.8	4.8	3.8	3.9
Closing equity/assets ratio, %	40	43	40	43
Closing loan-to-value ratio, %	42	40	42	40
Fixed-interest tenor ¹⁾ , years	4.1	4.0	4.1	4.0
Loan-to-maturity ¹⁾ , years	5.2	5.7	5.2	5.7
Closing EPRA NRV ¹⁾ , SEK m	102,742	113,542	102,742	113,542
Closing EPRA NTA ¹⁾ , SEK m	94,819	104,406	94,819	104,406
Closing EPRA NDV ¹⁾ , SEK m	80,446	93,121	80,446	93,121
Closing average interest rate, %	2.7	2.1	2.7	2.1
Closing net interest-bearing liabilities, SEK m	73,034	74,441	73,034	74,441
Cash flow before changes in working capital, SEK m	4,589	4,272	1,224	783
Net interest-bearing liabilities/EBITDA ²⁾	11.1	12.8	–	–
Other				
Closing number of employees	300	294	300	294

1) Last day in the period.

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

Basis for key metrics

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
1. EPRA NRV, SEK m				
Equity	78,902	89,767	78,902	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,901	-1,901	-1,901
Add back derivatives	648	-2,536	648	-2,536
Add back recognised deferred tax	25,093	28,212	25,093	28,212
	102,742	113,542	102,742	113,542
2. EPRA NTA, SEK m				
Equity	78,902	89,767	78,902	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,901	-1,901	-1,901
Add back other intangible assets	-100	-117	-100	-117
Add back derivatives	648	-2,536	648	-2,536
Add back recognised deferred tax	25,093	28,212	25,093	28,212
Deferred tax at fair value ¹⁾	-7,823	-9,019	-7,823	-9,019
	94,819	104,406	94,819	104,406
3. EPRA NDV, SEK m				
Equity	78,902	89,767	78,902	89,767
Add back goodwill attributable to deferred tax	-1,901	-1,901	-1,901	-1,901
Adjustment of interest-bearing liabilities to fair value	3,445	5,255	3,445	5,255
	80,446	93,121	80,446	93,121
4. EBITDA, SEK m				
Operating surplus	6,862	5,968	1,752	1,557
Central administration	-111	-116	-25	-33
Transactions with associates and joint ventures	-10	107	-10	0
Ground rents and land leases	-172	-167	-47	-42
	6,569	5,792	1,670	1,482

	Jan–Dec 2023	Jan–Dec 2022	Oct–Dec 2023	Oct–Dec 2022
5. EBITDA margin, %				
Rental revenue	9,157	8,167	2,331	2,143
EBITDA	6,569	5,792	1,670	1,482
	72	71	72	69
6. Interest coverage ratio, multiple				
EBITDA	6,569	5,792	1,670	1,482
Net financial items	-1,730	-1,208	-436	-381
	3.8	4.8	3.8	3.9
7. Net interest-bearing liabilities, SEK m				
Non-current interest-bearing liabilities	65,197	66,484	65,197	66,484
Current interest-bearing liabilities	11,062	10,941	11,062	10,941
Cash and cash equivalents	-3,225	-2,984	-3,225	-2,984
	73,034	74,441	73,034	74,441
8. Loan-to-value ratio, %				
Net interest-bearing liabilities	73,034	74,441	73,034	74,441
Fair value of investment properties	174,569	188,317	174,569	188,317
	42	40	42	40

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

Definitions

Statement by the CEO

Vasakronan fourth quarter

The market during
the fourth quarter

Consolidated
income statement

Consolidated balance sheet

Consolidated statement
of changes in equity

Consolidated
cash-flow statement

Segment reporting

Vasakronan AB –
Parent Company in summary

Other information

Key metrics

Basis for key metrics

Definitions

Financial Calendar

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 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 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 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, SEK m

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

Net interest-bearing liabilities/EBITDA, multiple

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

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.

Financial Calendar

REPORTS

Annual Report 2023	March 2024
Interim Report Jan–Mar	26 April 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 175 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