

# Year-end report

## January–December 2022

Q4

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- > Rental revenue increased 10% (6) to a total of SEK 8,167 million (7,425). In comparable property holdings, the increase in rental revenue was 6% (2).
- > New lettings were contracted corresponding to 159,000 square metres (124,000) and an annual rent of SEK 915 million (592). Net lettings amounted to SEK 279 million (negative: 56) for the full year.
- > The price change after renegotiations averaged 5%, compared with 8% last year. Renegotiations were completed in the year corresponding to an annual rent of SEK 1,078 million (1,326).
- > The occupancy rate was 91.2% (91.4) at the end of the period. Of total vacancies, 1.2 percentage points (1.1) were attributable to ongoing projects and development properties.
- > Operating surplus increased 8% (7) to a total of SEK 5,968 million (5,533). For comparable property holdings, the increase in operating surplus was 3% (2).
- > Income from property management amounted to SEK 4,481 million (4,193), up 7% (11).
- > The change in the property value amounted to SEK 4,917 million (15,255), equivalent to 2.8% (9.5). For the fourth quarter, the value change was a decline of SEK 6,111 million (increase: 7,176) corresponding to a negative 3.1 per cent (positive: 4.2) as a result of raised assessed yield requirements.
- > The property portfolio value at the end of the period amounted to SEK 188 billion (182).
- > The value change in financial instruments amounted to SEK 1,291 million (938), which was due to the increase in long-term market interest rates.
- > Profit after tax amounted to SEK 8,465 million (16,359).
- > The Board of Directors proposes to the Annual General Meeting that no dividend (SEK 4,000 million) be distributed.

Rental revenue

+10%

Operating surplus

+8%

Net lettings,  
SEK m

+279

Occupancy rate

91%

Amounts in SEK million	Jan–Dec 2022	Jan–Dec 2021	Oct–Dec 2022	Oct–Dec 2021
Rental revenue	8,167	7,425	2,143	1,913
Operating surplus	5,968	5,533	1,557	1,413
Profit after tax	4,333	4,391	981	1,134
Income from property management	4,481	4,193	1,101	1,109
Change in value of investment properties	4,917	15,255	-6,111	7,176
Profit after tax	8,465	16,359	-4,321	6,681
Cash flow from operating activities	4,436	3,947	1,433	1,024
Cash flow after investing activities	2,644	89	971	37
Market value of properties	188,317	181,575	188,317	181,575
Occupancy rate, %	91.2	91.4	91.2	91.4
Surplus ratio, %	73	75	73	74
Interest coverage ratio, multiple	4.8	5.2	3.9	5.5
Loan-to-value (LTV) ratio, %	40	39	40	39
Closing EPRA NRV, SEK m	113,543	110,515	113,543	110,515
Closing EPRA NTA, SEK m	104,407	102,179	104,407	102,179
Closing EPRA NDV, SEK m	93,122	83,118	93,122	83,118
Environmental certification of investment portfolio, share of total area, %	90	92	90	92
Environmental certification, of investment portfolio, share of market value, %	93	94	93	94
Energy intensity on closing date, kWh/sq. m., rolling 12 months	75	83	75	83

# Statement by the CEO

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The history books will record 2022 as another volatile year in a turbulent operating environment that entailed great uncertainty for many – not only individuals, but some businesses as well. In many ways, it was an intense, but successful, year for Vasakronan.

Inflation has reached double digits and in consequence, interest rates are high. Changes in market interest rates have a major impact on the property market; this is a well-known fact and has been demonstrated during the year. To date, there are few clear signs of inflation subsiding, which makes it difficult to predict the future. It is only clear that, after a long period of rising property values, the property sector has now entered more challenging times. At the same time, I note that, here and now, we are reporting really good results for the underlying operations. New lettings are at a historic high, and both operating surplus and income from property management are strong.

### Historic full-year high for new lettings

Over the year, there has been a lot of debate in the media about how different companies choose to approach hybrid work – it is clear that there are choices to be made depending on the business, corporate culture and leadership. The office location has risen in importance and movement in the office lettings market is greater than before. The primary demand is for modern offices located in areas that offer a wider context, have good transport links and thus add value for employees in various ways.

This has been clearly noted in our operations, and activity has been gratifyingly high, particularly for those employees working with the sale of premises. It is also reflected in our earnings and in the volume of new lettings, which exceeded SEK 900 million. My belief is that this market movement will persist into 2023 and continue to benefit property owners who, like Vasakronan, have properties in locations and areas where people want to be.

### Sustainability at high levels

Sustainable operation of our business is included in our mission and we are noting that it is increasingly in demand with our customers. Thanks to our employees' high level of expertise, we continue to drive the issues and invest in solutions that make existing properties and new construction more sustainable. For example, 118 properties were recertified and the proportion of investment properties with the highest environmental certification, that is LEED Gold or Platinum, increased from 82% to 88% during the year.

The price increases we see in society are affecting many parts of our operations, which is reflected in our reported costs. Energy and electricity prices are a particularly hot topic and the value of a structured approach to working with energy efficiency and our own production of energy is greater than ever. During the year, we lowered energy consumption from 83 kWh per square metre to 75 kWh per square metre. In parallel, by installing nine additional solar photovoltaic systems, which in total contribute 9,000 MWh, equivalent to 11% of property electricity, we have increased the share of own produced electricity.



“We have delivered good results for the full year and we are well-equipped to manage more challenging market conditions.”

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During the year, we completed four major projects: Platinan in Gothenburg; Nattugglan in Stockholm; Nya Kronan in Sundbyberg; and Magasin X in Uppsala, equivalent to 133,000 square metres and a total market value of approximately SEK 10 billion. All of the properties are almost fully let and contributed positively to this year's rental revenue.

We also sold two properties for a total of SEK 565 million. One of these, the Kurland block, is a vacant residential development property in Norrmalm in Stockholm. The other is one of our previously completed project developments, Diktaren in Solna, which is fully let to IES Engelska skolan. Both of the transactions were agreed to in 2021 but with possession transferred in 2022.

**Financing**

Despite turbulent capital markets and a more cautious investor attitude toward the property sector, we were able to issue bonds on favourable terms throughout the year, which was largely due to our strong credit rating and our strong owners. In the last quarter of the year, we focused on further reducing risk in our debt portfolio. We have renegotiated early a substantial proportion of loan maturities and are ending the period with a lower share of debt carrying floating interest. In 2023, we have only SEK 5.5 billion in maturing bonds that we intend to refinance in the bond market.

The transaction market has remained active, although the number of transactions has declined in the past six months. There is a clear increase in sellers compared with a year ago, which could yield business opportunities for players with access to capital. To date, no clear decline in property values has appeared in the transactions being completed. At the same time, we know several transactions have been paused as a result of buyers and sellers finding it difficult to meet on terms.

Naturally, such market conditions make it particularly challenging to set market values of properties. Every full and half year, we conduct an external valuation of our entire property portfolio. We reported an overall positive value development of 2.8% for the year as a whole, but a negative development for the second half of the year of 4.2%. This was mainly the effect of upward adjustments in yield requirements and downward adjustments in the value of development rights. This was concurrently offset by a strong cash flow with several completed project developments. Moreover, the volume of new lettings and the fact that existing leases are linked to the CPI index had a positive effect.

**In conclusion**

We are starting to see clear signs of Sweden heading into a recession with reduced consumption and weaker growth as a result. The exact consequences and the severity of the recession remain to be seen, but I expect another period of great uncertainty in our operating environment before the outlook brightens. While I am humbled by market events, nonetheless I would like to note that we have delivered good results for the full year and we are strongly positioned. It is in tough times that opportunities arise for operators with strong finances, the right offering and dedicated staff. This assures Vasakronan future success moving forward.

Stockholm, 3 February 2023

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

# Vasakronan fourth quarter

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## New lettings and renegotiations

During the quarter, new lettings corresponding to 35,000 square metres (41,000) and annual rent of SEK 175 million (218) were signed.

A ten-year lease has been signed with the Swedish Red Cross for 3,000 square metres at the Lyckan 10 property by Hornsbergsstrand in Stockholm, and a five-year lease has been signed with the accounting firm Mazars at the Stuten property in Östermalm in Stockholm. Both lettings reflect the continued strong interest for central locations with good public transport links.

Of new lettings in the quarter, 4,600 square metres (11,200) comprised street level lettings. At the Sumpen 15 property, by Stureplan in Stockholm, a five-year lease has been signed with the clothing firm Patagonia for 330 square metres. At the Salomonska huset building in central Gothenburg, a three-year lease has been signed with the sportswear brand Aim'n for 300 square metres.

Notice to vacate was received during the quarter corresponding to annual rent of SEK 179 million (85), whereby net lettings amounted to negative SEK 4 million (positive: 132).

Renegotiations were also completed in the quarter corresponding to 60,000 square metres (122,000) and an annual rent of SEK 276 million (409). The result of renegotiations for the fourth quarter amounted to 0.8% (6). At the Uppfinnaren 2 property in Östermalm in Stockholm, the Swedish Prosecution Authority has extended its lease of 4,700 square metres for six years and, at Nöten 5 in Solna in Stockholm, the Swedish Council for Higher Education has signed a six-year extension of its lease for approximately 5,000 square metres.

## Property portfolio

During the quarter, the Diktaren 1 property in Solna was divested at an underlying property value of SEK 410 million. The property comprises 6,400 square metres and has recently undergone a complete renovation and, since 2021, has been fully let to Internationella Engelska Skolan for a term of 15 years. The buyer was Samhällsbyggnadsbolaget (SBB).

The property portfolio has been valued externally as of 31 December. The net change in value for the quarter amounted to a decrease of 3.1% (increase: 4.2). Property values declined due to the increase in assessed yield requirements declared due to the uncertain market conditions and rising market interest rates. The decline in value was mitigated by an inflation-driven increase in operating surplus as well as by new lettings and renegotiations with favourable rent levels.

## Early renegotiation of maturing loans

A total of SEK 3.6 billion in secured bank loans maturing in 2023 have been renegotiated with maturities of between five and six years. The average loan-to-maturity thus increased from 5.6 years to 5.7 years during the quarter and the percentage of loans maturing within 12 months has decreased from 18% to 14% of total borrowings.

Efforts to decrease interest rate sensitivity in the debt portfolio continued through the quarter and fixed-interest maturity within one year decreased from 39% to 29% of total interest-bearing liabilities. The most recent interest rate hikes from Sweden's central bank (Riksbanken) have thus had limited impact on the average interest rate, which increased during the quarter from 2.0% to 2.1%.

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

In this year's Global Real Estate Sustainability Benchmark (GRESB), Vasakronan was named a sector leader in the highly competitive office/retail segment. The company has thereby been recognised as one of the world's most sustainable property companies. Vasakronan was assessed in two categories – existing properties and project development – and scored very highly in both. In the existing properties category, Vasakronan was awarded a score of 95 out of a possible 100, and 100 out of 100 in the project development category. The high percentage of environmentally certified properties together with systemic energy saving efforts are two of the areas where Vasakronan scored very highly in the GRESB survey.

## Proposed dividend

In view of the uncertain market conditions and despite Vasakronan's healthy financial position, the Board of Directors proposes to the Annual General Meeting that no dividend be distributed.

## Fourth quarter results

	Q4 2022	Q4 2021
Rental revenue, SEK m	2,143	1,913
Operating surplus, SEK m	1,557	1,413
Income from property management	1,101	1,109
Profit after tax	981	1,134
Change in value of investment properties, SEK m	-6,111	7,176
Change in value of investment properties, %	-3.1	4.2
Change in value of financial instruments, SEK m	-424	82
Profit/loss after tax, SEK m	-4,321	6,681
Cash flow from operating activities, SEK m	1,433	1,024
Cash flow after financing activities	971	37

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## Slowing economy

Inflation continued to rise through the last quarter of the year and the CPI amounted to 12.3% for the full-year 2022. The strengthening in the economy noted in the first three quarters of the year has now subsided and indicators are increasingly pointing toward Sweden and Europe entering a recession in 2023. The scope and duration of the recession is currently hard to predict, since it depends both on the political measures taken and on developments in the world around us.

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

## Continued tightening of monetary policy

In the beginning of the year, the Riksbank raised the key interest rate for the first time since 2014 and, in November, raised the key interest rate 75 basis points to 2.5%, the fourth hike during the year. The Riksbank's goal with the rate hikes is to lower inflation until the inflation goal of 2% is reached. Uncertainty prevails over how frequent and how large the hikes will be and how long the key interest rate will remain at a higher level. Future development of the economy and inflation will be decisive both for short- and for long-term market interest rate trends.

Bond market activity increased in the final quarter. However, from a full-year perspective, borrowing volumes were lower than in previous years. The property sector has remained the largest issuer in the bond market, and was weighted toward property companies with links to state ownership.

## Expected downturn for retail

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

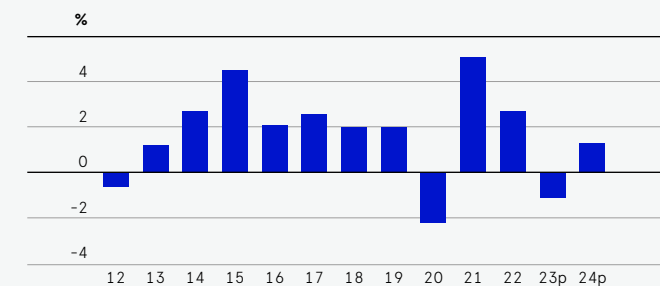
## Office lettings market remains positive

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

## Cautious transaction market

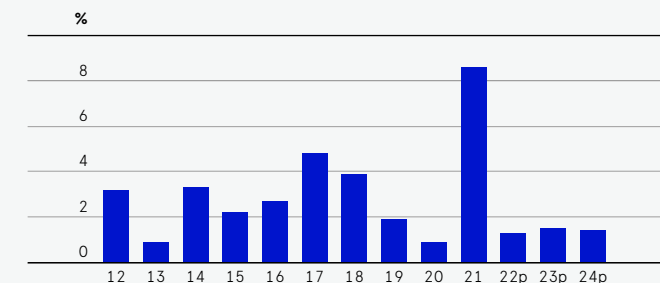
High transaction volumes marked the start of the year. The market has since turned somewhat more cautious, but transaction volumes for the year remain high from a historical perspective. The transaction volume amounted to SEK 50 billion for the last quarter of the year and to SEK 195 billion for the full year, compared with SEK 389 billion for the full-year 2021. The difference in transaction volume was partly due to several major structural transactions being concluded in 2021. Residential and industrial properties were the largest segments in terms of transaction volume and slightly more than 30% of the transaction volume pertained to Stockholm. Yield requirements in completed transactions rose slightly during the quarter. The assessment is that they will increase further moving forward as a result of rising interest rates.

## GDP growth



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

## Office employment



Office employment, annual change in %, change in metropolitan regions  
Source: Statistics Sweden and Evidens.

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Amounts in SEK million	Jan–Dec 2022	Jan–Dec 2021	Oct–Dec 2022	Oct–Dec 2021
Rental revenue	8,167	7,425	2,143	1,913
Operating expenses	-864	-760	-234	-200
Repairs and maintenance	-117	-100	-34	-28
Property administration	-379	-364	-111	-103
Property tax	-839	-668	-207	-169
<b>Total property expenses</b>	<b>-2,199</b>	<b>-1,892</b>	<b>-586</b>	<b>-500</b>
<b>Operating surplus</b>	<b>5,968</b>	<b>5,533</b>	<b>1,557</b>	<b>1,413</b>
Central administration	-116	-124	-33	-20
Result from participations in associates and joint ventures	-151	193	-122	25
<b>Operating profit</b>	<b>5,701</b>	<b>5,602</b>	<b>1,402</b>	<b>1,418</b>
Financial income	30	4	20	1
Financial expenses	-1,238	-1,055	-401	-245
Interest expense lease liability; ground rents and land leases	-160	-160	-40	-40
<b>Profit after net financial items</b>	<b>4,333</b>	<b>4,391</b>	<b>981</b>	<b>1,134</b>
<i>– Of which, income from property management</i>	<i>4,481</i>	<i>4,193</i>	<i>1,101</i>	<i>1,109</i>
Change in value of investment properties	4,917	15,255	-6,111	7,176
Depreciation of right-of-use assets	-7	-7	-2	-2
Change in value of financial instruments	1,291	938	-424	82
Impairment of goodwill	-2	-5	-	-5
<b>Profit before tax</b>	<b>10,532</b>	<b>20,572</b>	<b>-5,556</b>	<b>8,385</b>

Amounts in SEK million	Jan–Dec 2022	Jan–Dec 2021	Oct–Dec 2022	Oct–Dec 2021
Current tax	-135	-223	159	86
Deferred tax	-1,932	-3,990	1,076	-1,790
<b>Profit for the period</b>	<b>8,465</b>	<b>16,359</b>	<b>-4,321</b>	<b>6,681</b>
Of which, attributable to non-controlling interests	-3	-6	0	-1
<b>Of which, attributable to the Parent Company shareholders</b>	<b>8,468</b>	<b>16,365</b>	<b>-4,321</b>	<b>6,682</b>
Other comprehensive income <sup>1)</sup>				
<i>Items that may not be reclassified<sup>2)</sup></i>				
Pensions, revaluation	81	73	81	73
Restriction for surplus in pension plan with asset cap	-49	-2	-49	-2
Income tax on pensions	-7	-15	-7	-15
<b>Other comprehensive income for the period, net of tax</b>	<b>25</b>	<b>56</b>	<b>25</b>	<b>56</b>
<b>Total comprehensive income for the period<sup>1)</sup></b>	<b>8,493</b>	<b>16,421</b>	<b>-4,296</b>	<b>6,738</b>
<b>Key metrics</b>				
Surplus ratio, %	73	75	73	74
Interest coverage ratio, multiple	4.8	5.2	3.9	5.5

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

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



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### Rental revenue

Rental revenue for the period increased 10% (6) to SEK 8,167 million (7,425). For comparable property holdings, the increase in rental revenue was 6% (2). The increase was primarily due to increased onward invoicing of property tax and electricity as well as to indexation. Most of Vasakronan's leases include indexation clauses, primarily with quarterly settlement. The indexation largely follows the consumer price index. The increase in revenue during the period was offset by increased loss of revenue due to slightly higher vacancies.

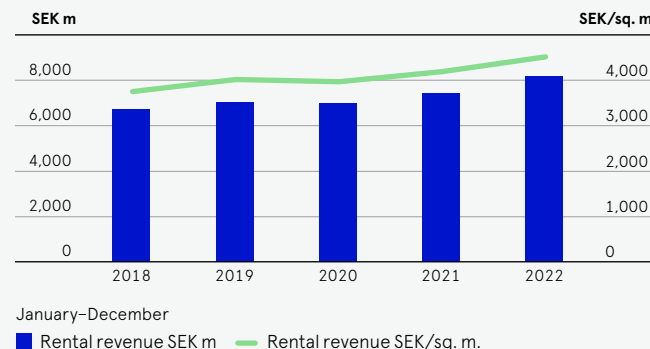
New lettings corresponding to 159,000 square metres (124,000) and an annual rent of SEK 915 million (592) were contracted during the year, of which 17% (13) of the annual rents impacted on revenue in 2022. Of the new lettings for the period, SEK 301 million (124) pertained to new lettings at project developments.

Notices to vacate were received during the year corresponding to annual rent of SEK 637 million (648) and net lettings thus amounted to SEK 279 million (negative: 56).

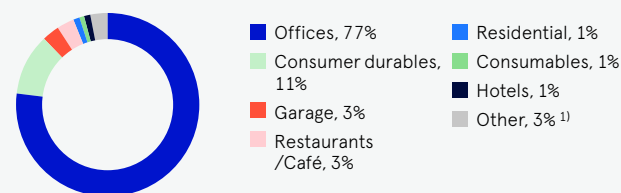
Lettings corresponding to 282,000 square metres (384,000) and an annual rent of SEK 1,078 million (1,326) were renegotiated during the period. These renegotiations resulted in an increase on the previous rent payable of 5% (8). The result of renegotiations for the period for office leases amounted to 6% (10) and for retail the result was 1% (negative: 3).

Of all the contracts that have been the subject of renegotiation in the past twelve months, including those that have moved within the property portfolio, almost 70% (75) have chosen to remain a tenant of Vasakronan.

### Rising rental revenue



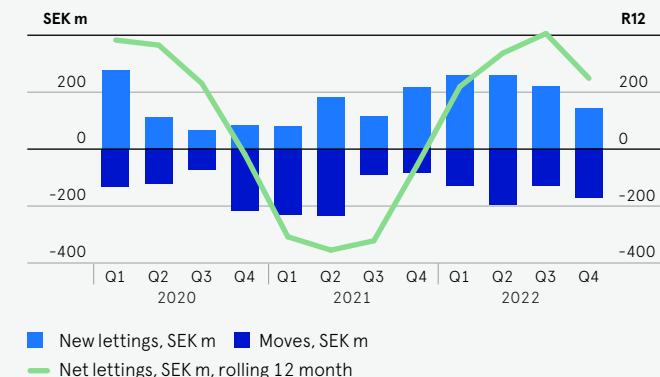
### Predominantly office tenants



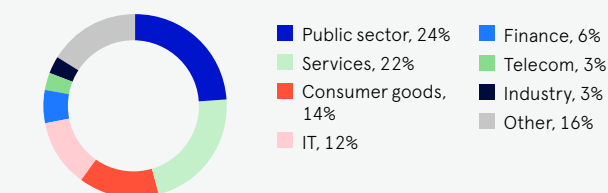
Breakdown by sector, share of contracted rent.

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

### Net lettings



### Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent.

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Contracted rent at the end of the period amounted to SEK 8,638 million (7,763), of which 24% pertained to the public sector. The average remaining maturity for the entire lease portfolio was 3.7 years (3.8). For leases to the public sector, the maturity is 5.8 years (6.4).

The occupancy rate at the end of the period was 91.2%, compared with 91.4% at the end of the year-earlier period and 90.8% at the end of the preceding quarter. Of total vacancies at the end of the period, 1.2 percentage points (1.1) were attributable to vacancies in ongoing project developments and development properties.

### Property expenses

Property expenses increased 16% during the period to SEK 2,199 million (expense: 1,892). In comparable property holdings, the increase in property expenses was 14% (2). The increase was mainly due to increased property tax and higher electricity costs compared with the corresponding period last year. Excluding property tax, costs rose 11%.

### Operating surplus and yield

Operating surplus for the period increased 8% (7) to SEK 5,968 million (5,533). For comparable property holdings, the increase in operating surplus was 3% (2). The surplus ratio was 73% (75) as a result of higher costs.

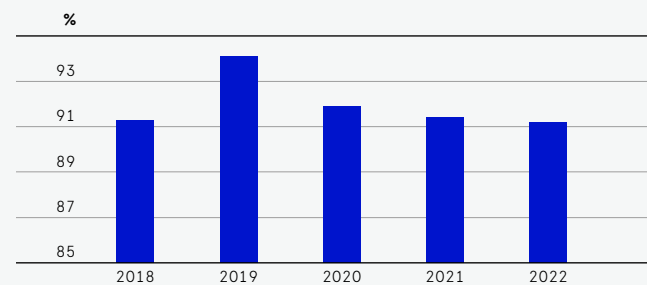
The rolling 12-month yield amounted to 3.2% (3.4) for the total property portfolio and 3.5% (3.7) for the investment portfolio. The yield has been calculated as the operating surplus with the add back of ground rents in relation to the market value of the properties.

## Widely distributed over many tenants

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

Largest tenants, share of contracted rent.

## Lower occupancy rate



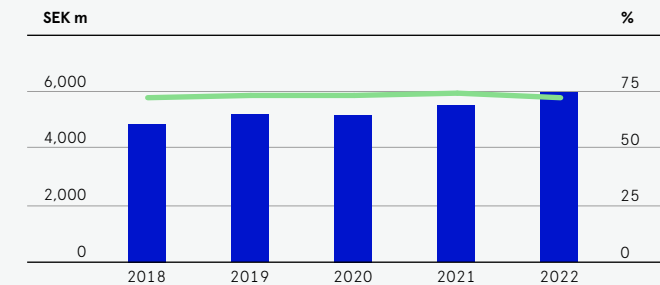
On 31 December

## Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2023	1,123	1,140	13
2024	877	1,416	17
2025	842	1,843	21
≥2026	1,265	3,889	45
<b>Total</b>	<b>4,107</b>	<b>8,287</b>	<b>96</b>
Residential	1,169	108	1
Garage	–	243	3
<b>Total</b>	<b>5,276</b>	<b>8,638</b>	<b>100</b>

Maturity structure for contracted rent.

## Improved operating surplus



On 31 December

■ Operating surplus, SEK m — Surplus ratio, %



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### Administration

Administration costs totalled SEK 495 million (488) for the period, of which property administration costs were SEK 379 million (364) and central administration costs SEK 116 million (124). The increase in administration costs was due to higher costs primarily resulting from a larger investment portfolio in 2022 compared with 2021.

### 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 result includes income from property management and the value change in the companies' property holdings as well as tax and interest expenses. The loss for the period amounted to SEK 151 million (profit: 193), of which SEK 4 million (5) pertained to income from property management and a negative SEK 147 million (positive: 198) to the decline in value of residential development rights, including tax.

SEK m	2022	2021
Income from property management	-4	-4
Change in value	-187	210
Tax	40	-12
Other	0	0
<b>Total result from participations in associates and joint ventures</b>	<b>-151</b>	<b>193</b>

### Net financial items

Net financial items for the period declined to an expense of SEK 1,208 million (expense: 1,051), primarily due to increased interest-bearing liabilities and higher interest rates during the period. The average interest rate for loans and derivatives increased to 2.1% (1.3) at the end of the period.

The LTM interest coverage ratio decreased to a multiple of 4.8 (5.2), primarily due to higher net financial items. The policy for the interest coverage ratio does not permit it falling below a multiple of 2.0 for the corresponding period.

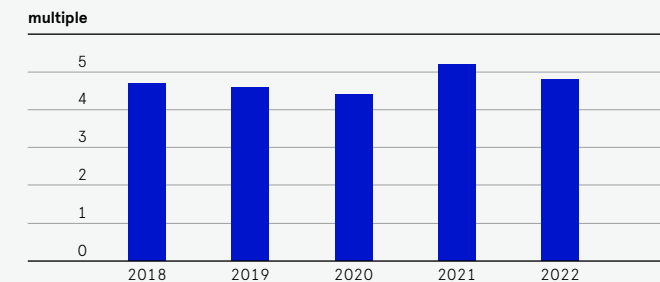
### Income from property management

Income from property management increased 7% to SEK 4,481 million (4,193). The increase was primarily explained by a rising operating surplus, which was concurrently offset by a deterioration in net financial items.

## Financial risks updated

	Financial policy in brief	Outcome, 31 Dec 2022
<b>Financing risk</b>		
Loan-to-maturity, excluding unutilised credit commitments	min. 2 years	5.4 years
Loan-to-maturity	–	5.7 years
Loans maturing, 12 months	max. 40%	14%
Credit commitments and cash/loans maturing 12 months	min. 100%	192%
<b>Interest-rate risk</b>		
Interest coverage ratio	min. 2.0x (LTM)	4.8x
Fixed-interest period	min. 2 years	4.0 years
Fixed-interest maturity within 12 months	max. 55%	29%
<b>Credit risk</b>		
Counterpart's rating	min. A-, or BBB+ with CSAs	met
<b>Currency risk</b>		
Currency exposure	No exposure	met

## High interest coverage ratio



On 31 December, rolling 12-month period.

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### Change in value of investment properties

On 31 December 2022, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighetsekonomi, respectively. For the fourth quarter, the net value change was a decline of SEK 6,111 million (in case: 7,176) corresponding to a negative 3.1% (positive: 4.2) as a result of raised yield requirements. Overall, property values declined 4.2% over the last six months due to the increase in assessed yield requirements declared due to the uncertain market conditions and rising market interest rates. However, the decline in value was mitigated by an inflation-driven increase in operating surplus.

For the full-year 2022, the change in the property value amounted to SEK 4,917 million (15,255), which corresponded to a 2.8% (9.5) increase in value.

For the full-year 2022, the change in value for the investment portfolio amounted to an increase of SEK 3,640 million (11,968), corresponding to an increase of 2.3% (8.8). The percentage increase in value was greatest for office properties in Stockholm's CBD and Central Stockholm.

For 2022, the change in value for the project developments and development properties amounted to SEK 1,362 million (3,408), up 5.6% (13.0). The increase was due primarily to reduced completion risk and good occupancy rates.

The average yield requirement used for valuation of the property portfolio was 3.95%, compared with 3.87% for corresponding properties at the end of 2021.

### Change in value of financial instruments

The positive value change in derivatives increased to SEK 1,291 million (938), which was mainly due to the substantial increase in long-term market interest rates during the year.

Derivatives are used to adjust interest-rate risk in the loan portfolio and to hedge borrowings in foreign currencies. At the end of the period, the derivative portfolio amounted to SEK 82,755 million compared with SEK 75,474 million at year-end 2021, of which SEK 54,200 million (49,580) comprised interest-rate swaps and SEK 28,555 million (25,894) cross-currency basis swaps.

### Tax

The Group reported a total tax expense of SEK 2,067 million (expense: 4,213). Of the tax expense, SEK 135 million (expense: 223) was current tax expense and SEK 1,932 million (expense: 3,990) was deferred tax expense resulting from temporary differences attributable to investment properties and financial instruments.

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

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

## Factors impacting value

	Value impact, %
Yield requirement	-2.06
Market rents	7.41
Vacancies and other valuation parameters, e.g., changed cost and investment assumptions	-2.58
<b>Total</b>	<b>2.76</b>

## Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	4.08	2.77
Gothenburg	-0.29	-0.05
Uppsala	1.90	0.12
Malmö	-0.93	-0.07
<b>Total</b>		<b>2.76</b>

## Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	2.32	2.00
Project developments and development properties	5.60	0.75
Transactions	–	0.01
<b>Total</b>		<b>2.76</b>

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Amounts in SEK million	31 Dec 2022	31 Dec 2021	30 Sep 2022	30 Sep 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	2,018	2,044	2,017	2,047
<b>Property, plant and equipment (PPE)</b>				
Investment properties	188,317	181,575	194,037	173,471
Right-of-use assets, leaseholds and land leases	5,150	5,157	5,152	5,159
Equipment	153	102	102	104
	<b>193,620</b>	<b>186,834</b>	<b>199,291</b>	<b>178,734</b>
<b>Financial assets</b>				
Participations in associates and joint ventures	711	971	833	896
Receivables from joint ventures	0	20	20	–
Derivatives	6,173	1,062	6,339	908
Other non-current receivables	1,436	231	1,823	727
<b>Total financial assets</b>	<b>8,320</b>	<b>2,284</b>	<b>9,015</b>	<b>2,531</b>
<b>Total non-current assets</b>	<b>203,958</b>	<b>191,162</b>	<b>210,323</b>	<b>183,312</b>
<b>Current assets</b>				
Accounts receivable	67	45	35	69
Receivables from joint ventures	41	1	1	21
Current tax assets	52	79	–	–
Derivatives	255	78	384	44
Other current receivables, prepaid expenses and accrued income	1,228	1,308	1,383	1,024
Cash and cash equivalents	2,984	3,521	3,867	4,285
<b>Total current assets</b>	<b>4,627</b>	<b>5,032</b>	<b>5,670</b>	<b>5,443</b>
<b>TOTAL ASSETS</b>	<b>208,585</b>	<b>196,194</b>	<b>215,993</b>	<b>188,755</b>

Amounts in SEK million	31 Dec 2022	31 Dec 2021	30 Sep 2022	30 Sep 2021
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>	<b>89,767</b>	<b>85,290</b>	<b>94,064</b>	<b>78,552</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	66,484	59,342	64,578	59,620
Lease liability, leaseholds and land leases	5,151	5,158	5,153	5,160
Deferred tax liability	28,212	26,273	29,281	24,469
Derivatives	3,874	1,957	4,236	2,631
Other non-current liabilities	78	69	111	57
Provision for pensions	10	45	44	124
<b>Total non-current liabilities</b>	<b>103,809</b>	<b>92,844</b>	<b>103,403</b>	<b>92,061</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	10,941	14,496	14,098	14,143
Accounts payable	71	57	27	9
Liabilities joint ventures	23	22	23	26
Current tax liabilities	–	–	35	129
Derivatives	18	38	46	73
Other current liabilities, accrued expenses and deferred income	3,956	3,447	4,297	3,762
<b>Total current liabilities</b>	<b>15,009</b>	<b>18,060</b>	<b>18,526</b>	<b>18,142</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>208,585</b>	<b>196,194</b>	<b>215,993</b>	<b>188,755</b>

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### Intangible assets

Intangible assets primarily consist of goodwill. Goodwill has arisen from the recognition of deferred tax on property at the nominal tax rate on the date of the business combination, while the tax rate applied when calculating the purchase price for the acquisition was lower than the nominal rate. As of 31 December 2022, goodwill was SEK 1,901 million, compared with SEK 1,903 million at year-end 2021.

The remaining portion of intangible assets comprised the value of the Vasakronan brand and technical platforms in the subsidiary Idun, which amounted to SEK 100 million (100) and SEK 17 million (41), respectively. The decrease following the year end was due to the sale of the subsidiary Tmpl Work.

### Investment properties

On 31 December 2022, Vasakronan's entire property portfolio had been valued externally. The assessed market value of the property portfolio was SEK 188,317 million at year end, compared with SEK 181,575 million at the end of 2021. The change in value during the period amounted to an increase of SEK 4,917 million (15,255), corresponding to an increase in value of 2.8% (9.5). A change in the yield requirement of +/- 0.25 percentage points would have an impact of negative SEK 11.1 billion/positive SEK 12.6 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 external valuation. A more comprehensive description of Vasakronan's external property valuation methodology is available on pages 109–110 of Vasakronan's 2021 Annual Report.

During the fourth quarter, Vasakronan divested the Diktaren 1 property in Solna to SBB at an underlying property value of SEK 410 million. The buyer, that is SBB, took possession of the property on 3 October but the transaction was concluded in November 2021.

### Change in property values

SEK m	2022	2021
<b>Opening value, 1 January</b>	181,575	162,420
Investments	2,366	4,137
Acquisitions	0	214
Sales	-543	-449
Change in value	4,917	15,255
<b>Closing value, 31 December</b>	<b>188,317</b>	<b>181,575</b>

### Environmental certification

Vasakronan has set high goals for environmental certification of its property portfolio. Our ambition is for the share of properties certified in accordance with LEED Gold or higher to increase and to obtain environmental certification for the entire investment portfolio.

At the end of the period, some 93% (94) of our investment portfolio based on its market value was environmentally certified, of which 88 percentage points (82) were rated according to LEED Gold or higher. During the spring, a number of proper-

ties underwent recertification, which resulted in higher classifications due to the effect of the energy saving measures implemented at the properties.

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

On 31 December 2022, right-of-use assets totalled SEK 5,150 million, compared with SEK 5,157 million at the year-end 2021.

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 5,680 million (10,134), of which SEK 3,388 million (7,932) had been capitalised. The occupancy rate for major projects was 70% at the end of the year compared with 83% last year. The changes in investment volume and occupancy rate were primarily attributable to the completion of the properties Platinan in Gothenburg, Kronan in Sundbyberg, Magasin X in Uppsala, Strömshuset in Gothenburg and Nattugglan 2 in Stockholm with a total investment volume of SEK 5,700 million.

The new construction project Nattugglan 2 in Södermalm in Stockholm was completed in the fourth quarter. The property, with a total investment volume of SEK 750 million, comprises just over 15,000 square metres and is fully let. The largest tenant is Tyréns, which signed a 15-year lease for 12,000 square metres.

In total, leases have been signed in major ongoing projects equivalent to SEK 270 million in annual rent. The total contracted annual rent for these projects when fully let amounts to SEK 400 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 711 million (971) at the end of the period. The change was attributable to dividends distributed by joint ventures during the year as well as the decline in the value of the residential development rights in the companies.

### Large investments in property projects

City	Property	Total investment, SEK m	Capitalised, SEK m	Share capitalised, %	Area of premises, sq. m.	Start Occupancy	Occupancy rate, % <sup>1)</sup>	Estimated completion date	LEED environmental certification <sup>2)</sup>
Stockholm	Sergelgatan	1,925	1,759	91	15,500	N/A	83	Mar 2023	Gold
Uppsala	Lumi	740	161	22	15,000	Q4 2024	73	Dec 2024	Platinum
Stockholm	Sperlingens Backe 47	610	157	26	8,500	Q4 2023	95	Jul 2024	Platinum
Stockholm	Hästkön 9	570	40	7	9,100	Q4 2024	63	Dec 2024	Platinum
Stockholm	Hötorgshus 2	460	317	69	8,000	Q3 2022	7	Apr 2023	Platinum
Stockholm	Sperlingens Backe 45	370	368	86	3,700	N/A	85	Apr 2023	Gold
Gothenburg	Kronhusgatan	90	2	2	2,540	Q3 2024	100	Jul 2024	Gold
<b>Total major property projects</b>		<b>4,765</b>	<b>2,804</b>	<b>59</b>			<b>70</b>		
Other projects		915	584						
<b>Total</b>		<b>5,680</b>	<b>3,388</b>						

1) Calculated based on area.

2) Forecast at completion.

### Deferred tax

On 31 December 2022, the deferred tax liability was SEK 28,212 million, compared with SEK 26,273 million at year-end 2021. The deferred tax liability pertained primarily to investment properties. The change in tax liabilities was due to the period's unrealised value increases in the investment properties.

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

### Financing

Since 2018, Vasakronan has held a rating of A3 with a stable outlook from Moody's. The rating is based on the strength of the ownership structure, but also confirms the high quality of the company's properties and its diversified tenant portfolio over many sectors that contains a high percentage of public sector tenants. Moody's also highlighted Vasakronan's high proportion of environmentally certified properties in its assessment of the company.

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Vasakronan's strong credit rating not only provides Vasakronan with access to longer tenors – it also makes financing accessible in the majority of markets. In total during the period, Vasakronan raised borrowings of SEK 16.7 billion (11.9), of which SEK 7.8 billion (11.9) comprised bonds issued to investors in Sweden but also Norway, Central Europe and Asia. Vasakronan has bonds denominated in eight currencies and 37% (35) 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 loans is recognised against interest-bearing liabilities in the balance sheet. At the end of the period, the negative change in value on foreign currency loans amounted to SEK 1,654 million (positive: 249). 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 effect can thus also be found in the balance sheet in underlying derivatives.

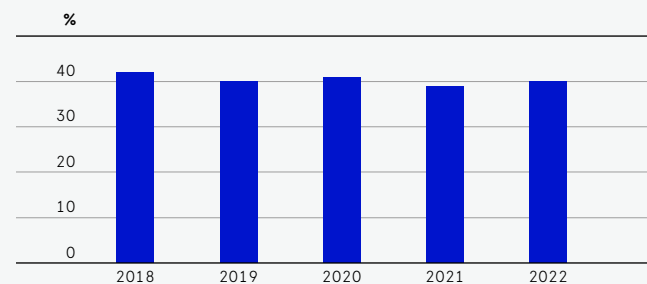
During the year, bank financing of SEK 8.9 billion (–) was raised, of which SEK 6.9 billion (–) comprised secured bank loans. Of these, SEK 3.6 billion comprised existing loans maturing in 2023, which were refinanced early with new maturities of between five and six years. Total secured bank loans amounted to 5% (4) of the company's total assets at the end of the period.

At the end of the period, interest-bearing liabilities net of cash and cash equivalents amounted to SEK 74,441 million, compared with SEK 70,317 million at the previous year end. The loan-to-value ratio was thus 40% (39). Interest rate sensitivity decreased during the period and fixed-interest maturity within 12 months amounted to 29% (43) of interest-bearing liabilities at year end, while the average fixed-interest tenor decreased

slightly to 4.0 years (4.6). The increase in market interest rates has resulted in the average interest rate for loans and derivatives increasing to 2.1% at the end of the year, compared with 1.3% at the previous year end.

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 amounts to SEK 18 billion. The agreement extends until further notice with a notice period of two years. As before, the credit facility was unutilised during the period. Cash and cash equivalents of SEK 2,984 million (3,521) and the unutilised credit facility from the owners together correspond to 192% (162) of loans maturing over the next 12 months. The average loan-to-maturity, including the above credit facilities, had increased to 5.7 years (5.5) at the end of the period.

### 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	22,825	29	10,941	14
1–2 years	4,898	6	8,961	12
2–3 years	3,194	4	8,757	11
3–4 years	6,447	8	5,679	7
4–5 years	14,751	19	11,163	15
5–6 years	8,400	11	6,297	8
6–7 years	7,800	10	4,066	5
7–8 years	3,100	4	4,587	6
8–9 years	3,350	5	3,087	4
9–10 years	200	1	2,519	3
10 years or more	2,460	3	11,368	15
<b>Total</b>	<b>77,425</b>	<b>100</b>	<b>77,425</b>	<b>100</b>

### Breakdown of funding sources

SEK m	Carrying amount, SEK m	Share, %
Commercial paper	4,886	6
Bonds, SEK	26,457	34
Bonds, NOK	13,424	17
Bonds, EUR, AUD, USD, HKD, CHF, JPY	14,572	19
NSV (Namensschuldverschreibung), EUR	559	1
Secured bank loans	11,131	14
NIB and EIB	6,396	9
<b>Total</b>	<b>77,425</b>	<b>100</b>



*Comments on the consolidated balance sheet (Cont.)*

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**Green financing**

Vasakronan issued the world's first green corporate bond in 2013. The company is Sweden's largest issuer of green corporate bonds and all bonds issued during the year were green. The volume of green bonds increased during the year and amounted to SEK 44,819 million (43,317) at the end of the period.

In 2018, Vasakronan issued the world's first green commercial paper. At the end of the period, the volume outstanding of green commercial paper increased to SEK 4,400 million (4,280). The volume outstanding of green loans with the Nordic Investment Bank and the European Investment Bank increased to SEK 6,396 million (4,940) at the end of the period, and green secured bank loans amounted to SEK 5,603 million (1,760).

The percentage of green financing, consisting of green bonds, green commercial paper, green Namensschuldverschreibung (NSVs) (Eng: registered bond) and green bank loans, increased to 82% (74) of the total loan portfolio.

A more comprehensive description of the company's green financing and the investments made under Vasakronan's Green Finance Framework is available in the Impact Report – Green financing on pages 173–180 of Vasakronan's 2021 Annual Report.

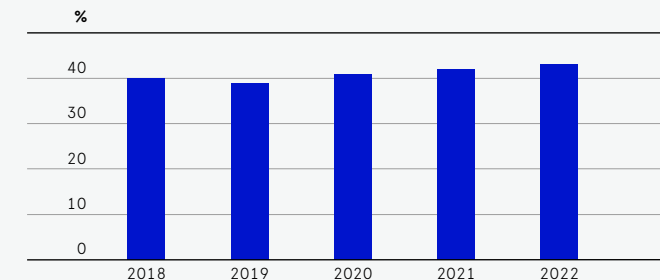
**Green financing under the framework**

	Amounts in SEK million
Green commercial paper	4,400
Green bonds, SEK	26,453
Green bonds, NOK	7,433
Green bonds, EUR, AUD, USD, HKD, CHF, JPY	10,933
Green NSVs (Namensschuldverschreibung), EUR	514
<b>Total volume of Green Finance Instruments</b>	<b>49,733</b>
Total volume of Green Assets – Green Pool	61,241
<b>Remaining approved borrowing capacity</b>	<b>11,508</b>

**Equity**

Equity increased to SEK 89,767 million as of 31 December 2022, compared with SEK 85,290 million at year-end 2021. Comprehensive income for the year amounted to SEK 8,468 million, compared with SEK 16,365 million last year. The minority share of equity amounted to negative SEK 9 million, compared with SEK 6 million at year-end 2021. The change was mainly due to the sale of the subsidiary Tmpl Work.

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

**Improved equity/assets ratio**

On 31 December.

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Amounts in SEK million	Share capital	Other contributed capital	Retained earnings	Total equity attributable to Parent Company shareholders	Non-controlling interests	Total equity
<b>Equity, opening balance on 1 Jan 2021</b>	<b>4,000</b>	<b>4,227</b>	<b>62,636</b>	<b>70,863</b>	<b>6</b>	<b>70,869</b>
Profit for the period	–	–	16,365	16,365	–6	16,359
Other comprehensive income	–	–	56	56	–	56
<i>Comprehensive income for the period</i>			<i>16,421</i>	<i>16,421</i>	<i>0</i>	<i>16,415</i>
<i>Transactions with owners</i>						
Non-controlling interests	–	–	–	–	6	6
Dividend	–	–	–2,000	–2,000	–	–2,000
<b>Equity, closing balance on 31 Dec 2021</b>	<b>4,000</b>	<b>4,227</b>	<b>77,057</b>	<b>85,284</b>	<b>6</b>	<b>85,290</b>
<b>Equity, opening balance on 1 Jan 2022</b>	<b>4,000</b>	<b>4,227</b>	<b>77,057</b>	<b>85,284</b>	<b>6</b>	<b>85,290</b>
Profit for the period	–	–	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
<b>Equity, closing balance on 31 Dec 2022</b>	<b>4,000</b>	<b>4,227</b>	<b>81,550</b>	<b>89,777</b>	<b>–9</b>	<b>89,767</b>

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Amounts in SEK million	Jan–Dec 2022	Jan–Dec 2021	Oct–Dec 2022	Oct–Dec 2021
<b>Operating activities</b>				
Operating surplus	5,968	5,533	1,557	1,413
Central administration	-116	-124	-33	-20
Add back amortisation and depreciation	45	27	23	8
Adjustment for other non-cash items	6	-5	0	-8
<b>Cash flow from operating activities before interest and tax</b>	<b>5,903</b>	<b>5,431</b>	<b>1,547</b>	<b>1,393</b>
Interest paid <sup>1)</sup>	-1,418	-1,543	-384	-541
Interest received	27	4	22	0
Taxes paid	-240	-320	-60	-69
<b>Cash flow before changes in working capital</b>	<b>4,272</b>	<b>3,572</b>	<b>1,124</b>	<b>783</b>
Increase (-)/decrease (+) in operating receivables	-48	119	94	312
Increase (+)/decrease (-) in operating liabilities	212	256	215	-71
<b>Cash flow from operating activities</b>	<b>4,436</b>	<b>3,947</b>	<b>1,433</b>	<b>1,024</b>
<b>Investing activities</b>				
Investments in existing properties	-2,366	-4,137	-783	-1,006
Property acquisitions	0	-214	0	-10
Property divestments	543	449	393	87
Other PPE, net	-87	-78	-70	-4
Acquisition of intangible assets	-3	-10	0	-4
Disposals of net assets in Group companies	18	-	-	-
Transactions with associates and joint ventures	107	182	0	-
Other financial assets, net	-4	-50	-2	-50
<b>Cash flow from investing activities</b>	<b>-1,792</b>	<b>-3,858</b>	<b>-462</b>	<b>-987</b>
<b>Cash flow after investing activities</b>	<b>2,644</b>	<b>89</b>	<b>971</b>	<b>37</b>

Amounts in SEK million	Jan–Dec 2022	Jan–Dec 2021	Oct–Dec 2022	Oct–Dec 2021
<b>Financing activities</b>				
Dividend	-4,000	-2,000	-	-
Raised debt: interest-bearing liabilities	39,821	34,422	8,403	3,609
Repayment of debt: interest-bearing liabilities	-38,171	-31,290	-10,010	-4,104
Change in collateral	-633	-21	-67	-65
Redemption of financial instruments	-198	-241	-180	-241
Transactions with non-controlling interests	0	4	0	0
<b>Cash flow from financing activities</b>	<b>-3,181</b>	<b>874</b>	<b>-1,854</b>	<b>-801</b>
<b>Cash flow for the period</b>	<b>-537</b>	<b>963</b>	<b>-883</b>	<b>-764</b>
Opening balance, cash and cash equivalents	3,521	2,558	3,867	4,285
Cash flow for the period	-537	963	-883	-764
<b>Closing balance, cash and cash equivalents</b>	<b>2,984</b>	<b>3,521</b>	<b>2,984</b>	<b>3,521</b>

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

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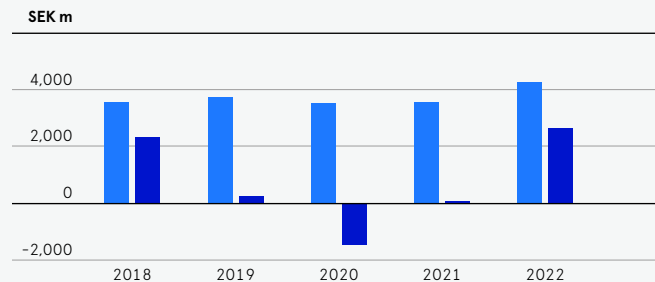
## Comments to the consolidated cash-flow statement

Cash flow from operating activities before changes in working capital increased to SEK 5,903 million (5,431) as a result of a higher operating surplus and lower taxes paid.

Investments in existing properties decreased during the period to SEK 2,366 million (4,137) as a result of a lower project volume. Cash flow after investing activities increased to SEK 2,644 million (89).

In total, net borrowing for the period amounted to SEK 1,650 million (3,132). Altogether, cash and cash equivalents decreased SEK 537 million (963) and totalled SEK 2,984 million (3,521) at the end of the period.

## Stable cash flow from operating activities



January–December

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

■ Cash flow after investing activities.

## Property divestments 2022

Property	City	Buyer	Purchase price, SEK m	Transfer date
Kurland 11	Stockholm	Gillesvik	155	Aug 2022
Diktaren	Solna	SBB	410	Oct 2022
<b>Total agreed property value</b>			<b>565</b>	
Acquisition-related costs, such as stamp duty and other transaction costs, as well as deduction for deferred tax			-22	
<b>Total purchase price</b>			<b>543</b>	

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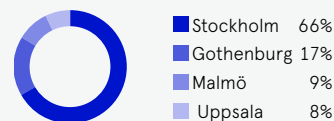
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## Total Vasakronan

January–December	2022	2021
Market value of properties, SEK m	188,317	181,575
Rental revenue, SEK m	8,167	7,425
Operating surplus, SEK m	5,968	5,533
Surplus ratio, %	73	75
Occupancy rate, %	91	91
Number of properties	166	168
Area, thousand sq. m.	2,398	2,348
Environmental certification in the investment portfolio based on market value, %	93	94

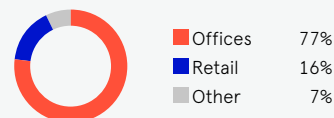
### Contracted rent by geographic market

Pertains to share of contracted rent



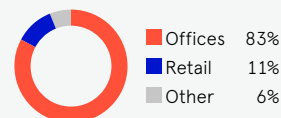
### Contracted rent by property type

Pertains to share of contracted rent



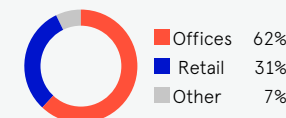
## Stockholm

2022	2021
129,240	123,250
5,297	4,819
3,910	3,649
74	76
90	90
76	78
1,408	1,402
96	92



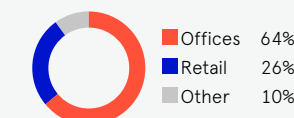
## Gothenburg

2022	2021
33,650	33,317
1,462	1,293
1,080	964
74	75
92	95
34	34
447	392
83	96



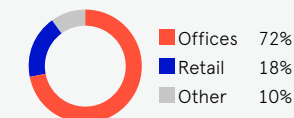
## Malmö

2022	2021
13,725	13,719
777	712
533	481
69	68
92	91
31	31
299	300
100	100



## Uppsala

2022	2021
11,702	11,289
631	601
445	439
71	73
94	94
25	25
244	254
90	90



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## Income statement

Amounts in SEK million	Jan–Dec 2022	Jan–Dec 2021
Net sales	582	510
Operating expenses	-761	-703
<b>EBIT</b>	<b>-179</b>	<b>-193</b>
<b>Financial items</b>		
Profit from participations in subsidiaries	14,464	2,538
Net interest	-240	-374
Change in value of financial instruments	1,291	938
Appropriations	-200	-236
<b>Profit before tax</b>	<b>15,136</b>	<b>2,673</b>
Tax	-438	-419
<b>Profit for the period</b>	<b>14,698</b>	<b>2,254</b>

## Statement of comprehensive income

Profit for the period recognised in profit or loss	14,698	2,254
Other comprehensive income	–	–
<b>Total comprehensive income for the period</b>	<b>14,698</b>	<b>2,254</b>

## Parent Company

The operations of the Parent Company, Vasakronan AB (publ), consist of Group-wide functions and providing an organisation for the management of properties owned by subsidiaries. The Parent Company does not directly own any properties.

The Parent Company's revenue for the period was SEK 582 million (510), which primarily consisted of the Parent Company's invoices to the subsidiaries for services rendered.

Profit from participations in subsidiaries of SEK 14,464 million (2,538) pertained to tax free dividends received from subsidiaries.

The value change in financial instruments was SEK 1,291 million (938) as a result of the substantial increase in market interest rates during the period. Profit before tax thus amounted to SEK 15,136 million (2,673). Closing cash and cash equivalents amounted to SEK 2,975 million (3,513).

## Balance sheet

Amounts in SEK million	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Equipment	113	65
Shares and participations in subsidiaries	37,586	37,829
Receivables from subsidiaries	50,469	38,972
Shares and participations in joint ventures	0	1
Receivables from joint ventures	0	20
Deferred tax assets	0	125
Derivatives	6,173	1,062
Non-current receivables	1,426	225
<b>Total non-current assets</b>	<b>95,768</b>	<b>78,298</b>
<b>Current assets</b>		
Receivables from subsidiaries	9,974	9,498
Receivables from joint ventures	41	0
Derivatives	255	78
Current receivables	916	954
Cash and cash equivalents	2,975	3,513
<b>Total current assets</b>	<b>14,161</b>	<b>14,042</b>
<b>TOTAL ASSETS</b>	<b>109,929</b>	<b>92,341</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	23,775	13,077
Untaxed reserves	1,122	922
<b>Liabilities</b>		
Interest-bearing liabilities	77,425	73,838
Derivatives	3,892	1,995
Deferred tax liability	182	0
Non-interest-bearing liabilities	1,257	762
Liabilities to subsidiaries	2,276	1,747
<b>Total liabilities</b>	<b>85,032</b>	<b>78,342</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>109,929</b>	<b>92,341</b>



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## Personnel

The number of employees at the end of the period was 296, compared with 290 at the end of 2021.

## Risks and uncertainties

The war in Ukraine, soaring inflation and rapidly rising interest rates are dominating the operating environment and have, in turn, led to higher credit spreads and reduced access to capital markets. Household purchasing power has declined and Sweden is now entering a recession. While Vasakronan is being impacted by rising electricity, material and interest expenses, 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 2021 Annual Report. The company's risks are described in the 2021 Annual Report on pages 62–68.

## Estimates and assessments

The preparation of financial statements in accordance with generally accepted accounting principles requires that the management makes assessments and assumptions that affect the amounts recognised in the accounts for assets, liabilities, income and expenses, as well as other information disclosed. The actual results may deviate from these assessments. The financial statements are particularly sensitive to assessments that provide the basis for the valuation of the investment properties. Refer to page 110 of Vasakronan's 2021 Annual Report for the sensitivity analysis.

## Related-party transactions

Information pertaining to Vasakronan's related-party transactions is provided in Note 7.4 on page 120 of Vasakronan's 2021 Annual Report. At the end of the period, the Third Swedish National Pension Fund held bonds issued by Vasakronan to a total value of SEK 625 million, compared with SEK 715 million at year-end 2021.

## Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. Comparative figures in parentheses pertain to the corresponding amounts for the same period last year. The same accounting policies, valuation principles and calculation methods as the ones used in the most recently issued annual report have been applied. Refer to Vasakronan's 2021 Annual Report, pages 99–122.

Derivatives are valued at fair value in the balance sheet and other financial instruments at amortised cost. For interest-bearing liabilities, which consist of bonds, NSVs, bank loans and commercial paper, fair values differ from the recognised amortised cost. Fair value is established using the current yield curve along with a borrowing margin and is included in the calculation of EPRA NDV.

Derivatives are valued in accordance with level 2 in the fair value hierarchy. For all derivatives, ISDA agreements are in place that allow offsetting of payables and receivables from the same counterparty in the event of insolvency.

Investment properties are recognised at fair value in accordance with level 3 in the fair value hierarchy.

The Parent Company applies the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

Vasakronan's activities have been organised according to the geographic regions of Stockholm, Gothenburg, Malmö and Uppsala. These regions thus represent the four operating segments used for reporting purposes. Refer to page 100 of Vasakronan's 2021 Annual Report.

## Alternative performance measures

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

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

## Significant events after the end of the period

No significant events have taken place after the end of the period.

## Johanna Skogestig

*Chief Executive Officer*

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

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

Christer Nerlich, *Chief Financial Officer*  
Telephone: +46 (0)8 566 205 40, E-mail: christer.nerlich@vasakronan.se

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 3 February 2023, at 1.00 p.m. CET.

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	Jan–Dec 2022	Jan–Dec 2021	Oct–Dec 2022	Oct–Dec 2021
<b>Property-related information</b>				
Closing occupancy rate, %	91.2	91.4	91.2	91.4
Surplus ratio, %	73	75	73	74
Investments in existing projects, SEK m	2,366	4,137	783	1,006
Property acquisitions, SEK m	0	214	0	10
Property divestments, SEK m	-543	-449	-393	-87
Net investments, SEK m	1,823	3,902	390	929
Closing market value of property, SEK m	188,317	181,575	188,317	181,575
Closing area, thousand sq. m.	2,398	2,348	2,398	2,348
Closing number of properties	166	168	166	168
Environmental certification of investment portfolio, share of total area, %	90	92	90	92
Environmental certification, of investment portfolio, share of market value, %	93	94	93	94
Energy intensity on closing date, kWh/sq. m., rolling 12 months	75	83	75	83

	Jan–Dec 2022	Jan–Dec 2021	Oct–Dec 2022	Oct–Dec 2021
<b>Financial metrics</b>				
EBITDA margin, %	71	73	75	71
Interest coverage ratio, multiple	4.8	5.2	3.9	5.5
Closing equity/assets ratio, %	43	43	43	43
Closing loan-to-value ratio, %	40	39	40	39
Fixed-interest tenor <sup>1)</sup> , year	4.0	4.6	4.0	4.6
Loan-to-maturity <sup>1)</sup> , years	5.7	5.5	5.7	5.5
Closing EPRA NRV <sup>1)</sup> , SEK m	113,542	110,515	113,542	110,515
Closing EPRA NTA <sup>1)</sup> , SEK m	104,406	102,179	104,406	102,179
Closing EPRA NDV <sup>1)</sup> , SEK m	93,121	83,118	93,121	83,118
Closing average interest rate, %	2.1	1.3	2.1	1.3
Closing net interest-bearing liabilities, SEK m	74,441	70,317	74,441	70,317
Cash flow before changes in working capital, SEK m	4,272	1,124	783	3,572
Net interest-bearing liabilities/EBITDA <sup>2)</sup>	12.8	13.0	12.8	13.0
<b>Other</b>				
Closing number of employees	296	290	296	290

1) Last day in the period.

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

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	Jan-Dec 2022	Jan-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
<b>1. EPRA NRV, SEK m</b>				
Equity	89,767	85,290	89,767	85,290
Add back goodwill attributable to deferred tax				
	-1,901	-1,903	-1,901	-1,903
Add back derivatives	-2,536	855	-2,536	855
Add back recognised deferred tax	28,212	26,273	28,212	26,273
	<b>113,542</b>	<b>110,515</b>	<b>113,542</b>	<b>110,515</b>
<b>2. EPRA NTA, SEK m</b>				
Equity	89,767	85,290	89,767	85,290
Add back goodwill attributable to deferred tax	-1,901	-1,903	-1,901	-1,903
Add back other intangible assets	-117	-141	-117	-141
Add back derivatives	-2,536	855	-2,536	855
Add back recognised deferred tax	28,212	26,273	28,212	26,273
Deferred tax at fair value <sup>1)</sup>	-9,019	-8,195	-9,019	-8,195
	<b>104,406</b>	<b>102,179</b>	<b>104,406</b>	<b>102,179</b>
<b>3. EPRA NDV, SEK m</b>				
Equity	89,767	85,290	89,767	85,290
Add back goodwill attributable to deferred tax	-1,901	-1,903	-1,901	-1,903
Adjustment of interest-bearing liabilities to fair value	5,255	269	5,255	269
	<b>93,121</b>	<b>83,118</b>	<b>93,121</b>	<b>83,118</b>
<b>4. EBITDA, SEK m</b>				
Operating surplus	5,968	5,533	1,557	1,413
Central administration	-116	-124	-33	-20
Transactions with associates and joint ventures	107	182	-	-
Ground rents and land leases	-167	-167	-42	-42
	<b>5,792</b>	<b>5,424</b>	<b>1,482</b>	<b>1,351</b>

	Jan-Dec 2022	Jan-Dec 2021	Oct-Dec 2022	Oct-Dec 2021
<b>5. EBITDA margin, %</b>				
Rental revenue	8,167	7,425	2,143	1,913
EBITDA	5,792	5,424	1,482	1,351
	<b>71</b>	<b>73</b>	<b>69</b>	<b>71</b>
<b>6. Interest coverage ratio, multiple</b>				
EBITDA	5,792	5,424	1,482	1,351
Net financial items	-1,208	-1,051	-381	-244
	<b>4.8</b>	<b>5.2</b>	<b>3.9</b>	<b>5.5</b>
<b>7. Net interest-bearing liabilities, SEK m</b>				
Non-current interest-bearing liabilities	66,484	59,342	66,484	59,342
Current interest-bearing liabilities	10,941	14,496	10,941	14,496
Cash and cash equivalents	-2,984	-3,521	-2,984	-3,521
	<b>74,441</b>	<b>70,317</b>	<b>74,441</b>	<b>70,317</b>
<b>8. Loan-to-value ratio, %</b>				
Net interest-bearing liabilities	74,441	70,317	74,441	70,317
Fair value of investment properties	188,317	181,575	188,317	181,575
	<b>40</b>	<b>39</b>	<b>40</b>	<b>39</b>

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

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## Area, sq. m.

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

## Average interest rate, %

The volume-weighted interest rate on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

## Average remaining term to maturity, years

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

## Cash and cash equivalents, SEK m

Cash and bank balances, along with current investments with maturities of less than three months. Intended as an indication of the company's liquidity.

## Central administration, SEK m

Costs at the Group level that are not directly related to property management, such as costs associated with the Group management, property investments, financing and central marketing.

## Comparable property holdings

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

## Contracted rent by property type

Contracted rent categorised according to the assigned premises use, for each lease, broken down as offices, retail and other. The category "other" includes residential space, parking and hotels.

## Contracted rent, SEK m

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

## EBITDA margin, %

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

## EBITDA, SEK m

Operating surplus less central administration, with the addition of cash flow from dividends from joint ventures and less ground rents and land leases. Intended as an indication of the current earnings in property management activities.

## Energy intensity kWh/sq. m.

Energy consumption, adjusted to the level of a normal year, from heating, comfort cooling and property electricity, divided by the temperate area (indoor area for all floors of a building that are heated to more than 10°C) for the past 12 months. Reported energy intensity also includes some tenant electricity and process cooling which, for technical reasons, is not possible to remove from the calculation.

## Environmental certification of investment properties, %

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

## EPRA NDV (Net Disposal Value), SEK m

Equity adjusted for goodwill and the fair value of interest-bearing liabilities as well as the full extent of deferred tax, refer to the calculation on page 24.

## EPRA NRV (Net Reinstatement Value), SEK m

Recognised equity, adding back goodwill, derivatives and deferred tax. The metric shows the company's EPRA NAV, refer to the calculation on page 24.

## EPRA NTA (Net Tangible Assets), SEK m

Recognised equity adding back goodwill, derivatives and other intangible assets after adjustment for estimated actual deferred tax. Calculated on the basis of a 30% current tax rate, in other words 6.2%. The metric reflects the actual NAV. Refer to the calculation on page 24.

## Equity/assets ratio, %

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

## Fixed-interest, years

The volume-weighted remaining maturity on fixed-interest rates on interest-bearing liabilities and derivatives on the closing date. Intended as an indication of the company's financial risk.

## Income from property management

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

## Interest coverage ratio, multiple

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

## Investments in existing projects, SEK m

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

## Loan-to-maturity, years

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

## Loan-to-value (LTV) ratio, %

Net interest-bearing liabilities divided by the fair value of investment properties on the closing date. Intended as an indication of the company's financial risk.

## Net financial items

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

## Net interest-bearing liabilities/EBITDA, multiple

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

## Net interest-bearing liabilities, SEK m

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

## Net investments, SEK m

The purchase price for property acquisitions, along with investments in property projects, less the consideration received from property divestment. Intended as an indication of capital invested in properties.

## Net lettings, SEK m

Contracted rent for new lettings during the period less contracted rent for leases where notices to vacate were received during the period.

## Net operating income, SEK m

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

ground rents and land leases. Intended as an indication of the current earnings in property management activities, excluding effects from IFRS 16. Internal control metric.

## Occupancy rate, %

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

## Operating surplus, SEK m

Rental revenue less operating expenses, repairs and maintenance, property administration and property tax. For periods until 1 January 2019, ground rents and land leases are also deducted. Intended as an indication of the current earnings in property management activities. External control metric.

## Profit before value changes and tax, SEK m

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

## Property acquisitions, SEK m

Acquisition of investment properties. Intended as an indication of the company's acquisitions during the period.

## Property divestments, SEK m

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

## Rental value, SEK m

Contracted rent plus the assessed market rent for vacant premises.

## Surplus ratio, %

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

Financial Calendar

REPORTS

Annual Report 2022	March 2023
Interim Report Jan–Mar	28 April 2023

ANNUAL GENERAL MEETING

Annual General Meeting	28 April 2023
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Vasakronan in brief

Vasakronan is Sweden’s leading property company. The property portfolio comprises 166 properties with a total area of about 2.4 million square metres and a market value of SEK 188 billion. The properties encompass centrally located office and retail properties in Stockholm, Gothenburg, Malmö and Uppsala.

Vasakronan is owned in equal shares by the First, Second, Third and Fourth Swedish national pension funds, and thus contributes to financing the Swedish pension system. The company’s operations embrace the management and development of commercial properties in growth areas of Sweden. Our vision is to create “future-proof cities for everyone, where people and companies thrive.”

Vasakronan has a rating of A3 with a stable outlook from Moody’s.

Further information about the company is available on Vasakronan’s website [www.vasakronan.se](http://www.vasakronan.se)