

The background of the cover is a close-up photograph of a glass facade with a golden grid pattern. The glass reflects the sky and surrounding environment, and the shadows of leaves and branches are cast across it, creating a complex, layered visual effect. The overall color palette is warm, dominated by gold, yellow, and blue tones.

VASAKRONAN

# Annual Report 2019



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# Sweden's largest property company

**VASAKRONAN'S ASSIGNMENT** is to generate a high, risk-weighted return for our owners the First, Second, Third and Fourth Swedish National Pension Funds, though never at the expense of the environment and people. A return that will benefit Sweden's current and future pensioners.

**IN ADDITION TO THE ASSIGNMENT** from our owners, Vasakronan's ambition is to be Sweden's leading property company. We will achieve this by:

- **Generating a high total yield**, that should also exceed that of the industry in general.
- **Being the preferred choice** for tenants looking for office or retail premises.
- **Being perceived** as the most attractive employer in the industry.
- **Assuming social responsibility** and striving for long-term sustainable development.

**TO ACCOMPLISH OUR ASSIGNMENT**, we must create long-term sustainable value in the business. This is achieved through **good property management** and **development of our properties, streets and areas**, supplemented by **active transactions**.

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Property value **156**  
SEK billion

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Energy intensity **92**  
kWh/sq. m.

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Square metres **2.3**  
million

---

Net lettings **426**  
SEK million

---

Environmental certification **85**  
per cent

---

Project volumes **14,347**  
SEK million

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Rental revenue **7,040**  
SEK million

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Operating surplus **5,207**  
SEK million

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Occupancy rate **94.1**  
per cent

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# Significant events in 2019



## POSITIVE RESULTS IN TRIANGELN

Successful letting, extended opening hours and an expanded offering of shops led to an increase in the number of visitors as well as sales at Triangeln, Malmö's most central shopping centre. Visitors increased almost 4%, meaning that the shopping centre had a total of 7,350,000 visitors. In 2019, retailers like XXL, ICA Nära and Gina Tricot opened at the location and sales increased just over 6%.



## Doubled solar electricity production

In Fyrislund, Uppsala, Vasakronan owns 12 hectares of land for which there are currently no development plans. In 2019, Vasakronan decided to construct a solar park on the site. The facility will go into operation in spring 2020, with 11,000 panels with an installed capacity of 4.4 MW – the equivalent of 240 households' annual power consumption. The park will double Vasakronan's own solar electricity production and provide renewable electricity to the grid.





## Project Strand in final phase

During the year Statistics Sweden leased 7,200 square metres at the Strand development property. This means that development of Solna Strand has entered its final phase. The project encompasses a total of 26,000 square metres and completion is scheduled for the third quarter of 2020. Other tenants at the property are COWI and UHR, the Swedish Council for Higher Education.



## International interest in green financing

In 2019, Vasakronan's lending took a further step in a green direction. Investors around the world, primarily in Asia and Central Europe, are seeking serious investment alternatives in the type of Dark Green debt instrument the company offers. During the year, the company has for the first time issued three green bonds denominated in Japanese yen, American dollars and Australian dollars, respectively. Of the total SEK 16.5 billion borrowed during the year, 86% was green.



## The Swedish Tax Agency at Nya Kronan

During the year, the Swedish Tax Agency signed a lease for 42,000 square metres at Nya Kronan in central Sundbyberg. The lease is for ten years and occupancy is scheduled for the end of 2021. The agreement encompasses two newly constructed buildings and one existing building that will be renovated. The agreement with the Swedish Tax Agency means the properties are now fully let. Nya Kronan will have solar cell panels in the facade and be certified according to LEED, ideally with a Platinum rating.



## JUVELEN – A SHIMMERING ACQUISITION IN UPPSALA

In June, Vasakronan acquired the office property Juvelen (the Jewel) from Skanska. Located on Stationsgatan in Uppsala, close to Uppsala central station, Juvelen is only a stone's throw from Vasakronan's development property Magasin X. It includes lettable area of over 8,600 square metres, nearly 7,800 square metres of which comprises office space and approximately 800 square metres encompasses stores and restaurants. The purchase price was based on an underlying property value of SEK 563 million.





# Ready to meet tomorrow's challenges

“Vasakronan had another year of record-breaking results. We are now looking forward to the inauguration of the completely renovated Sergelhuset and the introduction of Arena, our own co-working concept,” says Vasakronan’s CEO Johanna Skogestig.

## ***Best full-year results ever for Vasakronan – again!***

### ***Why did 2019 go so well?***

“There are several interconnected factors that contributed to our fantastic performance – SEK 13.9 billion after tax. Obviously the continued increase in value for attractive properties had a major role. At the end of the year, our collected portfolio was valued at over SEK 156 billion. Another reason was that several of our ongoing projects are nearing completion and have been let under very favourable market conditions. An equally important contributing factor was the successful new letting and renegotiations of existing properties.”

### ***2020 has been at least equally exciting, hasn't it?***

“Yes indeed! Everyone at Vasakronan is looking forward to the opening of the new Sergelhuset property in Stockholm’s most central location. It will include Arena, our own model for co-working, and introduce an entirely new digital interface for our tenants. In 2020, Vasakronan also took the first steps toward creating a climate-neutral value chain by 2030, where we not only consider our own operations but also the climate impact we have through our project activities and our tenants’ use of our properties.”

### ***Why is it important for Vasakronan to have its own co-working alternative?***

“Arena is an important part of our total office space offering. We are noting demand from our customers for a higher degree of flexibility, so it is important for us to offer every-

thing from traditional lettings, turnkey offices and Smart & Klart premises to Arena. The turnkey offices are ready for immediate occupancy and in a Smart & Klart office, which even comes with a coffee machine and pot plants, tenants can move in and begin working the same day. With the addition of the co-working concept Arena, we can offer our customers an even higher degree of flexibility and service. It’s a natural complement to our total offering.”

### ***Why are tenants demanding more flexibility and what does this mean for Vasakronan?***

“Markets for many of our customers are all the more volatile, which makes it difficult for them to anticipate what their needs for premises will be after a few years. As a result, they’re demanding solutions that give them as much room to manoeuvre as possible. They don’t know if they’ll need more floor space or less, another type of premises or another geographic location.

In our view, even going forward most companies will still want their own premises that they can apply their own identity to. But beyond that, they want an offering that gives them maximum flexibility, like a rubber band. That’s why we think several customers find our full palette of options appealing. It enables and simplifies quick transitions and adaptations. An example of something our customers want is the ability to share conference rooms, reception and other services. This can include complementing a head office in the inner suburbs with workplaces in the city centre.”

## “Sergelstan is a good example of what we want to create – a part of Stockholm City where everyone wants to be.”

JOHANNA SKOGESTIG, CEO OF VASAKRONAN

### **What role do new technological solutions play for the office offering?**

“Technological and particularly digital development is advancing incredibly quickly. The shared digital language RealEstate-Core has given us control over all of our data so we can use it efficiently. So far, this has primarily entailed streamlining and savings in energy consumption. A major step forward for us in 2019 was supplying information to the environmental certification body LEED through, for the first time, direct readings from our properties.

The real eye-openers will come, I think, later in 2020. When Sergelhuset opens, we'll launch our new digital customer interface. It gives our tenants the ability to manage several practical issues via mobile devices, such as access to premises, booking conference rooms or paying for services connected to the workplace.”

### **Why is Vasakronan investing so much in project development?**

“There is great demand and a willingness to pay for cutting edge and space-efficient premises in central locations. Premium premises in an attractive location is a way for many companies and organisations to attract the best talent. We have a fantastic portfolio and, considering how the transaction market has developed over the last few years, the importance of maximising its potential is a given. Developing the locations we already own through renovations and new builds is the most profitable investment we can make. Now we're taking into account how we can do that without affecting the climate. This will, in the long term, be a precondition for healthy financing and profitability in development projects.

Right now we have several projects in different phases, with a total investment volume of SEK 14 billion. Large portions of the development properties are already let, despite the relatively long time left until occupancy for some of them. In addition to Sergelhuset, another three development properties will be completed in 2020, representing an investment volume of around SEK 6 billion.”

### **One development property that's attracting several tenants is Magasin X in Uppsala. Why do so many organisations want to have offices there?**

“It's extremely gratifying. Even though there are two years left until the property's expected completion, 80% of the office space is already let. One reason is that there is a lack of modern office premises in central Uppsala. Another, at least equally important, reason is that Magasin X is currently the largest office property in Sweden with a frame made entirely of wood. While we're convinced that a wooden building is appealing for the forward-thinking, experience also shows that visitors feel more comfortable in wooden buildings.

Magasin X is extremely important for Vasakronan. We face high expectations from many sources – from customers, architects, the city of Uppsala and our own employees. If Magasin X is successful, it will have incredibly positive effects and lead to the construction of more office properties with wood frames. Magasin X will show what can be achieved with renewable materials and thereby pressure suppliers of construction material like concrete and steel.”

### **Vasakronan's goal is to be the world's most sustainable property company. How will you accomplish that?**

“Vasakronan has worked with sustainability for many years. We were the first in Sweden to offer green leases, we're the Swedish property company with the highest portion of environmentally certified properties (85% at the end of 2019) and we've reduced our energy use close to 60% since 2008. Now we're taking the next step and setting a goal for all of our operations to be climate neutral in ten years.

It's a tough challenge and an ambition that requires all parts of Vasakronan. But our organisation's strength is everyone's collective spirit and the culture of courage we've created. People aren't afraid to try new methods, and it's okay to make mistakes now and then. I'm impressed by the commitment of our employees.”

### **What area of operations can contribute the most to sustainability gains?**

“Project development will probably make the largest contribution. We're going to set high standards in our procurements. Every project needs to be sound financially, but also equally sound environmentally.



Conducting climate smart operations is profitable. That much is obvious. That's why we have set the bar high for many years, and why we'll continue to raise it higher and higher. Our customers want help reducing their energy consumption, they're demanding green electricity and looking for ways to reduce their waste. They also want to offer a workplace that employees can easily reach with public transport or bicycle. There's a high willingness to pay for this."

***Besides sustainability, what are the biggest challenges in the future?***

"Our innovative, unique and creative approach to the ground floors of properties is one success factor. Stores have been greatly affected by growing e-commerce and we need to assume that the negative trend will continue for the coming years. To counteract this trend, we need to make the environment and areas around our properties a welcoming and pleasant experience, both in the days and evenings.

Sergelstan is a good example of what we want to create – a part of Stockholm City where everyone wants to be. Much has been renovated already and, once completed, our various development projects will give the area a real facelift. Sergelgatan will regain its previous glow, the terraces between the Hötorgsskrapor high-rises will open up and the entire pedestrian street will make things much greener.

At the same time, there are areas where we need to take measures to increase safety and comfort. Kista is one of them. Vasakronan aims to help by building mixed-use areas, primarily with housing and more services. We're currently working on this at the Hekla block."

***The last five years have seen a steady upswing in the property market. What do you see ahead of you for the next five years?***

"A focus on efficient use of resources. Not only how to optimally use properties, but also how we handle sustainability challenges. We also need to maintain and develop our areas. Both the ones that are new for Vasakronan, like Lilla Bommen in Gothenburg, the southern station entrance in Uppsala and Södra Hagalund in Solna, as well as existing areas where we need to invest more resources, such as Kista in western Stockholm."

***You've been CEO since 1 November 2019 and have already made several organisational changes.***

***What do you want to accomplish with them?***

"We need to focus on our projects, both ongoing and future, and on letting our very best employees work on them. Before, a lot of knowledge in the company was decentralised. Now we need to strengthen our resources, collaborate more and look at projects from a sustainability perspective. Moving major projects to the management phase is a major challenge, as is managing the new offering that we're developing."

***We're probably on the brink of a slowdown in the market.***

***How prepared is Vasakronan?***

"We're as prepared as we can be. We've been refining the composition of our borrowings for several years, so we now have several sources of financing and loans with longer terms. We'll complete our ongoing development projects and secure lettings with attractive rent levels. Over time, the project portfolio will need to be added to. We won't slow down our investments, but will continue to add value to our existing portfolio in attractive locations.

A weaker economy will require us to work closely with tenants, follow trends in market rents and remain flexible in discussions and rent negotiations with our customers. Vasakronan is working from a strong position. We are distributed across several types of tenants, and many of them are not sensitive to economic fluctuations. We have modern, flexible properties in attractive locations in cities with healthy growth. All in all, I'm feeling optimistic about the future."

Stockholm, February 2020

**Johanna Skogestig**  
Chief Executive Officer

**TRENDS**

Read more on pages 10–13.

**STAKEHOLDERS**

Read more on page 117.

**OUR ASSIGNMENT**

High return  
&  
sustainable business

**OUR OPERATIONS**

Property management • Development • Transactions

Read more on pages 16–31.

**OUR VALUES**

Openness binds us together • Enthusiasm drives us forward  
We get things done • Fair and honest • A holistic approach



# Future-proof cities

**FOR EVERYONE, WHERE PEOPLE AND COMPANIES THRIVE**

## STRATEGIES

- Climate strategy
- Product strategy
- Customer and market strategy
- Technology strategy
- Employee strategy
- Investment strategy
- Financing strategy

Read more on page 14.

## GOALS

- Financial
- Environmental
- Social

Read more on pages 15, 142-143.

# Vasakronan a leader in transitioning quickly

**Major, revolutionary changes are currently affecting the property industry and entail new possibilities and new challenges.**

Climate challenges are global and are leaving their mark on politics, social debates and business in every country. For several years, measures taken by the property sector, which is a major energy consumer, have focused on reducing energy consumption. In the last few years, the industry has also started to focus on other areas that also contribute to global warming. For Vasakronan, this has long been about the use of construction material, transportation and waste management. Meeting these climate challenges is a way to ensure long-term profitability and Vasakronan has therefore set the ambitious goal of being climate neutral across the entire value chain by 2030.

At the same time, several other changes, many of them connected to climate challenges, are ongoing that entail changes in the playing field for property companies. The conditions for service companies and authorities today are changing much faster than before. This requires property owners to offer office premises that are more flexible when it comes to space, location, lease periods and levels of service. A labour shortage in certain sectors and increased knowledge of the importance of the workplace for health and well-being means that a workplace's design has become an important factor in the competition for desirable employees. This trend has benefited property owners that, like Vasakronan, offer modern, space-efficient premises in attractive locations and with different models for premises and services offerings as well as flexible leases.

For the last several years, Vasakronan has developed its office offering to provide customers a range of possibilities in choosing the solution, or combination of solutions, that best suits them. In 2020 we launched Arena, Vasakronan's own co-working concept. With Arena as part of the premises palette, we can offer customers everything from co-working

to traditional office lettings, turnkey premises and Smart & Klart – pre-furnished spaces that are ready for immediate occupancy.

Regardless of letting form, we can take a holistic approach to delivering functions and services and we can partner with chosen external suppliers to offer a variety of attractive additional services.

## **Entirely new possibilities**

Ever-increasing digital development also creates new possibilities for our tenants. These are based in the digital language RealEstateCore, which makes it possible to collect and analyse large amounts of data generated in different manners. This, in turn, creates the conditions for everything from reduced energy consumption and better ventilation to increased safety and more efficient use of premises. Together with other actors in the property industry, Vasakronan started the company Accessy to develop a platform for access to several premises. During the year, we also began a partnership with the Property Technology company Tmpl Solutions to jointly develop a digital interface for services.

## **Better environment in the heart of the city**

To help climate efforts and simultaneously improve environmental and traffic conditions in city centres, it is important to streamline transportation to and from properties and simplify waste management. Organising transportation in both directions and an increased use of electric vehicles leads to significantly reduced emissions and fewer vehicles.

Vasakronan has taken on a leading role in this development by converting cellar floors in some properties from parking to space for consolidating and streamlining waste management.

## **Tougher competition**

A number of interconnected factors have helped create new preconditions for developing and planning urban areas in major cities. The rapid growth of e-commerce has led to growing challenges for retail. In some sectors, a large portion of sales has shifted from traditional to online retail. Competition has led to stores reducing their size, while other chains have gone out of business. At the moment, there is a major shift where stores are adapting to the new market conditions in a variety of ways.

For the last few years, property owners with a significant share of retail tenants have carried out a variety of changes to make physical stores more attractive. Shopping streets in city centres have become more mixed, where the share of restaurants, coffee shops, services and experiences has grown. The reduced need for retail floor space also means that stores have concentrated operations on street level, while spaces on second storeys have been converted to offices or other operations.

## **Collaboration increases appeal**

Vasakronan has worked with strategies for pedestrian streets for many years. These strategies aim to create areas that are strong brands in and of themselves, and that are attractive regardless of whether someone works there or goes there for the shopping, restaurants or experiences. To be successful, we need to coordinate with other property owners, municipalities and other actors in the area. The more we work together toward the same goal, the stronger the area's brand becomes. The ambition is for every project, area and street to have its own distinct profile.

For the urban areas in major cities to be attractive, it is important for visitors to perceive them as safe and comfortable, regardless of the time of day. Together with other property owners and actors, Vasakronan is actively working with a range of initiatives to increase appeal.



## TREND

# Flexibility and service

## New Arena – with work in focus

When we introduce Arena, Vasakronan's own co-working offering, it will be something different than the numerous joint and shared office premises that already exist. Arena is based on our thorough knowledge of how to design the best, most efficient workplaces. Good ergonomics, a healthy indoor climate, easily accessible technology and a high level of service are the key ingredients in our model.

Our focus is on creating the very best conditions to help our customers do a really good job. Regardless if someone wants to work undisturbed in a quiet part of the office or in groups in environments that stimulate creativity. It should be easy to work and easy to thrive – and just as easy, via the digital interface, to manage signing contracts and make payments and appointments.

Arena is an integrated part of our total office space offering. When we follow our customers closely, we can see how their premises needs are changing at an increasing rate. That is where Arena is a natural complement to the traditional office leases, turnkey premises and the Smart & Klart concept. That is also why the target group for Arena is primarily our existing customers and potential customers who are interested in our collected office offering.

In 2020, the first Arena will open in the new Sergelhuset in Stockholm. This will be followed in the coming years by Arena in Magasin X in Uppsala and Platinan in Gothenburg. There are even plans for Arena in central Malmö and a few other addresses in Stockholm. Nordstan in Gothenburg already has a pilot Arena.

“It should be easy to work and easy to thrive.”





TREND

# Retail sector

## The new Sergelstan emerges

When the new Sergelhuset opens its doors in 2020, Sergelstan will also begin to really take shape. The transformation of the area around Sergels torg, the most central part of Stockholm, is the most comprehensive urban development investment since the current Stockholm City was built over 50 years ago. A new and exciting street life is growing around the new office and hotel properties. Streets that had previously been overshadowed are now open and attractive pedestrian precincts with a rich and varied offering of stores, restaurants, coffee shops, services and experiences. One example is Malmskillnadsgatan, where Soltrappan is a welcoming link between the different street levels of Sergels torg and Sveavägen.

Another important part of Sergelstan is Sergelgatan, one of the capital's most famous thoroughfares, which is undergoing a total facelift to recapture its former glow. Together with other property owners, Vasakronan wants to create a sustainable and innovative shopping and experience alternative that will always have positive surprises to offer. Completion of stage one of the new Sergelgatan is planned for spring 2021. The entire street will be complete by the end of 2021.

When all parts of Sergelstan are completed, it will be a natural hub in central Stockholm, rich with the hustle and bustle of people for most of the day. The aim for Sergelstan is for each street to have its own unique profile. Together they will create an interesting and attractive whole, for those who work in Stockholm City, for all Stockholmers and for visitors from elsewhere Sweden and all over the world.

**“When all parts of Sergelstan are completed, it will be a natural hub in central Stockholm.”**



## TREND

# Digitalisation

## New platforms for sustainable development

Vasakronan has continued to work during the year to reach the goal of connecting all properties, collecting all data and simple accessibility. Several new initiatives were taken to this end.

The company Idun Real Estate Solutions was founded to establish PropTechOS, an operating system that efficiently handles large amounts of data related to buildings.

The company Accessy was also established together with some of Sweden's largest property companies and the Swedish Property Federation's service company, with the goal of developing an industry-wide standard for access to resources in buildings.

In the end of the year, we also started Tmpl Work to develop a platform for tomorrow's office services. The solution will eventually be an integrated part of our customer offering.

All solutions are accessible for all commercial products and are based on the digital language RealEstateCore, a broad initiative that aims to establish a shared definition of building-related data.

Everything we do is based on the conviction that we need to share the results of our development work. The only way to create smart, sustainable cities is to, as soon as possible, work with as many property owners and tenants as possible in a shared ecosystem.

“The only way to create smart, sustainable cities is to, as soon as possible, work with as many property owners and tenants as possible in a shared ecosystem.”



## Prevailing development trends

Our operating environment is changing at an increasingly rapid rate, creating both opportunities and challenges. By gaining an understanding of the market's trends and underlying drivers, we can develop our business and satisfy emerging needs.

### TREND

## Flexibility and service

### TREND

## Retail sector

### TREND

## Digitalisation

## Our strategies

To ensure that the assignment from owners is fulfilled, management develops an annual strategic plan that the Board then ratifies. The plan guides the coming years and encompasses seven strategies.

### CLIMATE STRATEGY

We work with climate goals that challenge and engage the entire private sector. The climate goals affect all of the company's decisions and require involvement from all of our employees as well as our customers and suppliers.

### PRODUCT STRATEGY

Our properties contribute to a positive city environment and offer premises that last over time. We take responsibility for the safety, atmosphere and maintenance of our areas, and the technological solutions in our buildings help us and our customers reach our goals.

### CUSTOMER AND MARKET STRATEGY

We follow our customers over time and offer solutions adapted to their needs. We actively share our knowledge about how office space and other resources can be used more efficiently.

### TECHNOLOGY STRATEGY

Our technological solutions simplify our customers' daily tasks and lead to increased efficiency and profitability for the companies. We stay one step ahead and are not afraid to try new technologies.

### EMPLOYEE STRATEGY

We have an organisation that adapts to match our changing surroundings and leadership that creates the conditions for our employees to succeed and thrive in their work.

### INVESTMENT STRATEGY

We focus on property holdings focused on offices and city retail in Nordic growth areas and our properties should be survivors in the rental market. We adapt and develop the property portfolio based on its assessed climate impact.

### FINANCING STRATEGY

We have low financial risk through diversified sources of finance, secured credit limits and a spread of maturities. We drive development in green financing.



## Our long-term goals

Our ambition is to be a sustainable leader in all dimensions. Challenging and engaging targets have been set to reach this goal.

### FINANCIAL

- A total yield of at least 6.5% per year (rolling average over 10 years)
- A total yield of at least 0.5 percentage points higher than the industry

### ENVIRONMENT

- Our entire value chain will be climate neutral by 2030
- Our properties are self-sufficient and do not require any energy to be purchased
- We have halved our power requirements
- Our business and those of our customers generate no waste that is unable to be recycled or reused
- We build our properties using renewable, recycled or reused materials
- All of our financing is green
- We are the world's most sustainable property company

### SOCIAL

- All employees act in accordance with our values and our code of conduct
- We have a positive work environment free from negative stress
- Discrimination and harassment do not occur at our workplaces
- The design of our properties contributes to the security, safety and health of those both inside and outside them
- Suppliers work in accordance with our code of conduct for suppliers
- We reflect the society in which we work in terms of gender, ethnicity and age
- We have no workplace accidents at our construction sites

## Results that contribute

Vasakronan's operations contribute to several of the Sustainable Development Goals that UN member nations committed to in September 2015. For more information about where our impact is the largest, see pages 116 and 123–134.



# An offering that meets everyone's needs

With a modern property portfolio in prime locations, a broad selection of smart and efficient solutions for premises, a focus on sustainability in all we do and new technological solutions, Vasakronan is continuously creating new possibilities, for its own operations as well as for customers.

Today's workplaces affect performance and are a tool for changing, influencing and inspiring. Through a broad offering of attractive premises in prime locations and thorough knowledge in designing effective workplaces, Vasakronan can meet tenants' specific needs. Close collaboration and long-term relationships mean that many tenants choose to stay at a location for the long term. In the last two years, 70% of tenants at the end of their leases chose to extend. We also live in a rapidly changing world. New situations arise constantly. Company employees work side by side with contracted consultants, freelancers and strategic partners. Businesses expand, are bought out or start up temporarily. The assorted requirements for premises are many and sometimes complex. To meet everyone's needs, Vasakronan currently offers several solutions and concepts. Everything from entirely customised materials and office design to flexible, ready-to-use workplaces that can be rented for a short time. Smart & Klart means that tenants do not have to deal with all the practical issues such as IT, workplace furniture, fittings and coffee machines. They can move in the same day the lease is signed and move out on short notice. The first "Vasakronan Arena", a co-working concept that offers flexible agreements for workplaces, separate offices

and meeting rooms, will open in Sergelhuset in 2020. The work environment, technology and services are cutting edge. The concept not only meets customers' various premises needs but is also well aligned with society's increased focus on sustainability and interest in sharing resources.

For retail tenants, Vasakronan offers pop-up shops that include everything needed in the form of fittings, check-outs, payment solutions, convenient lease conditions and even store staff.

## Large service offering

To facilitate tenants' day-to-day work, Vasakronan offers several different services through our partners. Tenants can receive help with everything from caretakers and cleaning to fruit baskets and dry cleaning. Opting for green services also allows us to reduce our environmental impact in multiple ways, including by offering an environmentally certified range of office products, waste sorting and transportation via green vehicles and bicycle couriers.

Particularly good local service is provided in premises where Vasakronan owns all or most of the surrounding area and can therefore design comprehensive solutions that suit its tenants. For example, these properties offer receptions, restaurants, conference facilities and gyms. Tenants are offered

high-quality office solutions, and the option to utilise the various resources with others.

## Increased share of self-produced energy

The property sector accounts for just over 30% of society's energy consumption.

Therefore, reducing our energy consumption and using renewable energy is an important issue. Low energy consumption is also a prerequisite for buildings attaining environmental certification with high ratings. With the help of different technological solutions and an effective, knowledgeable organisation, continuous improvements are conducted to reduce energy consumption. In the autumn, new software that Vasakronan helped develop, PropTechOS, was installed in several buildings. It helps collect large amounts of property data and analyses it in real time. Access to data creates opportunities to further reduce energy consumption and use premises more efficiently.

Since 2009, the energy intensity of our portfolio has more than halved. In 2019, energy intensity decreased to 92 kWh/sq. m. per year (103). At year end, 63% (47) of the buildings had an energy intensity below 100 kWh/sq. m. per year.

Vasakronan's long-term energy ambition is to be self-sustaining. To reach this goal, efforts are ongoing to increase our own energy pro-





## RECORD LETTINGS

**SUNDBYBERG AND SOLNA**, north of Stockholm, are two of the country's fastest-growing municipalities and areas where Vasakronan has had a strong presence for many years. In central Sundbyberg, Vasakronan has let around 43,000 square metres to the Swedish Tax Agency in the Nya Kronan block. This means that the property is fully leased. The Swedish Tax Agency will move in to two newly constructed buildings and one existing building undergoing renovation. The lease is for ten years and occupancy is scheduled for the end of 2021.

Nya Kronan will have solar cell panels on the facade and be certified according to LEED, ideally with a Platinum rating. A total of around 3,000 people will work here, and efficient, modern office solutions have made it possible to conduct operations in less space than they currently let. The new lease means that the Swedish Tax Agency will be leaving its previous premises of 70,000 square metres in Solna Strand.

Sundbyberg has both the vibrancy of a big city and the idyll of a small town, and the central areas will be developed positively over the next few years. A major

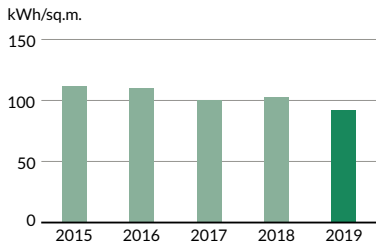
employer with lots of employees, like the Swedish Tax Agency, will be important for the area.

Vasakronan has also signed a major lease with Statistics Sweden for 7,200 square metres at the development property Strand in Solna, north of Stockholm. This means that Strand now has an occupancy rate of 57% and the project is entering its final phase. Statistics Sweden has been a Vasakronan tenant at Garnisonen since the early 70s. The move will bring more appropriate and flexible premises with a view of the water and good public transportation.

The project encompasses 26,000 square metres over six floors in three buildings. The buildings open up towards the water and will be linked together with a new glass office building.

At the end of 2018, it was clear that the Swedish Council for Higher Education, UHR, would also move in. Strand will be completed in the third quarter of 2020 and Statistics Sweden will take occupancy in summer the same year. Strand includes an additional building that has already been developed and completed. This is fully let, with COWI as the largest tenant. ●

### Energy intensity



duction, primarily through installing solar photovoltaics. A total of 63 solar photovoltaic systems (55) were in operation at year end and these are estimated to generate a total of 4,200 MWh each year. In 2019, Vasakronan decided to construct a solar park of around 30,000 square metres in Fyrislund, Uppsala. This will double the production of solar electricity.

Most solar photovoltaic systems in the portfolio that have been installed so far are solar panels mounted on regular roofs. Other solar photovoltaic technologies are being tested, such as rooftop panels that have integrated solar cells and thin film on windows. To increase our own production of solar electricity, and thereby profitability, we are testing the storage of surplus electricity generated by the solar photovoltaic panels by way of different storage solutions and distributing it locally to several buildings via internal direct current grids.

To further enhance energy efficiency, geothermal energy solutions are also being exploited via aquifers. This means that groundwater tables in the earth are used to heat and cool properties. This process is currently used in Sergelhuset in central Stockholm and in the Triangeln shopping centre in central Malmö.

### Ambitious certification

Environmental certification of both existing and new build properties is important for reducing climate impact and sustainable societal development. It also provides independent evidence of our properties' low environmental impact and is a precondition for our green financing. Environmental certification requirements are set from the start for all

new construction. However, to meet our tenants' demands, even our existing properties must be certified. To certify properties, Vasakronan primarily uses the LEED environmental certification system, which is the system most commonly used internationally. The highest level is Platinum. LEED certification includes an assessment of the property's energy consumption, indoor environment, material use, waste management and water use. The ambition is to certify all properties in the portfolio as Gold or Platinum. Achieving this requires a structured property management approach and clear procedures for our environmental agenda. At year end, 85% (85) of the portfolio was environmentally certified, of which 72% (69) was rated Gold or higher.

### Reduced emissions

Vasakronan has reduced its Scope 1 and Scope 2 emissions 99% since 2006, and operation of Vasakronan's properties have been climate neutral since 2008. This is possible because the amount of energy purchased has more than halved since 2009, and because the purchased energy is renewable or climate neutral. The focus is now on reducing indirect emissions – emissions from purchased goods and services, as well as those that arise when tenants use their premises. One of the largest sources of indirect emissions is tenants' private electricity consumption, and since 2017 we have added a clause to all new leases that the customer will undertake to purchase green energy.

Another cause of indirect emissions is waste, both from our tenants and from ongoing projects. Vasakronan is therefore taking active steps to make it easier for its tenants to sort and recycle waste. For example, a central agreement was signed with Ragn-Sells with the objective of recycling a larger share of tenants' waste. In terms of waste from project activities, there is a considerable ability to influence both the amount of waste and the proportion of it that can be reused.

Another facet of our work to reduce emissions is creating the conditions for sustainable transportation to and from properties. At many properties, Vasakronan provides

electric vehicle charging stations, car pools and bicycle storage so that tenants can travel sustainably to and from work. Proximity to public transport is also very important. The company actively tries to improve the frequency of services and the location of public transport stops in several areas.

As part of the "Älskade stad" (Love your city) initiative, Vasakronan collaborates with Ragn-Sells, Bring and the City of Stockholm to set up urban consolidation centres in the heart of the city. Plans for a new urban consolidation centre under Sergelhuset in Stockholm are ongoing. In this way, distribution of goods to stores can be coordinated using electric vehicles that can bring waste back to the urban consolidation centre. This reduces congestion, noise and emissions.

Vasakronan undertakes climate compensation for the remaining direct emissions – as well as certain indirect emissions – by purchasing shares in compensation projects. Compensation is conducted annually, in arrears. For a summary of Vasakronan's total greenhouse gas emissions, see page 127.

In 2018, Vasakronan's long-term climate targets were approved by the Science Based Targets Initiative, a collaboration between the World Wide Fund for Nature, the United Nations Global Compact, Carbon Disclosure Project and the World Resources Institute. The goal is to ensure that the climate goals set by the company have a scientific basis and are in line with the requirements for companies in the Paris Agreement.

### Close relationships with our tenants

The management organisation is decentralised into four regions and a separate, centrally coordinated Technical Operations & Development Unit that is staffed in each city in order to create close relationships with our tenants.

The properties are managed with our own staff in all business-critical areas. This means that tenants meet Vasakronan employees with adequate knowledge about the tenants, properties and areas. Tenants can also contact a central customer service desk to report a fault or questions about rent invoices or other issues related to the property.





## DYNAMIC CITY ENVIRONMENT

**CREATING THE DYNAMIC CITY** and sense of security that everyone wants requires using the space between buildings and filling ground floors with things to do. We need physical stores, though maybe not as many as before. We need food and meeting places and the ability to create experiences and events.

Retail has expanded and grown relatively well for just over 20 years. But the need for floor space has decreased with digitalisation and competition with e-commerce. Experiences that complement shopping favour physical environments. People want to meet, touch and feel goods – and experience them. More also realise the importance of sustainable consumption. They are being more careful in their choices and often prefer to buy second-hand. All this means that there are great opportunities for meeting new forms of consumer needs.

During the last few years, Vasakronan has developed clear strategies for the streets surrounding our city properties. By defining what we want to achieve, we have committed ourselves to other property own-

ers and actors in all four of our regions. We want to create secure, attractive and engaging places with a distinct character.

New concepts for stores are also emerging. There will soon be dedicated pop-up store space in every area. This means that new actors can have visibility in central locations for a short period. Another example is Södertull in Malmö, where Vasakronan and Voii Studios developed an urban marketplace, Beyond Us, to make it easier for brands to establish themselves in a physical environment. They can also expose, sell and market their products without significant investments or long leases. Some twenty actors within fashion, lifestyle, furnishings and experiences are collected in 1,000 square metres. It also has a showroom, parcel delivery, coffee shop and open workplaces.

Vasakronan looks forward to future challenges and the company is well equipped to meet them. We do this with new solutions and always in dialogue with our customers, their customers and with consumers. ●



**Sandra Jonsson**  
Technology & Development Manager,  
Stockholm and Uppsala

**What has been going on with new digital solutions?**

“A lot! We’ve found a way to work even more efficiently. I especially want to point out that we digitalised the process for applying for LEED environmental certification. We might be the first in the world to do so. A great deal of data about the properties has to be collected, documented and compiled. Previously this was done manually, which took a lot of time.

The property-wide digital language, RealEstateCore, gives us better control over all the data properties generate. And development of sensors to measure various data is always moving forward.”

**Which challenges does Vasakronan need to meet?**

“We need to make things as simple and flexible as possible for our tenants. Together with the PropTech company Tmpl Solutions, we’re developing a digital platform that will become the interface for office services in the future.

There is potential in using premises more efficiently and therefore sustainably. Accomplishing this requires utilisation rate data. But there is also a need for securely managing access to our properties. That’s why we have worked with other industry actors to start Accessy AB, which will develop a digital access platform.”

**Do you see any risks with digitalisation?**

“There are more opportunities to measure and collect data. This increases the need for ethical data management and security. We can’t allow information to fall into the wrong hands, and data subjects’ privacy must be respected. This issue is important to us, for example, GDPR. We can create sound structures with RealEstateCore, but also have control over information.”

Customer service functions as a back office and can resolve most of the issues without needing to forward it to other parts of the organisation.

More problems can be identified and addressed through new IT solutions, before they become a problem for the tenant. By collecting and analysing property-related data in real time, problems with things like ventilation or lifts can be noted at an early stage. The number of registered complaints decreased 14% in 2019, in large part due to the ability to act proactively.

Customer satisfaction is a must to remain a profitable company. To monitor how satisfied our tenants are and to identify areas for improvement, Vasakronan carries out the customer satisfaction survey “Tyck om Vasakronan” at the beginning of every year. The most recent one was conducted in the beginning of 2020 and indicated an improvement over the preceding year. The score was 77 (76) for office and 76 (73) for retail. The scale of the survey is from 1 to 100, where a score of at least 80 corresponds to a grade of Very good.

**A more secure city**

Vasakronan’s operations are built on a pleasant atmosphere and a sense of safety in and around our properties. Implementing better lighting, reviewing the entry system and ensuring that everything is clean and attractive can improve security.

Another important measure is creating a dynamic city and increasing the flow of foot traffic around properties, even outside of office hours. Several initiatives were carried out during the year to encourage livelier streets, in cooperation with other property owners, different organisations and municipalities. A wide variety of activities were held in Sergels torg in Stockholm, including dance, theatre and concerts. The increased flow of people increased the sense of safety and crime around the square decreased significantly, despite a reduced police presence.

**Sustainable purchasing**

To successfully conduct business, Vasakronan needs to work with various suppliers. Each

purchase must be conducted with professional correctness, objectivity and honesty while observing good business practice. Purchasing is also based on competitive procurements. Tenders are evaluated and prioritised on the basis of how they fulfil the specified requirements in terms of expertise, sustainability and work environment agenda, function, execution, design and price.

Everyone who works on behalf of Vasakronan, regardless of which employer they work for, is to have acceptable work conditions and to be treated with respect and consideration for the health and safety of the individual. Vasakronan’s size means there is potential to achieve economies of scale in our procurement process. The work is led by a central procurement department that ensures that purchases meet high quality and sustainability requirements at the lowest possible cost. A systematic procurement process also affords the opportunity to set requirements for suppliers and contractors to, inter alia, reduce their environmental impact and minimise the risk of corruption and human rights violations. To support this process, Vasakronan’s Code of Conduct for Suppliers is applied to suppliers.

In 2019, the Vasakronan’s Code of Conduct for Suppliers was signed for all new agreements entered into via the procurement department. Ongoing audits are carried out to ensure that suppliers live up to their obligations. In 2019, a total of 80 supplier audits were conducted. The outcomes of these audits show that suppliers met our work environment and human rights requirements in a satisfactory manner.

**A friendly corporate culture**

Vasakronan’s corporate culture is distinguished by professionalism, flexibility and innovative thinking. It encourages innovation and trying new, unproven alternatives. Our work is satisfaction-driven, and things are done in a fair and trustworthy manner. Daily operations are characterised by short decision-making paths and delegated responsibility. Operations are conducted sustainably in every stage, which includes employees’ work environment. Cultivating employee participation, dedication and



satisfaction is the key to a successful business.

Far-reaching opportunities for development and a good work environment are offered to retain skilled employees and attract new talents. The health of our employees is regularly monitored, and much effort is devoted to wellness activities as well as preventing work injuries and rehabilitating employees on long-term sick leave.

All employees and job applicants must be treated equally and given equal opportunities for growth, development and promotion as well as equal pay for equal work. This approach, combined with the principles of the United Nations Global Compact, is summarised in a Code of Conduct, to which all employees have access. Vasakronan has a Compliance Officer, a role that is filled by Vasakronan's General Counsel, to whom employees and others can anonymously report any suspected incidents of lack of compliance with laws, rules or policies. There is also an external whistle-blower function that both employees and external parties can contact.

### **Commitment that makes a difference**

Vasakronan's vision is to "create future-proof cities for everyone, where people and companies thrive." Therefore, we have a clear ambition to get involved in important social matters, even if they are not directly associated with Vasakronan's business. A prerequisite for involvement is that we can make a difference and that our employees perceive it as relevant. Löparakademien, a non-profit organisation that supports young people in socially disadvantaged areas, is one such example. Vasakronan provides support through an annual financial contribution as well as an Advisory Board that offers skills and resources. In Gothenburg, Vasakronan partners with Mitt liv, an organisation that promotes a more inclusive society and diversity in the labour market. This collaboration has included, among other measures, a diversity course for all Gothenburg-based employees along with mentorship and internship programmes.

Vasakronan is also involved in many contexts to promote positive developments in the property sector. Within environmental issues, the

Sweden Green Building Council and Byggarubedömmningen (a non-profit organisation owned by large developers and property owners in Sweden) are examples of instances where Vasakronan was one of the initiators when both organisations were formed and continues to actively participate in different ways. Vasakronan also subscribes to the UN's climate initiative Caring for Climate, Klimatpakten i Stockholm and Uppsala klimatprotokoll as well as many different research and development collaborations within a range of different areas. During the year, Vasakronan was also a driving actor behind an initiative for a climate-neutral Malmö by 2030.

During the year Vasakronan was also ranked the most sustainable office company in Europe as well as number twelve globally by the Global Real Estate Sustainability Benchmark, or GRESB. The goal for 2020 is to further improve our score and, in the long-term, to be considered the world's most sustainable property company.



**Anna Nordin**  
Head of Stockholm City Business Area

### **What are you doing to create security and safety in and around your properties?**

"A lot of it is about practical measures, like ensuring there is sufficient lighting for streets and facades, access to and within our properties and that we actively maintain locations by keeping them clean, pleasant and free of graffiti. We're also working with security in areas that feel unsafe, like basement levels and garages. These are places that we need to keep an eye on, which is why we have camera surveillance in certain areas.

We want to counteract "broken windows" – the tendency for crime or signs of disorder to create an urban environment that encourages more of the same. If, instead, we create a positive environment, that encourages positive behaviour. We work intensively with life between the buildings and, together with the city and other property owners, take responsibility for public spaces."

### **How are you collaborating with others?**

"Collaboration to develop urban environments takes different forms in all of our areas. In the summer we started a project with the City of

Stockholm, City i samverkan, AMF, Axfast Gålöstiftelsen and Kulturhuset/Stadsteatern at Sergels torg.

The square was filled with activities like music, theatre and art, as well as extra seating. It was a success and now work is ongoing year-round to make the square more dynamic. The long-term goal is to renew a place that many people just pass by. For a long time there have been problems with crime and drugs there, and now we want to create a safe environment where people feel comfortable and want to spend time."

### **Vasakronan also helped found AMP.**

#### **What is AMP?**

"Centrum för AMP collects knowledge and experience in creating safe and secure places. It was founded by different actors in the area taking shared responsibility for the city. The chairman is Fredrik Reinfeldt, and other founders include Insurance Sweden, the Swedish Trade Federation, AMF, Atrium Ljungberg and Humlegården. The work supports Vasakronan's vision of future-proof cities and it will be exciting to see what we can achieve together."

## Vasakronan's borrowing even greener

In 2019 Vasakronan's lending took another major step in a green direction. Of the total of SEK 16.5 billion borrowed during the year, no less than 86% was green, the highest-ever share in the company's history.

"This means that we're quickly approaching the time when half of our financing is green," Anna Denell, Vasakronan's Head of Sustainability, declares proudly.

Group Treasurer Thomas Nystedt is also pleased with the development and cites several factors that helped increase green borrowing.

"Today there are investors around the world who are seeking serious investment alternatives in different types of green debt instruments. The fact that Vasakronan was the first to issue a green corporate bond has earned us a reputation and opened the doors to the international investment market," he says, and continues:

"We've also had a high rating from the institute Moody's since 2018. They have a good reputation, which means that our circle of investors has expanded beyond the Nordic region and northern Europe. Interest has been great, not least in Asia, and last year a third of the company's borrowing was in the Japanese and Korean markets."

### Towards dark green

While both Anna Denell and Thomas Nystedt are proud of the growth in green borrowing, they are careful to point out that Vasakronan has strict rules for what qualifies as green.

"When we borrow green, it should really be 'Dark Green'," emphasises Anna Denell, stating that the share of green borrowing would have been much higher if the requirements in Vasakronan's revised framework for financing were less stringent.

"Of course the long-term goal is for all borrowing to be green, but it's much more important to environmentally certify all of Vasakronan's properties."

At the end of 2019, all of the company's investment properties were environmentally certified and several properties are currently in the certification process. Almost all of the buildings in Vasakronan's portfolio that receive a new certification receive a higher one - from Silver to Gold, or from Gold to Platinum. The improvements are primarily due to additional energy-efficiency measures and the installation of solar photovoltaics.

### Dedicated employees

Both Thomas Nystedt and Anna Denell testify to the importance of sustainability in all parts of Vasakronan's operations.



**Thomas Nystedt**  
Group Treasurer

**Anna Denell**  
Head of Sustainability

"During the year I visited our regional offices and explained how employees' daily work, for example with energy efficiency, positively affects our financing opportunities. It feels like everyone at the company understands how they're connected, and like employees are becoming more interested," explains Thomas Nystedt, and continues:

"I often run into property technicians in the elevator or at the office and they tell me, 'Thomas, now we're almost under 100!'" To qualify for green financing according to Vasakronan's framework, an existing property needs to have less than 100 kilowatt hours of energy consumption. It also needs to be certified Gold or higher according to LEED.

### Visiting investors

There is also a growing interest among investors to see how their green money is being converted into new and renovated properties. Representatives for banks and other investors are visiting more often and asking educated questions about everything from waste management to how Vasakronan uses aquifers (groundwater sources deep in the earth) to heat and cool properties.

"They're particularly impressed with our project Magasin X in Uppsala, which will be Sweden's largest office building with a frame entirely of wood," says Anna Denell, who is convinced that the new property next to the train station in Uppsala will be a precursor to how

commercial properties will be built in the future.

"In a few years, we're going to see lots of wooden office buildings. Manufacturing one ton of cement, an important component of the concrete that has become the dominant building material, releases one ton of carbon dioxide, while growing trees actually bind the same amount for every ton of trees that grow."

### Lining up for wooden office buildings

Anna Denell explains that other projects built in wood have had shorter build times, cleaner and quieter construction work sites and reduced transportation compared to conventional projects. "And, most importantly, tenants appreciate indoor environments in wooden buildings," says Anna Denell, noting that there are potential tenants lining up for wooden buildings as well as financiers lining up to lend on wood-based property projects.

"Besides, it can be a fantastic opportunity for Sweden, a country with a significant, sustainable timber industry."

In 2020, Group Treasurer Thomas Nystedt will work to keep expanding the circle of investors, not least in Asia but also in Europe, while Head of Sustainability Anna Denell will set an increased focus on reducing the entire value chain's climate impact, for example with tenants' waste management, which requires close collaboration with tenants.



# Building sustainably in every stage

The negative environmental impact of the construction process needs to be reduced. Being climate smart should always be a priority. There is a great deal of focus on optimising and reducing the use of material.

As tenants' demands change over time, Vasakronan needs to create new types of premises either by way of new construction or upgrades to existing properties. The goal is to design premises that are as flexible and general as possible, without too many customisations for current tenants. Premises that can be modified without any major measures to meet changing needs or for a completely new tenant, thereby saving time, money and the environment.

Offering premises that are produced and maintained with as little environmental impact as possible is a given. Vasakronan environmentally certifies all projects in accordance with LEED and our aim is to achieve the highest level – Platinum. For a building to obtain certification, there are requirements governing new construction or redevelopment, the property's impact on the environment and on energy intensity during day-to-day management.

## Large project portfolio

Vasakronan only invests in markets in which it has strong insight and where growth conditions are good. This limits any financial risk related to property development. At year end, ongoing property projects had a total investment volume of SEK 14.3 billion (10.6). The occupancy rate in major ongoing projects amounted to 69% (41) while the rate of capitalisation was

50% (33). In 2019, a total of SEK 4.4 billion (3.3) was invested in the development of properties and, over the past five years, SEK 2.5 billion on average has been invested every year.

In early 2019, Vasakronan signed a ten-year lease with the Swedish Tax Agency for 42,000 square metres at the Nya Kronan property in Sundbyberg. The agreement means that renovation and modernisation of Nya Kronan has begun. The total investment amounts to SEK 1,650 million and encompasses two buildings and one existing building undergoing renovation. Work is expected to finish in November 2021. Construction of Magasin X also began in central Uppsala during the year. The property encompasses just over 11,000 square metres of office space and the total investment amounts to SEK 530 million. The occupancy rate in the property was 40% at the end of the year, with two years until completion. During the year, the fully let property Hilton in Frösundavik outside Stockholm was completed. Construction of the property represented a total investment of SEK 390 million.

In addition to the development potential in existing properties, Vasakronan also has planned development rights and future potential development rights. At present, there are detailed development plans for approximately 280,000 sq. m. of office space. Efforts are constantly underway to identify new poten-



**Britt Lindqvist**  
Head of Business Development, Vasakronan

## What new needs do you see among customers?

"Companies and organisations are changing in different ways and their workplace needs can also change quickly. Customers are demanding greater flexibility when it comes to things like services, resource sharing and lease terms. Sometimes they need solutions other than a traditional office."

## How are you meeting this demand?

"Our offering has four pillars. Traditional offices, where the customer influences everything before moving in; finished offices and Smart & Klart offices, where everything is included and clients only have to move in – or out, for that matter – on short notice. Now we also have Arena, our own co-working concept. The idea with this palette of premises is for it to work for the customer a little like an accordion. Or a bag of sweets, where you pick out your favourites and leave the rest."

## What does Arena involve?

"Arena primarily targets current and potential customers. It has workplaces, offices and meeting rooms that are available as needed. Workplaces are designed so that people feel well and can work effectively. This includes everything from sound, lighting, technology and indoor climate to ergonomics and sustainability. We take all this and add our smart services."

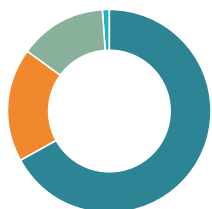
## Where can we find Arena?

"In all of our areas, including Sergelhuset in Stockholm, which will be completed in 2020, and in Magasin X, the wooden office building in Uppsala, which will be ready in spring 2022."

## What else is needed to create the office of the future?

"Smart digital solutions for services that are connected to the premises and that make work life more efficient. This includes contracts, bookings, services and payments. That's why we've collaborated with actors within and outside the industry to develop a new technological interface that will be accessible starting autumn 2020."

**An increasing share of waste is recycled**



- Recycling, 67% (57)
- Energy reuse/incineration, 18% (21)
- Landfill, 14% (19)
- Hazardous waste, 1% (2)
- Biogas production, 0% (1)

tial projects for the 1.7 million sq. m. of as yet unplanned development rights that are part of Vasakronan’s portfolio.

**Reuse and recycle**

During new construction, redevelopment, leasehold improvements and maintenance, large quantities of material are used that have an environmental impact when they are produced and transported. There is therefore a lot of focus on optimising and reducing material use and to opt for reused materials or materials produced from renewable or recycled products to a larger extent. It is also important to ensure that the materials used do not contain hazardous substances that are spread into indoor environments or into ecosystems outside. That is why every component built into our properties is always evaluated with respect to the material’s climate impact during the property’s lifecycle.

Vasakronan has noted continuously increasing demand from companies for long-term sustainable solutions for premises. One method of achieving the target of a fossil-free construction sector and concurrently meeting tenants’ needs is to build with materials that have a lower climate impact than steel and concrete. In Uppsala, Vasakronan is currently building Sweden’s first office building with a wood frame, encompassing just over 11,000 square metres, and an extension made entirely of wood is planned in Gothenburg.

When a new project is completed, Vasakronan requires all major new construction and major redevelopment projects to report the type and amount of material used. Our

ambition is to increase both the percentage of renewable material and reduce the amount of material per square metre in project development activities.

During the year, the fully let property Hilton in Frösundavik outside Stockholm was completed. The use of materials in Hilton was based on actual measurements over the course of the entire project taken in partnership with the research institute RISE. This means that Vasakronan now has a solid reference project for future measurements.

Work has continued during the year to increase the share of recycled material either through reusing it in our own properties or through selling it to other actors. Waste workshops are arranged at the beginning of all new construction and major redevelopment projects, with the aim of identifying measures that could reduce the amount of project waste and increase the amount recycled. At year-end 2019, 62 tonnes (51) of material had been reused. This increase can primarily be explained by the fact that the amount of reused materials used in the redevelopment of Sergelhuset in central Stockholm is greater than last year.

To further reduce the operations’ impact on the climate, Vasakronan sets high requirements for transportation to and from projects. For some years now, all newly initiated projects must transport waste and materials using renewable fuel. For more information about Vasakronan’s material and waste management within project development, see pages 124 and 126.

To increase awareness and grow the industry in a sustainable direction, Vasakronan is active in several initiatives and partnerships. In the summer, Vasakronan, together with 80 other companies in the construction and property sector, joined a local initiative in Malmö (“Lokal färdplan 2030 Malmö”) aimed at accelerating the construction sector’s adaptation to climate change and the implementation of the 2030 Agenda for Sustainable Development. Another initiative is the Centrum för cirkulärt byggande, which has a digital marketplace for recycled material with the aim of increasing collaboration between market participants and developing a functional, large-scale market for recycled material.

**Dynamic city environment**

Vasakronan’s goal is to take an active responsibility for creating a dynamic city environment where everyone enjoys spending time in and around our properties. It is important for everyone to feel safe and secure in their local surroundings. As employers, our tenants want to ensure that their employees have a safe workplace and a safe journey to and from work. This is becoming an increasingly important issue when selecting premises. When planning new construction and renovations of properties or blocks, we focus on planning for measures that will create secure places and a positive city environment. Good conditions are created for establishing a healthy mix of operations that contribute to a dynamic city life outside of the workday.

As a property owner, it is also important to be able to offer premises with good public transportation and local services. It facilitates daily life for our tenants and contributes to a reduced climate impact.

**Safety in focus**

To manage project risks, Vasakronan places great emphasis on quality-assuring processes that are to be implemented. The company’s employees take responsibility for managing and monitoring projects, even when external project managers and contractors are hired for the actual work. During contractor procurement, we ensure that they live up to the company’s strict requirements relating to professional correctness, objectivity and honesty while observing good business practice. All suppliers are to follow Vasakronan’s code of conduct, which the company continuously monitors.

Building projects can be high-risk, and our ambition is to have no accidents or severe injuries at Vasakronan’s building sites. The company therefore sets stringent requirements for contractors in terms of construction site safety, and in 2018 we began sharpening the internal procedures for reporting incidents and accidents. Vasakronan also participates in Håll Nollan – an organisation that works to ensure common sector standards for a secure and safe work environment in the construction sector.





## URBAN DEVELOPMENT

**SERGELSTAN, WHICH INCLUDES** the block around Sergels torg, is Vasakronan's largest urban development project in central Stockholm. The company is investing a total of five billion Swedish krona in renovating and refurbishing. The first stage entails renovating Sergelhuset. King, among others, will lease offices and Stureplansgruppen will open a restaurant with a rooftop terrace and a conference and events centre on the entrance level. Vasakronan's head office will also be located here. Sergelhuset will be completed by the end of 2020.

The next step in the development of Sergelstan is breathing new life into Sergelgatan, which stretches from Sergels torg to Hötorget. Sergelgatan was Sweden's first pedestrian street. Over the years, the street's appeal has decreased, along with the stores' sales. This is one of the reasons for the investment that will bring the entire area back to life.

Nearly 250,000 people walk down Sergelgatan every week. People meet here to work, eat, shop and relax. This requires innovative solutions. The vision is a modern shopping and experience precinct with hustle and bustle at all hours of the day.

One part of the new approach is to better manage

the street-level floors. They need to be filled with services, restaurants, activities and experiences as well as stores to attract and retain visitors. It is also important to reach more sustainability-conscious consumers. This can be through providing spaces for second-hand stores and restaurants that use organic, locally-grown ingredients.

The Hötorgetsskrapor high-rises, particularly the lower storeys, will be refurbished and technological installations replaced. First are high-rises 1 and 2, which are the closest to Konserthuset. They will be completed by spring 2021. Then renovations will continue according to plan at buildings 3 and 4, starting in autumn 2020 and continuing for the next two years or so. The side facing Sveavägen will receive new, open and accessible office entrances. Two new courtyards, one between building 1 and 2, and another between 3 and 4, will also be accessible via Sveavägen and Sergelgatan. The roof terrace that encircles the high-rises will be renovated to open up to the public with a new, exciting offering. There will be a new restaurant at the corner by Konserthuset. Together with the Haymarket hotel, Hötorgetshallen and Filmstaden Sergel, this will create an attractive frame for Hötorget. ●

# Ongoing projects



## Bank palace with a history

When Styrpinnen 15 was built beside Kungsträdgården in 1901, the goal was to impress. Now the property has been completely renovated to meet modern office needs without compromising on charm. In August 2020, game developer Embark Studios will move in and lease the entire building of 4,300 square metres.

## PRIORN IN THE MIDDLE OF MALMÖ

With Triangeln's station around the corner, Konsthalltorget in front of it and Pildammsparken to the side, the development property Priorn, in central Malmö, offers offices with open views at the city's most accessible location. The property encompasses 13,000 square metres and will be seven storeys tall. In 2020, Region Skåne, COWI and the architect bureau Här! will move in. The investment corresponds to SEK 580 million and the building will be certified LEED Platinum.



## Large investments in property projects

City	Property	Total investment, SEK m	Capitalised, SEK m	Share capitalised, %	Area of premises, sq. m.	Estimated completion date	Occupancy rate, % <sup>1)</sup>	Environmental certification
Stockholm	Sergelhuset	3,700	2,669	72	56,500	Dec 2021	49 <sup>2)</sup>	LEED
Gothenburg	Platinum	2,600	1,052	40	53,700	Dec 2022	67 <sup>3)</sup>	LEED
Sundbyberg	Kronan 1	1,680	350	21	42,700	Nov 2021	100	LEED
Stockholm, Solna Strand	Nöten 5	916	594	65	26,000	Dec 2020	55	LEED
Stockholm	Nattugglan, block 2	800	168	21	15,000	Jun 2022	80	LEED
Malmö	Priorn 5	530	444	84	13,200	Apr 2020	67	LEED
Uppsala	Magasin X	530	67	13	11,500	Dec 2021	51 <sup>4)</sup>	LEED
Uppsala	Kronåsen 1:1 Celsius	420	287	68	10,200	Oct 2020	82	LEED
Stockholm	Sperlingens Backe	300	38	13	3,900	Dec 2021	47	LEED
Stockholm	Styrpinnen 15	290	242	83	3,700	Jun 2020	100	LEED
Stockholm, Solna	Diktaren	115	19	17	6,400	Aug 2021	100	LEED
<b>Total major property projects</b>		<b>11,881</b>	<b>5,930</b>	<b>50</b>			<b>69</b>	
Stockholm	Sergelgatan	1,500	213	14		Mar 2023	- <sup>5)</sup>	LEED
Other projects		966	610					
<b>Total</b>		<b>14,347</b>	<b>6,753</b>					

1) Calculated based on area.

2) Including the lease to EY, the occupancy rate amounts to around 62%.

3) Including Vasakronan Arena, the occupancy rate amounts to 72%.

4) Including Vasakronan Arena and Vasakronan's regional offices, the occupancy rate amounts to around 77%.

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







## Platinan, a different kind of meeting place

People have always met in Lilla Bommen in Gothenburg – to socialise, haggle and work. With Platinan, we are building further on the location’s extroverted history. 60,000 square metres of offices, co-working space, restaurants and a new Scandic hotel. The building is our first contribution to the city’s vision of a new RiverCity Gothenburg. The building will be completed in 2021. COWI, KPMG and Wistrand Advokatbyrå have already signed leases. Platinan represents a total investment of SEK 2.6 billion.



## SERGELHUSET, PEOPLE AND ACTIVITY ALL THE TIME

The transformation of Sergelhuset, a part of Sergelstan and Vasakronan’s largest urban development project to date, is ongoing at Sergels Torg in central Stockholm. Sergelhuset encompasses three buildings totalling 60,000 square metres and represents a total investment of SEK 3.7 billion. The goal is to create a city that is active and dynamic at all hours of the day. The project will be completed in 2020. Actors like Stureplansgruppen, King, EY and Vasakronan will occupy the property.



## Offices and labs at Uppsala Science Park

In the middle of Uppsala’s research hub, next door to Hubben, we are building Celsius: 10,000 square metres of offices and advanced lab environments. The largest tenant is the National Food Agency, which is leasing around 8,000 square metres. Occupancy is planned for around the end of 2020.



# Future projects



## Hekla in the heart of Kista

Vasakronan is fully planning the development of the Hekla block in Kista, north of Stockholm. The project encompasses 47,000 square metres of office space and 12,000 square metres of residences. A new detailed development plan for the block is currently being developed. The goal is to create a mixed neighbourhood with modern, sustainable buildings. A larger mix of workplaces, services and retail will create a more dynamic and welcoming Kista. The new light rail line and the expansion of the underground will also contribute to the ongoing development.

## SÖDRA HAGALUND IS A DREAM LOCATION

As Hagastaden develops, central Stockholm has expanded northwards. At the same time, Solna's central areas are expanding. In between lies the hub of Södra Hagalund, a future development area with workplaces and residences and easy access to transportation. When the new yellow underground line is completed in 2026, one of the stops will be Södra Hagalund. Vasakronan has signed an agreement in principle with Solna municipality and the ambition is to create around 60,000 square metres of commercial premises. Development will be carried out in stages and the detailed development plan for the first stage is underway.







## A renewed Hugin

The Hugin block is in central Uppsala, a stone's throw from the central station. It was built in the 70s and is in need of renovation. Now Hugin will be renewed and the block will be filled with residences, businesses and a preschool as well as a new pedestrian precinct from the train to Fyrisån. It encompasses a total of around 65,000 square metres. There are plans to preserve the existing concrete frames in three of the buildings. This is positive both for the climate and for the budget. Work to develop a detailed development plan is ongoing.

## LILLA BOMMEN TAKES THE NEXT STEP

The Lilla Bommen area continues to change. The renovation of Läppstiftet was completed in 2018 and the next building in the block is Kromet, which is next to the bridgehead of Hisingsbron. Through the detailed development plan for the new Hisingsbron and neighbouring areas, Vasakronan has received development rights for around 140,000 square metres. This will become workplaces, hotels, residences, restaurants, coffee shops, and cultural institutions. The location close to the city means that the central areas will naturally be connected to each other. The construction start is planned for 2021.

# Investment strategy

In the current market, focus is on exploiting development opportunities in the existing portfolio. Purchases and sales are made to further increase quality.

Vasakronan is a long-term actor with a focus on offices and city retail in Nordic growth areas. The company also exploits opportunities to best develop the existing portfolio. The goal is to continuously enhance the quality of the portfolio and thus increase long-term returns through, inter alia, buying and selling properties.

The company also monitors developments in the markets and sub-markets where it is currently active but potential markets are also followed carefully. Growth potential in the existing portfolio is also continuously analysed. Above all it is the location, rent levels, investment needs and development potential that determine whether a property will be bought, sold or developed.

## Growth in Uppsala and Malmö

Acquisitions have been made in the last five years for a total of SEK 3,600 million and sales of around SEK 9,100 million. This equals an average property turnover of SEK 2,500 million each year. Any acquisition is carefully analysed in advance to ensure that the property meets Vasakronan's high standards in terms of operating expenses, energy consumption and choice of materials.

During the year, two new build office properties were acquired from Skanska: Juvelen in Uppsala and Aura in Malmö. Juvelen is situated next to Uppsala central station, one of Uppsala's premier office locations, near Vasakronan's development property Magasin X, which will be completed in December 2021. The property was acquired for an underlying property value of SEK 563 million and encompasses a total of 7,800 square metres of office space and 800 square metres of shops and restaurants. Uppsala county is an innovative region experiencing rapid growth. The occupancy rate in Vasakronan's portfolio

in the city is 97% and the acquisition of Juvelen is a strong addition to the portfolio.

The acquisition of Aura strengthens our presence in the Universitetsholmen district in central Malmö, an area that is expected to have continued positive development. Completed in the autumn by Skanska, the property covers 6,700 square metres of lettable area, of which nearly 5,700 square metres is office space. At year end, the property was nearly fully let, and the largest tenants are Grant Thornton, Lindab and Trägårdh Advokatbyrå. The purchase price for Aura was SEK 430 million.

## Strategic divestments

During the year, Vasakronan completed divestments of properties for a total of SEK 1.5 billion. In early 2019, the Nya Vattentornet 2 and 4 properties in the Ideon area of Lund were sold to Wihlborgs for close to SEK 1,260 million. With this sale, Vasakronan has left Lund.

In the spring, Vasakronan vacated Telefonfabriken 7 at Telefonplan in Stockholm. The sale to Einar Mattson included a development right for residences and amounted to SEK 210 million. The development right for Hyllie Connect in Malmö was sold for SEK 85 million to Skanska in the autumn.

## Property divestments 2019

Property	City	Buyer	Purchase price, SEK m	Transfer date
Nya Vattentornen 2 and 4	Lund	Wihlborgs	1,259	Feb 2019
Järva 2:7	Stockholm	Sporthallen i Solna	2	Apr 2019
Telefonfabriken 7	Stockholm	Einar Mattsson Projekt	210	May 2019
Regndroppen	Malmö	Skanska	85	Dec 2019
<b>Total property value</b>			<b>1,556</b>	
Transaction costs, as well as deduction for deferred tax			-6	
<b>Total purchase price</b>			<b>1,550</b>	

## Agreed divestments to be completed

Property	City	Buyer	Purchase price, SEK m	Transfer date
Smedjan 13 and 15	Malmö	Trianon	88	Dependent on detailed development plan
<b>Total purchase price</b>			<b>88</b>	

## Property acquisitions 2019

Property	City	Seller	Purchase price, SEK m	Occupancy
Juvelen	Uppsala	Skanska	563	Dec 2019
Aura	Malmö	Skanska	430	Dec 2019
<b>Total property value</b>			<b>993</b>	
Transaction costs, as well as deduction for deferred tax			-16	
<b>Total purchase price</b>			<b>977</b>	





## OUTSTANDING ACQUISITIONS

**AURA, A CHARACTERFUL** property that comprises Vasakronan's most recent acquisition, lies in the Universitetsholmen district in Malmö. It was built by Skanska in 2019 and encompasses 6,700 square metres, of which nearly 5,700 comprises office space. The occupancy rate is high and tenants include Grant Thornton, Lindab, Adecco and Trägårdh Advokatbyrå.

The Universitetsholmen district is a development area that is developing positively. Offices and residences are being constructed and public spaces are being refurbished. The location is central, within walking distance of the central station and the city centre. It is a transition zone where the bay's large-scale industrial buildings are mixed with smaller-scale ones before finally transitioning into the denser city

centre. Next to Aura you can find Malmö Saluhall, Malmö University, Malmö Live and Vasakronan's Bassängkajen property.

The rent trend for modern office properties in Malmö is increasing and Aura is an attractive product with premises that are in demand in the market. The property will be environmentally certified LEED Platinum and was purchased from Skanska for SEK 430 million. In conjunction with the acquisition, Vasakronan sold the development rights for Hyllie Connect to Skanska.

In early 2019, Vasakronan sold the Nya Vattenornet 2 and 4 properties in the Ideon area of Lund to Wihlborgs for SEK 1,260 million. With this sale, Vasakronan has ceased all operations in Lund. ●

# Financing risk declines

**Vasakronan further reduced financing risk in the loan portfolio primarily through borrowing in more foreign currencies. The percentage of green borrowing increased and the ambition is to eventually have 100% green financing.**

Managing and developing properties is a capital-intensive business. Access to financing with favourable terms is therefore a precondition for optimally conducting operations. Vasakronan strives to create a capital structure that fulfils both the owners' expectations of healthy returns on equity and financial stability requirements that ensure the company is able to independently fulfil its financial commitments.

Growing interest in the company's bonds during the year has enabled borrowing in new markets like Asia and Central Europe, which has broadened the investor base.

In the spring, Moody's confirmed the rating the company received in spring 2018 with the score A3, stable outlook, noting a lower financing risk.

## Advantageous financing

The year began with relatively high credit margins due to outflows from fixed-income funds, anticipation of a decrease in central bank stimuli and global political unease. However, market conditions improved during the year, which gradually entailed declining credit margins.

We had good access to capital market financing for most of the year, primarily thanks to stable inflows in corporate bond funds. Turnover in the Swedish and Norwegian capital markets remained strong and in total corporate bonds were issued in the Swedish market for SEK 190 billion (159) and in the Norwegian market for NOK 60 billion (60). Vasakronan remained one of the largest issuers in the Swedish corporate bonds market during the year, as funding expanded to more markets and currencies.

The long market rates during the year were at historically low levels. The short market rates increased during the year after the Riksbank

increased the repo rate to zero percent. During the year, the variable market rate was positive for the first time since early 2015.

## Stable position

Vasakronan is financed through owners' capital and through external borrowing. This division is decided by weighting the requirements for returns and financial stability. External borrowing takes place in the capital market by way of bonds or commercial paper or from banks. At the end of the year, the share of capital market financing was 75% (71) and the share of secured and unsecured bank financing was 25% (29).

## Long-term financing strategy

According to its financing strategy, Vasakronan strives for financial stability, risk-weighted borrowing, a broad borrowing structure and to be in the forefront of green financing. First and foremost, financial stability entails minimising financing risk through guaranteeing future borrowing needs in good time and spreading loan maturities. Vasakronan has agreed credit limits with several banks and investors to have the option to switch between different sources of financing. Moreover, cost-effective borrowing is achieved through maintaining an optimal fixed-interest structure and leveraging the prevailing market conditions.

The risk for high refinancing and new borrowing costs is limited by diversifying borrowing, allocating across several different sources of funding and markets where different prerequisites can be exploited in different market conditions. Vasakronan's goal is to retain a strong rating. During the year, Moody's confirmed the rating the company received in spring 2018 with the score A3, stable outlook. In its explanation, Moody's highlighted the high quality of Vasakronan's property

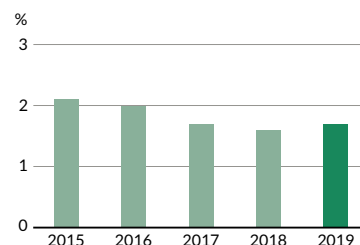
portfolio and the strong links to its owners. Vasakronan has ambitious targets for its sustainability efforts and works actively to link a sustainability perspective to its financing. In 2013, Vasakronan was the first company to issue green bonds and in 2018, we became the first to issue green commercial paper. Vasakronan's strategy is to take a leading role and to drive development in green financing.

This financing strategy is reflected in the company's financial policy that helps ensure excellent risk management and internal control. The financial policy is reviewed annually by the Board and financial risks are followed up and reported to the Board on a quarterly basis.

## Lower LTV

Interest-bearing liabilities, net of cash and cash equivalents, increased during the year and amounted to SEK 63 billion (59), mainly due to dividends paid to the owners and increased investments. The loan-to-value ratio was 38% (41) at year end. Prevailing market conditions continued to enable borrowing on favourable terms and the average interest rate was 1.7% (1.6) at year end. Net financial items deteriorated slightly to an expense of SEK 1,131 million (expense: 1,043) due to a larger loan portfolio and

## Low average interest rate





somewhat higher interest during the year. The interest coverage ratio, which indicates the company's sensitivity to interest rate changes, declined to a multiple of 4.6 (4.7) due to higher net interest. According to the financial policy, the goal is to have an interest coverage ratio no lower than a multiple of 2.0. Net interest-bearing liabilities in relation to EBITDA show net debt in relation to the business's earnings and amounted at year end to a multiple of 12.0 (11.9). Our aim is to prevent this key metric from exceeding a multiple of 10 over the long term.

**Borrowing in more currencies**

In 2018, Vasakronan established a Euro Medium Term Note programme (EMTN programme), which opened up the possibility of financing in more currencies and tenors. In 2019, Vasakronan issued bonds in six currencies for a total of SEK 15.2 billion (11.8). The issue was carried out for the first time in JPY, USD and AUD. Vasakronan's ability to broaden the investor base and reach new markets reduced the company's financial risk, something that Moody's highlighted in their explanation when they confirmed the company's rating. Of the total liability at the end of the period, 27% (17) consisted of borrowings in currencies

other than SEK. The EMTN programme has a loan limit for all currencies of EUR 6,000 million. Borrowing in foreign currencies is hedged through cross-currency interest-rate derivatives, which eliminates currency risk.

With the establishment of the EMTN programme, Vasakronan's bonds will be listed on Euronext Dublin and the Oslo Stock Exchange. The bonds contain a change of control clause that allows lenders to terminate the loan unless the current owners collectively or separately own at least 51% of Vasakronan and the change in ownership simultaneously leads to a downgrade in the company's rating by one notch.

Of the SEK 15.2 billion (11.6) in bonds issued during the year, green bonds comprised SEK 13.4 billion (7.4), thus making Vasakronan Sweden's largest issuer of green corporate bonds. Refer to page 34.

**Financing through commercial paper**

Vasakronan's commercial paper enables the company to issue commercial paper in Swedish krona or euros. The loan limit is SEK 25,000 million and the maturity is a maximum of one year. Borrowing using commercial paper totalled SEK 7.2 million (6.2) at year

**Green financing under the framework**

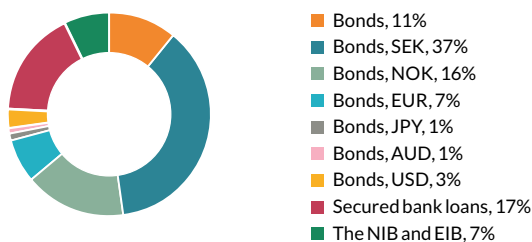
Amounts in SEK million	
Green commercial paper	560
Green bonds, SEK	18,673
Green bonds, NOK	684
Green bonds, EUR	2,809
Green bonds, JPY	835
Green bonds, AUD	530
Green bonds, USD	1,672
<b>Total volume of Green Finance Instruments</b>	<b>25,762</b>
Total volume of Green Assets – Green Pool	33,318
<b>Remaining approved borrowing capacity</b>	<b>7,555</b>

end, corresponding to 11% (10) of the total debt portfolio.

**Good access to bank financing**

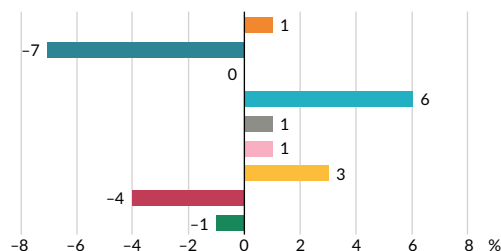
Access to bank finance remained solid during the year, with good opportunities to borrow with longer tenors at low rates. During the year, secured bank loans totalling SEK 1.3 billion (2) with long tenures were signed. Vasakronan's secured bank loans amounted to SEK 12 billion (13) at year end, corresponding to 17% (21) of the total debt portfolio. Total bank loans outstanding secured against mortgage deeds declined to 7% (9) of the Group's total assets. The financial policy

**Sources of financing widely distributed**



On balance-sheet date

**Higher percentage of foreign financing**



Changes in sources of financing 2018-2019 percentage of total borrowing

states that collateralised loans must not exceed 20% of total assets.

In addition to secured bank loans, Vasakronan had green unsecured loans with the Nordic Investment Bank and the European Investment Bank that totalled SEK 4.8 billion (4.8). The aim is to continue increasing the share of unsecured bank financing that amounted to 7% (8) of the total loan portfolio at the end of the year.

Vasakronan's bank loan agreement contains a change of control clause that allows lenders to terminate the loan unless the current owners collectively or separately own at least 51% of Vasakronan. In addition, there is a covenant specifying that the interest coverage ratio may not fall below a multiple of 1.5. Agreements for unsecured loans also include covenants stating that the LTV may not exceed 65%.

### **Increase in green financing**

In 2013, Vasakronan was first in the world to use green corporate bonds to offer the capital market the opportunity to invest in new construction and redevelopment projects that lead to lower energy consumption and less climate impact. Since then, bonds totalling around SEK 32 billion have been issued, making Vasakronan Sweden's largest issuer of green corporate bonds. In 2018, Vasakronan refined and expanded the "Vasakronan – Green Finance Framework," which regulates the company's green financing, to include additional financial instruments. In 2018, the company issued the world's first green commercial paper.

The new framework follows the Green Bond Principles and states that all borrowing in line with the framework is earmarked for green investments. The criteria for when an investment can be classified as green are also given in the framework. An existing property must have a minimum rating of LEED Gold,

and an annual energy intensity of under 100 kWh/sq. m. New construction and major redevelopment projects being financed must have a minimum certification of LEED Platinum or BREEAM Outstanding, and an energy intensity that is 25% below the National Board of Housing, Building and Planning's guidelines (BBR requirements). In addition to properties, solar photovoltaic systems are considered green investments.

Borrowing through green bonds contributes to a diversified investor base and thereby to lower financing costs. Investments that qualified for green borrowing under Vasakronan's framework amounted at year end to SEK 33 billion (24) and total Green Finance Instruments increased to SEK 26 billion (17.0). For more information, see Vasakronan's impact report for green financing on pages 136–141.

For a number of years, Vasakronan has obtained loans from the Nordic Investment Bank (NIB) and European Investment Bank (EIB), which are both for finance projects that improve the environment in Nordic and European countries. The loans will finance four of Vasakronan's projects, including the redevelopment of Sergelhuset in central Stockholm and the Platinan new build in Gothenburg. The aim is for these properties to achieve LEED Platinum certification, and it is precisely this high environmental profile that enables financing through the NIB and EIB. During the year, Vasakronan received its first green secured loan of SEK 760 million.

The percentage of green financing consisting of green bonds, green commercial paper and green loans increased during the period to 47% (35) of the total loan portfolio. Vasakronan's ambition is to eventually have 100% green financing.

### **Credit commitment from owners**

To secure its access to capital, the company has a credit facility with the First, Second, Third

and Fourth Swedish national pension funds that amounts to SEK 18 billion. The agreement extends until further notice with a notice period of two years. Cash and cash equivalents of SEK 3.5 billion (2.2) and the unutilised credit facility together correspond to 166% (134) of loans maturing over the next 12 months.

### **Exploiting low interest rates**

Changes in interest rates and credit margins influence borrowing expenses. Therefore, the fixed-interest structure must be balanced to limit the effects of changes in interest rates or credit margins. A long fixed-interest tenor lowers interest rate risk but can entail a higher average interest rate in the short term.

In accordance with Vasakronan's financing strategy, the company shall exploit the prevailing market situation to lock in low credit margins and market rates and work actively to maintain an optimal fixed-interest structure. Vasakronan's fixed-interest strategy is to have a portion of the loan portfolio with floating interest and the remainder with fixed interest rates at longer tenors. In some cases as long as 15 years. This allows the company to benefit from low floating interest rates while fixed interest rates protect against rising interest rates. There is a limitation within the financial policy which states that the average fixed-interest tenor may not be less than 2 years, and that the amount of fixed-interest maturities within 1 year may not exceed 55% of interest-bearing liabilities.

Vasakronan uses interest-rate derivatives to achieve a preferred fixed-interest tenor. During the year, the company continued to use the low interest rate conditions and decreased interest rate risk through new derivatives with maturities of up to 15 years. As a result, the average fixed-interest tenor increased and was 5.8 years (4.7) at year end. The proportion of loans with fixed-interest maturities within one year declined to 32% (43) and





# MAGASIN X

**IN CENTRAL UPPSALA** Magasin X, an exciting new building, is taking shape. The first ground was broken in autumn 2019 and occupancy is planned for autumn 2021. Magasin X will be Sweden's largest office property with a frame made entirely of wood. The building encompasses 11,500 square metres in seven storeys and is a good example of sustainable construction with low climate impact.

Using wood as a construction material has several advantages. Trees bind carbon dioxide as they grow and wood is renewable and recyclable. Thanks to its low weight, it also requires less transportation and raising the frame goes faster than with concrete. It also leads to a better work environment for construction workers since there is less dust and noise. Together with smart and efficient energy solutions, this makes Magasin X an office building with a very small carbon footprint. The building will be environ-

mentally certified as LEED Platinum, the highest possible rating.

Magasin X will offer a variety of office solutions: traditional offices, the Smart & Klart concept, and Arena, Vasakronan's own co-working concept.

Arena offers workplaces, offices and meeting rooms that existing or potential tenants can use as a flexible and extra resource when their needs change.

Interest in Magasin X is considerable and tenants include the Swedish Tax Agency and White Arkitekter, who previously signed agreements for 3,500 and 1,000 square metres, respectively. Vasakronan's own Uppsala office will also move in. In early 2020, two more tenants joined: Ramböll and Tmpl Solutions, who will rent 1,300 and 3,500 square metres, respectively. This means that Magasin X, still two years before completion, has an occupancy rate of 80%. ●

loans with fixed-interest maturities of five years or more increased to 53% (47) of interest-bearing liabilities.

#### Low financing risk

Vasakronan's financing strategy specifies that the company's financing risk is to be limited by diversifying sources of financing and spreading out loan maturities over time. Through borrowing in different markets, in different currencies and via different instruments, the company strives to reduce the risk for significantly increased refinancing and new borrowing costs by exploiting each funding source's specific conditions. The financial policy established by the Board regulates the maturity structure by stipulating that the average remaining tenors for interest-bearing liabilities may not be less than two years and loan maturities within a twelve-month period must correspond to not more than 40% of interest-bearing liabilities.

During the year, Vasakronan further reduced financing risk in the loan portfolio primarily through borrowing in more foreign currencies and increased borrowing with long tenors.

The proportion of loans maturing within the next 12 months decreased to 19% (25), and the share of loans maturing in five years or more rose to 37% (27) of interest-bearing liabilities. The average loan-to-maturity increased during the year to 5.2 years (3.9) and average loan-to-maturity taking into consideration unutilised credit commitments totalled 5.6 years (4.4). Vasakronan's aim is to continue reducing financing risk primarily by replacing loan maturities with loans with longer tenors.

#### Limiting risk

Vasakronan uses derivatives primarily to obtain the desired fixed-interest structure in the debt portfolio. By combining a loan with floating interest and an interest-rate derivative, a pre-determined interest rate can be secured over the term of the derivative. By fixing rates over a longer period, a limit is set on the interest-rate risk linked to cash flow. Currency derivatives are used in addition to interest-rate derivatives to eliminate currency exposure on loans in foreign currencies. The risk of inflation is eliminated by derivatives when borrowing via inflation-linked bonds.

All derivatives are recognised at market value in the balance sheet. In the case of interest-rate derivatives, a surplus or deficit value occurs if the agreed interest rate is higher or lower than the current market rate. In the same manner, a surplus or deficit value also occurs in the currency derivative of the agreed exchange rate deviates from the relevant exchange rate. The change in value is recognised in profit or loss. The unrealised change in value has no effect on cash flow and will not have any realised impact on earnings if the derivative is held to maturity. As cross-currency derivatives are perfectly matched against underlying loans, there is an opposite exchange rate effect on the latter, meaning the currency effect is eliminated in profit or loss.

At year end, the value of the derivative portfolio amounted to SEK 73 billion (62), of which 74% comprised interest-rate derivatives and 25% cross-currency derivatives. The remaining share of 1% consisted of inflation-linked derivatives. The value change in derivatives was negative SEK 881 million (positive: 13), which was due to lower long market rates during the year.

### Financial policy ensures balanced risks

	Financial policy in brief	Outcome, 31 Dec 2019
<i>Financing risk</i>		
Loan-to-maturity	min. 2 years	5.2
Loans maturing, 12 months	max. 40%	19%
Credit commitments and cash/loans maturing 12 months	at least 100%	166%
<i>Interest-rate risk</i>		
Interest coverage ratio	min. 2.0x (LTM)	4.6
Fixed-interest period	min. 2 years	5.8
Interest maturity within 12 months	max. 55%	32%
<i>Credit risk</i>		
Counterpart's rating	min. A-, or BBB+ with CSAs	Met
<i>Currency risk</i>		
Currency exposure	No exposure	Met



# Strong demand increased value

The demand primarily for modern, sustainable offices in prime locations helped the value of Vasakronan's properties rise to SEK 156 billion, an increase of 9.7% over last year.

Vasakronan's portfolio is concentrated to Stockholm, Gothenburg, Malmö and Uppsala, markets with conditions for strong economic growth and good liquidity for transactions. The properties are mainly modern, sustainable and flexible office and retail properties close to good public transport. The shops are primarily within city retail. Our assessment is that they give high long-term returns at carefully measured risk, even if the short-term return may vary. At year end, the property portfolio comprised 174 properties (174) and a total lettable area of 2.3 million sq. m. (2.4). Vasakronan divested its properties in Lund at the start of 2019.

## High percentage of buildings with environmental certification

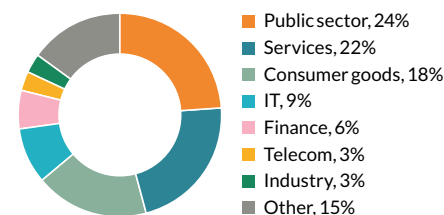
Vasakronan aims high when it comes to environmental certification of its property portfolio. Our ambition is for the share of properties certified in accordance with LEED Gold or higher to increase. At the end of the period, 85% (85) of our property portfolio was environmentally certified, of which 72% (69) was rated LEED Gold or higher.

## Strong rental market

Trends in the regional property markets in which Vasakronan operates were characterised by a consistently strong economy and

high demand for modern office premises in prime locations. The value of the portfolio increased in 2019 to SEK 156 billion (139). Excluding completed investments, this means a change in value of SEK 13.3 billion (10.7), corresponding to 9.7% (8.5). The increase in value is largely due to rising market rents but also to a lower yield requirement, particularly in Gothenburg. The value increase was greatest in Stockholm, followed by Gothenburg, and amounted to 11.8% (9.3) and 6.8% (9.7) respectively. During the year, the value of development properties rose 11.5% (8.7) and contributed 1.6 percentage points to the total increase in value.

## Good distribution across sectors



Breakdown by sector, share of contracted rent

## The ten largest properties account for 33% of the property value

Property	Known as	Location
Blåmannen 20	Klara Zenit	City, Stockholm
Garnisonen	Garnisonen	Östermalm, Stockholm
Hästsbron 12	Sergelhuset	City, Stockholm
Uggleborg 12	Klara C	City, Stockholm
Spektern 13	Swedbankhuset	City, Stockholm
Telefonfabriken	Telefonplan	Telefonplan, Stockholm
Jakob Större 18	Jakob Större	City, Stockholm
Nordstaden 8:27	Part of Nordstan	City, Gothenburg
Kronåsen 1:1	Uppsala Science Park	Uppsala
Gasklockan 3	Gasklockan	Malmö

The ten largest properties based on market value.



### Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2020	1,311	1,185	16
2021	875	1,184	16
2022	804	1,348	19
≥2023	1,163	3,121	43
<b>Total</b>	<b>4,153</b>	<b>6,838</b>	<b>94</b>
Residential	1,175	101	2
Garage	-	254	4
<b>Total</b>	<b>5,328</b>	<b>7,193</b>	<b>100</b>

Maturity structure for contracted rent.

### Widely distributed over many tenants

	Share in %
Swedish Police Authority	3
Ericsson	3
H&M	3
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
Åhléns	1
Handelsbanken	1
KPMG	1
The Riksdag Administration	1
<b>Total</b>	<b>18</b>

Largest tenants, share of contracted rent.

### Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	11.8	7.8
Gothenburg	6.8	1.2
Uppsala	4.2	0.3
Malmö	4.1	0.4
<b>Total</b>	<b>9.7</b>	<b>9.7</b>

### Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	9.5	8.1
Development properties	11.5	1.6
Transactions	-	-
<b>Total</b>	<b>9.7</b>	<b>9.7</b>





### Total yield in focus

To evaluate how well the operations and individual properties are developing financially, total yields (the sum of the yield and changes in value, including projects and transactions) are followed up continuously. Reviews are conducted against the MSCI Swedish Property Index. For 2019, Vasakronan's total yield was 13.4% (12.5), where the average for the index not including Vasakronan was 9.9% (10.4). This means that Vasakronan exceeded the index by a full 3.5 percentage points.

Over the past ten-year period, Vasakronan's total yield averaged 11.5% (10.0) a year, where the average for the index not including Vasakronan was 9.9% (9.1). The direct yield for 2019 was 3.5% (3.8), compared with the index excluding Vasakronan of 3.6% (3.7).

### Quarterly valuations

Vasakronan values the property portfolio each quarter in line with the established valuation policy. The valuation principles are the same since 1997 and coincide with the RICS Red Book guidelines and MSCI Sweden Annual Property Index. The valuations are

based on cash-flow projections over a period of at least ten years and calculation of future residual values based on yield requirements. At the start of the year and mid-year, all properties are valued by external appraisers and valued internally for the other quarters. A more detailed description of the valuation methodology can be found on page 87.

The ten largest properties account for 33% of the portfolio's value of SEK 156 billion. The largest property in terms of value is Klara Zenit in central Stockholm, with an estimated market value of almost SEK 10 billion. The Stockholm-based properties account for 67% (66) of the total value, which is around SEK 105 billion (92). For a detailed description of the portfolio, refer to the table on page 41 and the property lists under each region.

### Wide distribution lowers risk

Risks linked to the lease portfolio are limited by ensuring a wide distribution over many tenants active in various industries and a diversified maturity structure. No individual tenant accounts for more than 3 percentage points of the contracted total rent, while the

ten largest tenants account for only 18%. Of these ten, five are in the public sector. Broken down by sector, public sector tenants account for 24% of the contracted rent where the average remaining term to maturity is 6.6 years.

For the lease portfolio as a whole, the average remaining term to maturity is 3.9 years (4.2). In 2020, 16% of the commercial contracted rent will be subject to renegotiation. The number of leases, not including flats and garages, amounted to 4,153 and the contracted rent amounted to SEK 7.2 billion (6.5) on 31 December 2019. Of the total contracted rent, 74% (74) was office premises and 18% (18) retail premises. The remainder comprised flats, parking, hotels and other.

### Strong net lettings

Market concentration and the property portfolio's high quality and flexibility provides considerable opportunities to offer new and existing tenants a broad selection of premises. In 2019, new leases corresponding to an annual rent of SEK 982 million (510), or 220,000 sq. m. (146,000), were signed. The large change compared with 2018 is primarily

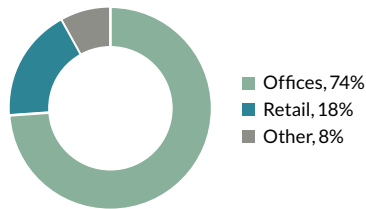
due to letting to the Swedish Tax Agency in Nya Kronan, which was completed in early 2019 for a total of 43,000 square metres.

During the year, renegotiations and lease extensions of existing contracts corresponding to an annual rent of SEK 1,030 million (990) were also completed. Based on the contracts up for renegotiation, 70% (69) of the tenants decided to remain in their premises. Renegotiations and lease extensions during the years resulted in a new rent pay-

able that on average surpassed the earlier amount by 12% (12). Net lettings for the year amounted to SEK 426 million (19).

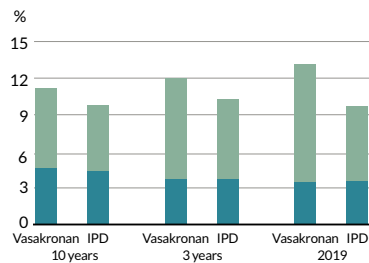
The occupancy rate was 94.1% (93.1) on 31 December 2019. Of the total vacancies, 1.4 percentage points (2.0) is attributed to ongoing projects and 0.2 (0.5) is attributed to vacant development properties. The loss in income for the vacant properties amounted to SEK 375 million (419).

**Focus on office and retail**



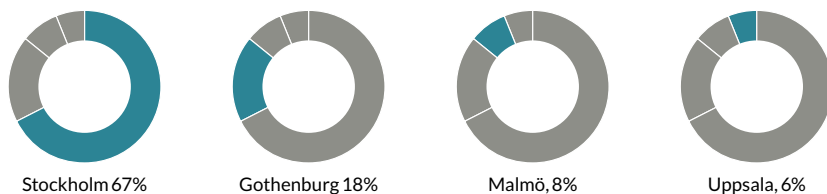
Contracted rent by property type

**High long-term total yield**



■ Yield ■ Change in value  
 Vasakronan's total yield compared with MSCI Sweden Annual Property Index (not including Vasakronan)

**Property portfolio in growth cities**



Following sales of its holdings in Lund, Vasakronan's properties are located in four cities in Sweden distributed over four regions, of which 67% of the property portfolio's value is in Stockholm.





## Even distribution of rents to maturity

Region/Property type	Number of properties	Area, thousand sq. m.	Market value, SEK m	Contracted rent, SEK m	Occupancy rate, %	Net operating income, SEK m	Investments, SEK m	Change in value, %	Environmental certifications <sup>2</sup> , %
<b>STOCKHOLM</b>									
<b>CENTRAL</b>									
Offices <sup>1)</sup>	45	786	81,561	3,257	95	2,298	2,039		85
Other	2	9	20	-		-2	3		
<i>Central Stockholm, total</i>	47	795	81,581	3,257	95	2,296	2,042	13.5	84
<b>INNER SUBURBS</b>									
Offices	24	543	22,420	1,233	90	862	948		84
Other	9	41	1,112	67	100	51	10		12
<i>Stockholm inner suburbs, total</i>	33	584	23,532	1,300	91	913	958	6.2	79
<b>Stockholm, total</b>	<b>80</b>	<b>1,379</b>	<b>105,113</b>	<b>4,557</b>	<b>94</b>	<b>3,209</b>	<b>3,000</b>	<b>11.8</b>	<b>82</b>
<b>GOTHENBURG</b>									
Offices	23	254	15,511	707	95	516	673		99
Retail	11	149	12,638	624	96	480	128		86
<b>Gothenburg, total</b>	<b>34</b>	<b>403</b>	<b>28,149</b>	<b>1,332</b>	<b>96</b>	<b>995</b>	<b>801</b>	<b>6.8</b>	<b>94</b>
<b>MALMÖ</b>									
Offices	21	197	8,933	443	90	300	177		94
Retail	10	95	3,863	258	92	140	63		100
Other	2	4	214	14	93	10	3		100
<b>Malmö, total</b>	<b>33</b>	<b>296</b>	<b>13,010</b>	<b>715</b>	<b>91</b>	<b>450</b>	<b>243</b>	<b>4.0</b>	<b>96</b>
<b>UPPSALA</b>									
Offices	16	185	6,925	416	97	280	342		80
Retail	8	58	2,657	164	98	113	52		74
Other	3	2	217	9	80	6	2		0
<b>Uppsala, total</b>	<b>27</b>	<b>244</b>	<b>9,799</b>	<b>589</b>	<b>97</b>	<b>399</b>	<b>396</b>	<b>4.2</b>	<b>78</b>
<b>TOTAL</b>	<b>174</b>	<b>2,323</b>	<b>156,071</b>	<b>7,193</b>	<b>94</b>	<b>5,053</b>	<b>4,440</b>	<b>9.7</b>	<b>85</b>

The data in the tables are based on property category, see the definition on page 148.

1) Central Stockholm – Retail only comprises one property, which is why this has not been reported separately and is instead included in Central Stockholm – Offices

2) Share of the region's area

# Our regions

“Market rents continued to rise in 2019 in all of the markets where Vasakronan operates. The most positive developments continued in central Stockholm,” says Anders Ahlberg, interim SVP for Property investments.



“The occupancy rates for our development properties are high, even in projects that are far from completion.”

**Anders Ahlberg,**  
Interim SVP for Property investments

### How would you summarise 2019?

“The year was characterised by continued healthy demand for offices in prime locations, especially modern, space-efficient offices. In short this means that rent levels continued to increase, primarily in central Stockholm but also in our other markets. A good example is Uppsala, our smallest sub-market. There is strong growth in rent as new, modern offices – unlike what was there before – are being built in central Uppsala.”

### Is the company at all affected by signals of a weak economy to come?

“Not at all, so far, when it comes to the office market. In our existing office premises we’ve had essentially no vacancies at all. And the occupancy rates for our development properties are high, even in projects that are far from completion. In my opinion, this is due to a combination of favourable market conditions and the focus we’ve had on our development properties. One positive example is Magasin X in Uppsala, which is already 80% let even though the building won’t be ready for occupancy for another two years.”

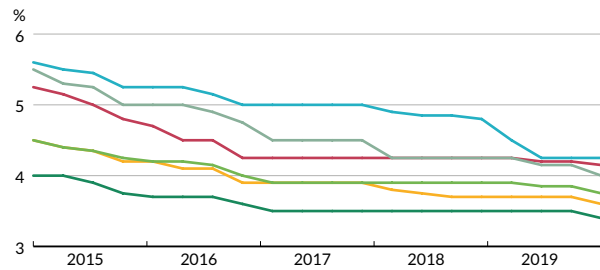
### What do the ongoing favourable conditions mean for property prices?

“There is still a lot of pressure on the transaction market. Sales in 2019 were of a record size and market prices in the major cities where Vasakronan has properties have risen. A rather limited offering means high price levels for all types of properties in prime locations, even ones that aren’t of the highest quality. Yield requirements continued to fall during the year, but it’s the positive rent trend that has driven up prices.

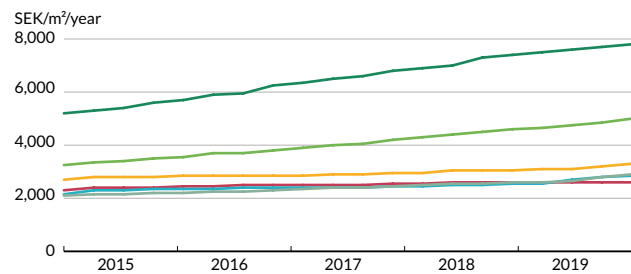
### Aren’t there any storm clouds on the horizon for the property market?

“The retail areas competing with e-commerce are under pressure. Vasakronan’s retail premises are in excellent locations in city areas, so while they are still affected they are doing better than others. There was even a weak increase of rental revenue from retail in 2019.”

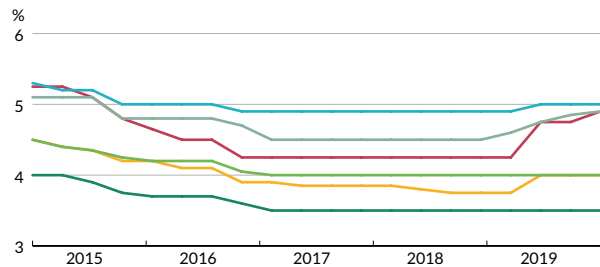
### Lower yield requirement, offices



### Rising market rent, offices

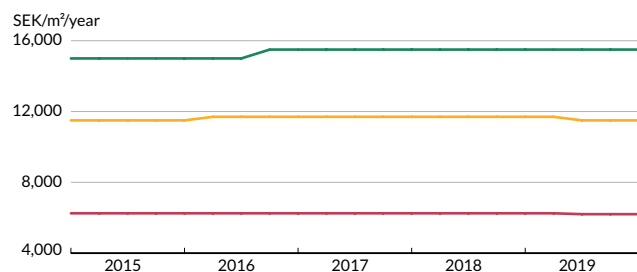


### Rising yield requirement, retail



— Stockholm's CBD — Central Stockholm (excl. CBD)  
— Stockholm Suburbs — Central Uppsala — Gothenburg's CBD  
— Malmö's CBD

### Stable market rent, retail



— Stockholm's CBD — Gothenburg's CBD — Malmö's CBD

Source for all diagrams: DTZ/Cushman & Wakefield



Vasakronan	2019	2018	Share of Vasakronan total <sup>1)</sup>	Share of the region <sup>1)</sup>	Largest tenants, share <sup>2)</sup>	%	Market share	%
<b>REGION STOCKHOLM</b>								
<b>CENTRAL</b>								
Market value, SEK m	<b>81,581</b>	70,130	<p>45%</p>	<p>Offices, 79% Retail, 16% Other, 5%</p>	H&M	4	<b>Central Stockholm, incl. CBD</b>	
Rental revenue, SEK m	<b>3,172</b>	2,948			Handelsbanken	2	Vasakronan	12
Net operating income, SEK m	<b>2,296</b>	2,175			The Riksdag Administration	2	AMF	7
Occupancy rate, %	<b>95</b>	94			NetEnt	2	Fabege	5
Number of properties	<b>47</b>	46			Tieto	2	Folksam	4
Area, thousand sq. m.	<b>795</b>	795					AFA	4
Environmental certification, %	<b>84</b>	85					Source: CBRE	
<b>INNER SUBURBS</b>								
Market value, SEK m	<b>23,532</b>	21,487	<p>18%</p>	<p>Offices, 85% Retail, 3% Other, 12%</p>	Ericsson	16	<b>Stockholm inner suburbs</b>	
Rental revenue, SEK m	<b>1,292</b>	1,208			Social Insurance Agency	8	Fabege	14
Net operating income, SEK m	<b>913</b>	855			University of Arts, Crafts and Design	4	Vasakronan	12
Occupancy rate, %	<b>91</b>	90			Swedish Transport Administration	4	Klövern	12
Number of properties	<b>33</b>	33			JM	3	Humlegården	7
Area, thousand sq. m.	<b>584</b>	601					Atrium Ljungberg	4
Environmental certification, %	<b>79</b>	76					Source: CBRE	
<b>REGION GOTHENBURG</b>								
Market value, SEK m	<b>28,149</b>	25,630	<p>19%</p>	<p>Offices, 61% Retail, 34% Other, 5%</p>	Swedish Police Authority	8	<b>Gothenburg's CBD</b>	
Rental revenue, SEK m	<b>1,325</b>	1,280			Swedish Prison and Probation Service	8	Vasakronan	22
Net operating income, SEK m	<b>995</b>	974			Åhléns	5	Wallenstam	14
Occupancy rate, %	<b>96</b>	95			National Courts Administration	4	Hufvudstaden	9
Number of properties	<b>34</b>	34			SEB	4	Balder	8
Area, thousand sq. m.	<b>403</b>	402					SEB	6
Environmental certification, %	<b>94</b>	94					Source: Vasakronan via Datscha	
<b>REGION MALMÖ</b>								
Market value, SEK m	<b>13,010</b>	13,196	<p>10%</p>	<p>Offices, 60% Retail, 28% Other, 12%</p>	Swedish Police Authority	16	<b>Malmö's CBD and Västra Hamnen</b>	
Rental revenue, SEK m	<b>692</b>	761			Prison and Probation Service	5	Vasakronan	20
Net operating income, SEK m	<b>450</b>	494			Scandic Hotels	4	Wihlborgs	15
Occupancy rate, %	<b>91</b>	90			Malmö University	2	Balder	6
Number of properties	<b>33</b>	35			Bonnier	2	Volito	4
Area, thousand sq. m.	<b>296</b>	339					Midroc	4
Environmental certification, %	<b>96</b>	97					Source: Vasakronan via Datscha	
<b>REGION UPSALA</b>								
Market value, SEK m	<b>9,799</b>	8,491	<p>8%</p>	<p>Offices, 68% Retail, 19% Other, 13%</p>	Region Uppsala	10	<b>Central Uppsala</b>	
Rental revenue, SEK m	<b>559</b>	521			Swedish Medical Products Agency	8	Vasakronan	22
Net operating income, SEK m	<b>399</b>	371			National Courts Administration	6	Skandia Fastigheter	10
Occupancy rate, %	<b>97</b>	97			National Food Agency, Sweden	4	Uppsala Univ. Foundations	9
Number of properties	<b>27</b>	26			Municipality of Uppsala	3	Municipality of Uppsala	6
Area, thousand sq. m.	<b>244</b>	236					Castellum	4
Environmental certification, %	<b>78</b>	77					Source: Vasakronan via Datscha	

1) Contracted rent

2) Share of the region's contracted rent.

# A year of strong new letting

New letting for the year in the Stockholm region was just over SEK 800 million, while the corresponding figure for a typical year would be around SEK 330 million. A clear trend is that tech companies and game developers want central locations in the city to attract the right employees.



“At Sergelhuset, we want to offer the Smart & Klart office concept as well as Arena, our own concept for co-working.”

**Ronald Bäckrud**  
SVP, Stockholm Region

## What do you want to showcase from 2019?

“The strong letting. In a typical year we have new letting of around SEK 330 million but in 2019 we had close to SEK 810 million. We also had SEK 765 million in annual rent in our renegotiations, corresponding to a result of 14.3%.”

It is gratifying that many of our new lettings, such as the 12,600 square metres to Handelsbanken at Tre Vapen, were made with only limited renovations. This keeps costs down, both for us and the customer and, not least, the climate.

A continuing trend is that many of our customers are reviewing their needs for premises, reducing their space and demanding greater flexibility.

It is also clear that tech companies and game developers want central locations in Stockholm to attract the right employees. In August 2020, game developer Embark Studios will move in to Bankpalatset at Kungsträdgården. They're letting the entire property, or 4,300 square metres.”

## How is letting at Sergelhuset progressing?

“Really well. Close to half of the property is already let and there is a great deal of interest for the remaining portions. During the year, game developer King signed an agreement for 11,500 square metres. Stureplansgruppen is renting 3,600 square metres, the majority of which will be restaurants, rooftop bars and conference spaces.

At Sergelhuset, we also want to offer the Smart & Klart office concept as well as Arena, our own concept for co-working. Arena encompasses 3,000 square metres and will be a resource for existing tenants when they need more workplaces. We're also moving our head office to Sergelhuset in October 2020. We'll be right next to Arena,

which will be a resource for us as well. This will take our activity-based work approach to the next level.”

## How do the plans for Sergelgatan look?

“During the year we have renegotiated retail agreements in order to create flexibility and enable future development. Renovations will be completed in two stages, the first of which began in the autumn. The entire project will be completed in 2022.

The goal is to establish more stores and provide more services and restaurants. Sergelgatan will be a modern shopping and experience street that offers a lively atmosphere at all hours of the day. We are also cooperating with the city and other property owners to increase security in the area.”

## What is the status outside of the city centre?

“We're working close with Kista, where we and other property owners want to grow Kista from a mere IT cluster to a dynamic and multifaceted suburb. There is a great deal of interest in Kista and of the 7,200 square metres that Nordea vacated at the end of the year, one-third has already been let to Cybercom.

Letting in Solna is going well. The Hilton property is completed and, in principle, fully let. At the Strand development property, a lease has been signed with Statistics Sweden for 7,200 square metres. Statistics Sweden has been one of our tenants at Garnisonen since the early 70s. That customers can remain with us despite evolving needs for premises is the best award of all.

Alviks strand is in the middle of an interesting renovation where we are developing more residences than offices. It's an attractive location near the water, perfect for housing.”







**THE TRE VAPEN PROPERTY**, a stone's throw from Garnisonen, Karlaplan and close to the green areas of Gärdet. Constructed in the 50s to house the University of Arts, Crafts and Design. The Swedish Environmental Protection Agency moved out in 2019. Handelsbanken took up residence at the same time, renting the entirety of the 12,600 square metres that were vacated.

	Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage sq. m.	Share		Environmental certification <sup>1)</sup>
					Offices	Retail	
1	Argus 8	Skeppsbron 38/Packhusgränd 7/Tullgränd 4/Österlånggatan 47	1788/2002	5,717			LS
2	Beridarebanan 11	Sergelgatan 8-14/Sveavägen 5-9 Hitechbuilding/ Mäster Samuelsgatan 42	1961/2007	24,352			LG
2	Beridarebanan 4	Sergelgatan 16-18/Sveavägen 13/Läkarhuset	1962/2000	12,943			LG
2	Beridarebanan 77	Sveavägen 17/Sergelgatan 20-22/Hötorget 2-4	1958/1996	15,447			LG
3	Blåmannen 20	Drottninggatan 53/Mäster Samuelsgatan 50-60/ Bryggargatan 1-9/Klara Norra Kyrkogata 14	2000-2003	65,526			LP
4	Bremen 1	Tegeluddsvägen 3-9	1964/2008	21,334			-
5	Gamen 12	Götgatan 74-80/Vartoftagatan 21-51	1959/2006	31,192			LC
5	Gamen 8	Åsögatan 106A-108/Götgatan 72A	2000/2001	5,835			LP
6	Garnisonen 3	Karlavägen 96-112/Oxenstiernsgatan 15/Linnégatan 87-89/ Banérgatan 16-30	1886/2004-05	136,162			LG & LP
7	Getingen 11	Sveavägen 163-167/Ynglingagatan 18	1955/2005	23,853			LP
8	Grönlandet Norra 1-5	Drottninggatan 96-98/Wallingatan 2/Holländargatan 17/ Kammakargatan 15	1800/2001	15,572			LG
9	Hästskon 12	Sveavägen 2-10/Hamngatan 24-32/Mäster Samuelsgatan 39A-B/ Malmskillnadsgatan 13-17, 36-40/Sergelarkaden 2/Sergelgången	1963	53,218			-
9	Hästskon 9	Hamngatan 22/Regeringsgatan 45	1935	9,667			-
10	Jakob Större 18	Jakobsgatan 2-8/Regeringsgatan 8-24/Västra Trädgårdsgatan 7	1975/2009	26,590			LG
11	Kungliga Trädgården 7	Hamngatan 25-27/Västra Trädgårdsgatan 10-12	1969	5,423			LP
12	Kurland 11	Holländargatan 21A/Kammakargatan 32	1884	2,274			LG
13	Lyckan 10	Lindhagensgatan 124-132/Hornsbergsvägen 17	1940/2005	23,718			LG
13	Lyckan 9	Lindhagensgatan 122/Nordenflychtsvägen 55	1936/2003	8,370			LG
14	Matrosen 4	Birger Jarlsgatan 2-4/Nybrogatan 1-3/Ingmar Bergmans gata 1-3	1893/1984	9,264			LS
15	Munklägret 21	Hantverkargatan 15/Parmmätargatan 12	1958/2000	6,330			LP
16	Nattuglan 14	Västgöttagatan 1-7/Folkungagatan 44	1978/2015	22,269			LP
17	Pennfäktaren 11	Vasagatan 7	1977/2009	12,010			LG
18	Riga 2	Hamburgsvägen 12-14/Fjärde Bassängvägen 11-19/ Malmvägen 7-13/Tredje Bassängvägen 2-14	2010	24,386			LG
19	Sejlaren 7	Sveavägen 25-29/Olofsgatan 6-8/Olof Palmes gata 7/ Apelbergsgatan 44	1930/1995	10,232			LP
20	Skjutsgossen 8	Krukmakargatan 15-21	1942/2008	12,275			LG
21	Skravelberget Mindre 12-13	Hamngatan 2/Birger Jarlsgatan 1-5/Smålandsgatan 5	1903/1999	9,052			-
22	Skären 3	Mäster Samuelsgatan 11/Norrlandsgatan 12	1853/1984	1,758			LC
23	Spektern 13	Hamngatan 29-33/Regeringsgatan 26-32/Sergelgången/ Västra Trädgårdsgatan 17	1975/1995	28,192			LG
24	Sperlingens Backe 45	Stureplan 2	1897/1959	3,905			-
24	Sperlingens Backe 47	Birger Jarlsgatan 16/Grev Turegatan 1	1935/1993	8,222			-
25	Starkströmmen 2 & 4	Midskogsgränd 1-5	1965	9,192			-
26	Stuten 12	Kungsgatan 25-27/Regeringsgatan 67-71/Oxtorgsgatan 2-4	1925/2002-05	14,888			LP
27	Styckjunkaren 11	Birger Jarlsgatan 6D & 10	1891/1984	1,615			LS
27	Styckjunkaren 7	Birger Jarlsgatan 14/Grev Turegatan 2/Riddargatan 2	1900/1987	2,244			LS
28	Styrpinnen 12	Hamngatan 13	1979/1995	2,223			-
29	Styrpinnen 15	Kungsträdgårdsgatan 16/Näckströmsgatan 1	1901/1990	3,647			LG
30	Sumpen 14	Lästmakargatan 6/Norrlandsgatan 22	1856/1985	2,046			LS
30	Sumpen 15	Stureplan 17-19/Birger Jarlsgatan 19/Kungsgatan 1	1895/1980	3,981			LC
30	Sumpen 16	Stureplan 13/Lästmakargatan 2-4	1862/1988	3,010			-
31	Svea Artilleri 14	Valhallavägen 117 Bldg 81-Bldg 87	1877/2013	22,088			LG
32	Tre Vapen 2	Valhallavägen 191-215/Lindarängsvägen 1-7/Borgvägen 6-22	1959/2005	38,473			LP
33	Uggleborg 12	Vasagatan 14-18/Klara Västra Kyrkogatan 9-15/ Klara Vattugränd 1/Klarafaret 4	1934/2016	33,157			LP
34	Uppfinnaren 2	Östermalmsgatan 87/Artillerigatan 62A-B/Skeppargatan 61-63	1914/2003	16,819			LG
35	Vildmannen 6	Biblioteksgatan 11/Lästmakargatan 1	1925/1981	4,809			LS
35	Vildmannen 11	Lästmakargatan 3	1897/1998	1,511			LS
<b>Total Central Stockholm</b>				<b>794,791</b>			

1) LP=LEED Platinum LG=LEED Gold LS=LEED Silver LC=LEED Certified





**29 BANKPALATSET**

A comprehensive upgrade of the old Bankpalatset is nearing completion. In November 2019, game developer Embark Studios signed an agreement for the entire property of 4,300 square metres. Occupancy is scheduled for August 2020.



**16 FOLKUNGAGATAN 44**

The Nattugglan 14 development property is on Folkungagatan 44. During the year development began of 23,000 square metres allocated over seven floors. Tyréns is renting 12,500 square metres. Occupancy is planned for summer 2022.



**9 SERGELHUSET**

60,000 square metres of urban development in the middle of central Stockholm. Offices, retail, services and housing are being constructed to revitalise Sergelstan. King, EY, Stureplansgruppen and Vasakronan's own head offices are some of the groups who will take up residence in 2020/2021.



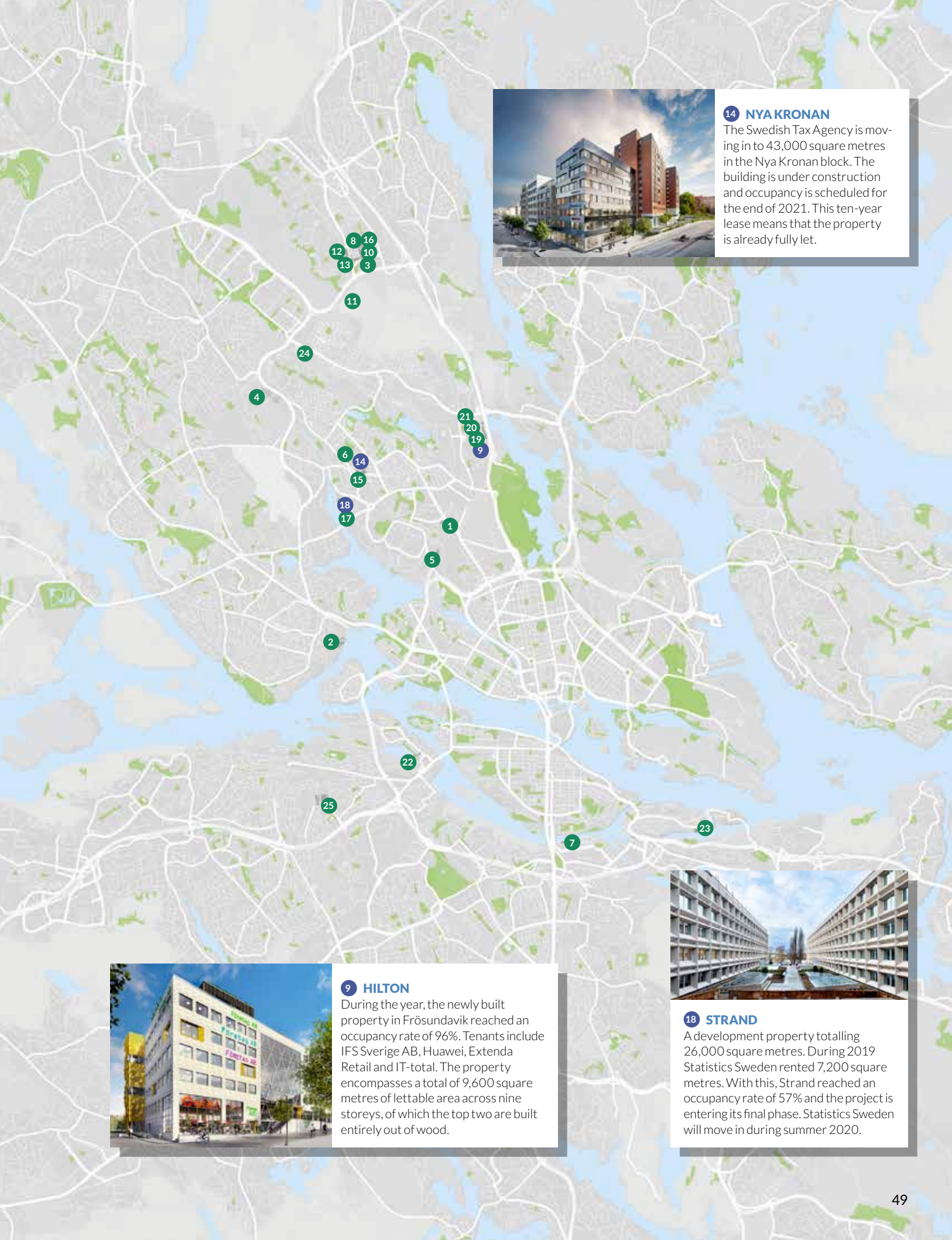
**32 TRE VAPEN 2**

During the year, Handelsbanken signed a lease for 12,600 square metres. Handelsbanken took occupancy in June, when the Swedish Environmental Protection Agency moved out and took over all of the premises vacated by the agency.

Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage sq. m.	Share		Environmental certification <sup>1)</sup>
				Offices	Retail	
1	Albydal 3	Sundbybergsvägen 1-3/Solna Access	1979/2003	28,246		LG
2	Alvik 1:18	Gustavslundsvägen 129-145	1987	47,986		-
3	Bredbandet 1	Isafjordsgatan 2-4/Dalviksgatan/Grönlandsgatan/Kistavägen	-	-		-
4	Bromsten 9:1	Sulkyvägen 1-31/Sulkyvägen 2-32	-	-		-
5	Diktaren 1	Terminalvägen 32-40 (Tegelhuset)	1965	6,751		-
6	Godset 4	Sturegatan 3-9/Fabriksgränd 1/Järnväggsgatan 2-10/Lysgränd 2	1977	21,722		LG
7	Hammarby Gård 12	Hammarby Kaj 10A/Hammarby Kaj 10D	2017	12,457		LP
8	Hekla 1	Isafjordsgatan 14-16/Blåfjällsgatan/Grönlandsgången/Kistagången	1975/2001	25,550		LG
9	Hilton 7	Gustav III:s Boulevard 48-52	2019	9,778		LP
10	Hårddisken 1	Isafjordsgatan 10/Hans Werthéns Gata/Grönlandsgatan/Dalviksgatan	-	-		-
11	Järvafältet	Järva Dammtorp/Sjövägen/Mellersta Järvafältet	1929	2,084		-
12	Katla 1	Kista Science Tower/Färögatan 33 (Main entrance)/Hanstavägen 11, 21, 27, 29	2002	48,804		LG
13	Knarrarnäs 2	Knarrarnäsgränd 1-11/Hanstavägen 2/Isafjordsgatan 1/Kista Entrance	2003	42,652		LG
14	Kronan 1	Sturegatan 2-4 B/Ekensbergsvägen/Prästgårdsgatan 1-3/Tallgatan	1981	13,616		LG
15	Magasinet 1	Sturegatan 1/Fabriksgränd 2	2009	12,340		LS
16	Modemet 1	Isafjordsgatan 10-12/Hans Werthéns Gata 1/Grönlandsgatan 31/Blåfjällsgatan 4/Modemgatan 10-12	2008/2015	58,667		LS, LG & LP
17	Nöten 3	Solna strandväg 96-122	1949/2000	35,800		LG
18	Nöten 5	Solna strandväg 62-86	1986	27,918		-
19	Rosenborg 1	Gustav III:s Boulevard 54-58	2007	10,306		LG
20	Rosenborg 2	Gustav III:s Boulevard 62-66	2009	10,921		LG
21	Rosenborg 3	Rosenborgsgatan 2-12	2014	17,106		LP
22	Rosteriet 6 & 8	Rosterigränd 2-16	1959/1999	17,421		LP
23	Sicklaön 37:49	Kvarnholmsvägen 56	1972/2002	33,769		-
24	Sundbyberg 2:44	Torshamnsgatan, Kymlinge Norra	-	-		-
25	Telefonfabriken 1	Telefonvägen 22A-30, LM Ericssonsväg 12-32 and others	1939/2010	100,122		LS & LG
<b>Total, Stockholm inner suburbs</b>				<b>584,016</b>		

1) LP=LEED Platinum LG=LEED Gold LS=LEED Silver





**14 NYA KRONAN**  
 The Swedish Tax Agency is moving in to 43,000 square metres in the Nya Kronan block. The building is under construction and occupancy is scheduled for the end of 2021. This ten-year lease means that the property is already fully let.



**9 HILTON**  
 During the year, the newly built property in Frösundavik reached an occupancy rate of 96%. Tenants include IFS Sverige AB, Huawei, Extenda Retail and IT-total. The property encompasses a total of 9,600 square metres of lettable area across nine storeys, of which the top two are built entirely out of wood.



**18 STRAND**  
 A development property totalling 26,000 square metres. During 2019 Statistics Sweden rented 7,200 square metres. With this, Strand reached an occupancy rate of 57% and the project is entering its final phase. Statistics Sweden will move in during summer 2020.



# Attractive views over Göta älv

The Lilla Bommen area continues to expand. The next building in the block is Kromet, which is next to Platinan at the bridgehead of Hisingsbron. One of the challenges in the city is finding climate-smart solutions for transportation.



“Platinan, still two years before completion, has reached an occupancy rate of 67%.”

**Kristina Pettersson Post,**  
SVP, Gothenburg Region

## What do you want to showcase from 2019?

“Platinan in Lilla Bommen will be completed in 2021. We’re now beginning to see what the building will look like, giving Gothenburg a new silhouette. It creates an entirely new atmosphere in the area and is the beginning of our changes in Lilla Bommen. It’s exciting to see how much one building can affect things.

We’ve already let space in Platinan to Scandic, Wistrand Advokatbyrå and KPMG. During the year, the technology consultant COWI announced it would be moving in. This is a sizeable establishment, meaning that Platinan, still two years before completion, has reached an occupancy rate of 67%.”

## What else is happening in Lilla Bommen?

“Last year the renovation of Läppstiftet was completed and we’re continuing to develop the area, which will change a lot in the near future. There will be workplaces, hotels and residences for around 25,000 people, and a rich offering of restaurants, coffee shops and cultural institutions. The next building in the block is Kromet, which is next to Platinan near the bridgehead of Hisingsbron, with a view over Göta älv. The construction start is planned for 2021. This is another exciting project with a strong focus on how we can further reduce our climate footprint, such as through recycling and smart material choices.”

## How does the overall occupancy rate look?

“It has been stable, with healthy demand for offices. Top rents for offices are around SEK 4,500 per square metre. The pressure has been somewhat lower for stores but we’ve had several exciting establishments. For example & Other Stories opened its first store in Gothenburg, an excellent addition to Kungsgatan. The market for pop-up stores is also growing.

Fashion chains like NA-KD opened in Kompassen in Fredstan. NA-KD were going to stay for only three months, but the store was so successful that NA-KD chose to stay longer.”

## What are the main challenges in 2020?

“It will remain tough for retail, meaning that store owners as well as property owners need to innovate. We want to keep contributing to a dynamic, attractive city centre and distinct pedestrian streets. Attractive pedestrian streets also create good conditions for businesses that rent offices in the area.

To that end, the non-profit organisation Gothenburg Citysamverkan was founded, including the City of Gothenburg, organisations focused on the city centre, Vasakronan and other property owners. The idea is to jointly develop the city centre in different ways so that it attracts Gothenburgers and visitors, but also draws people and companies to the region.”

## Is there anything else you’re looking forward to?

“Finding new, smart solutions for transportation in the city, which is also part of improving the experience for visitors. Gothenburg has transported goods from a hub to the city via electric train for quite some time. Now we’re seeing a development with more deliveries by bicycle.

In Nordstan we’re participating in a research project to develop a digital platform to consolidate and optimise transportation in the city. The goal is to reduce shipments by around 40%.

It’s also gratifying to see the renovations at Brunnsparken fully under way. This area has long been considered unsafe. When renovations are complete in 2020, it will be a lighter, greener and more welcoming place. This is a win for both Nordstan and Fredstan.”







**LILLA BOMMEN** in Gothenburg, a vigorously developing area. Here we are building *Platinan*, a locale for innovative meetings with 60,000 square metres of offices, co-working space, restaurants and a new Scandic hotel. COWI, Wistrand Advokatbyrå and KPMG also signed agreements in 2019. This means that the occupancy rate has reached 67% with two years to go before completion.

REGION GOTHENBURG

	Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage sq. m.	Share		Environmental certification <sup>1)</sup>
					Offices	Retail	
1	Gullbergsvass 1:16	Lilla Bommen 1-2/Hamntorget 1/Lilla Bommens Torg 11	1989	31,873			LP
2	Gullbergsvass 16:1	Gullbergs Strandgata 2-8	1984/1986	22,836			LG
3	Gullbergsvass 3:3	Vikingsgatan 1-5/Gullbergs Strandgata 3-7	-	-			-
4	Heden 22:19	Bohusgatan 13-15/Skånegatan 9	1984/2018	24,121			LG
5	Heden 42:1	Ernst Fontells Plats 15	1964/2005-12	52,924			LG
6	Heden 42:2	-	-	-			-
7	Heden 42:4	Ullevigatan 11	2010	20,550			LG
8	Heden 42:5	-	-	-			-
9	Heden 46:1	Ullevigatan 15	2009	16,534			LG
10	Heden 46:3	Skånegatan 1-3	2015	20,318			BE
11	Högen 3:1	Knipavägen 21/Råhult Partille	1984/2006	1,395			-
12	Inom Vallgraven 11:6	Arkaden/Fredsgatan 1-3/Drottninggatan 38-48/ Södra Hamngatan 37-43/Östra Hamngatan 36	1970/2002	21,098			LG
13	Inom Vallgraven 17:3	Drottninggatan 13/Västra Hamngatan 10/Kyrkogatan 20-22	1813/1994	4,110			LS
14	Inom Vallgraven 19:18	Kyrkogatan 44/Östra Hamngatan 31	1905/1987	2,784			LS
14	Inom Vallgraven 19:7	Drottninggatan 37/Östra Hamngatan 29	1864/1966	2,141			LS
14	Inom Vallgraven 19:9	Östra Hamngatan 33/Kyrkogatan 46	1810/1940	1,739			LS
14	Inom Vallgraven 20:14	Kungspassagen/Kungsgatan 48/Kyrkogatan 23	1930/2002	4,170			LG
14	Inom Vallgraven 20:6	Kungsgatan 50/Kyrkogatan 25	1850/1960	3,686			LS
14	Inom Vallgraven 20:7	Östra Hamngatan 35/Kyrkogatan 27	1800/1944	1,755			LS
15	Inom Vallgraven 22:3	Kungsgatan 31-33	1930	1,585			-
16	Inom Vallgraven 22:15	Kungsgatan 27-29/Västra Hamngatan 12-16/Vallgatan 12-14	1936/2006	9,190			-
17	Inom Vallgraven 22:16	Kungsgatan 35-39/Vallgatan 16-24	1910/2008	10,856			LC
18	Inom Vallgraven 33:10	Magasinsgatan 22 & 24	1978/1995	3,103			LG
19	Inom Vallgraven 59:14	Ekelundsgatan 8-10/Kungsgatan 26-32/ Magasinsgatan 7A-C & 9/Kyrkogatan 1-7	1844/2009	10,872			LG
20	Inom Vallgraven 61:11	Kungsgatan 12-18/Käppslängareleden 1/Otterhällegatan 12	1972/2008	10,000			LG
21	Inom Vallgraven 7:5	Centrumhuset/Östra Hamngatan 52/Östra Larmgatan 15-21/ Kungsgatan 61-67	1939/1996	9,196			LS
22	Inom Vallgraven 8:18	Kompassen/Kungsgatan 58-60/Kyrkogatan 35&39/ Östra Larmgatan 9-13/Fredsgatan 9-11, 12-14	1974/2015	11,549			-
23	Inom Vallgraven 9:13	Fredsgatan 6-10/Drottninggatan 49-65/Kyrkogatan 56-60/ Östra Larmgatan 3-7	1967/2013	8,353			LG
24	Lorensberg 45:16	Storgatan 53/Södra vägen 3-5	1957/2009	6,536			LP
25	Nordstaden 10:20	Köpmansgatan 9/N:a Hamngatan 18 Ö:a Hamngatan 30-34	1930	6,356			LS
26	Nordstaden 10:23	Köpmansgatan 11-25/Götgatan 13-15 & 14-16/ Norra Hamngatan 20-34	1986	27,785			LG
27	Nordstaden 17:6	Kronhusgatan 9-13, Torggatan 16	1862/2003	4,517			LS
28	Nordstaden 21:1	Kronhusgatan 2A/Packhusplatsen 2/Smedjegatan 1A	1901/2008	4,936			LP
29	Nordstaden 31:1	S:t Eriksgatan 3/Nedre Kvarnbergsgatan 3	1787/2005	2,324			LG
30	Nordstaden 8:27	Östra Hamngatan 18-24/Nordstadstorget 1-7/ Spannmålsgatan 11-15/Postgatan 22-24	1974	44,061			LP
<b>Total Region Gothenburg</b>				<b>403,253</b>			

1) LG=LEED Gold LS=LEED Silver LC=LEED Certified BE=BREEAM Excellent





**17 MEETHSHUSET**

In May 2019, & Other Stories opened the doors to its first establishment in Gothenburg. The store encompasses 900 square metres in two storeys in the historic Meethshuset.



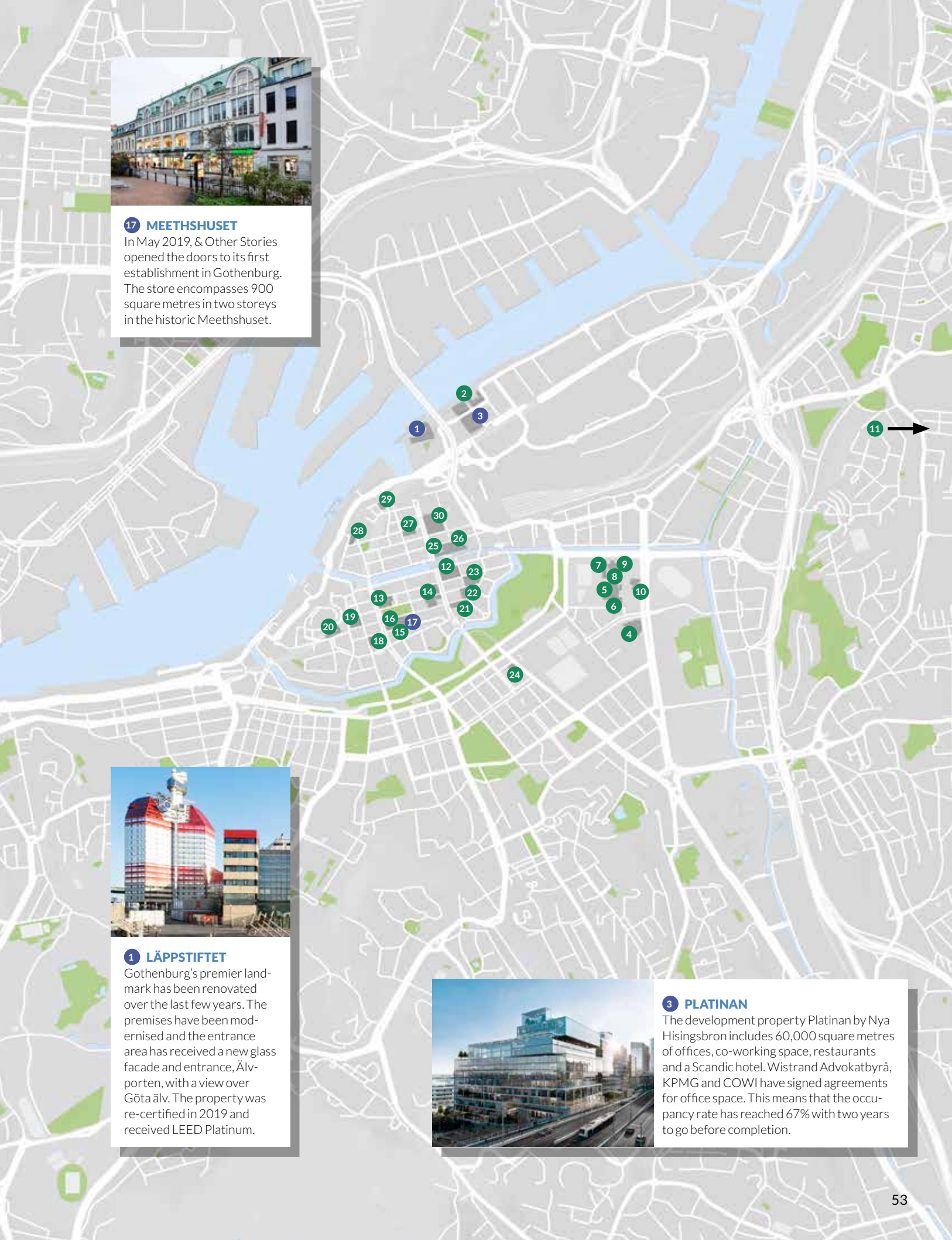
**1 LÄPPSTIFTET**

Gothenburg's premier landmark has been renovated over the last few years. The premises have been modernised and the entrance area has received a new glass facade and entrance, Älvporten, with a view over Göta älv. The property was re-certified in 2019 and received LEED Platinum.



**3 PLATINAN**

The development property Platinan by Nya Hisingsbron includes 60,000 square metres of offices, co-working space, restaurants and a Scandic hotel. Wistrand Advokatbyrå, KPMG and COWI have signed agreements for office space. This means that the occupancy rate has reached 67% with two years to go before completion.



# Strong presence in Malmö

Purchase of the Aura property at Universitetsholmen and investments in projects in Nyhamnen are strengthening Vasakronan's position in Malmö. The shopping streets in Triangeln, Södertull and Södra Förstads-gatan showed a positive trend despite a tougher market for stores.



**"There is a healthy occupancy rate and the rent levels have gradually been raised in both the older and newer properties."**

**Anna Stenkil,**  
SVP, Malmö Region

#### **What do you want to showcase from 2019?**

"Above all, our efforts to concentrate and strengthen our presence in Malmö. We accomplished this last year by divesting our holdings in Lund and then purchasing the Aura property from Skanska in the autumn. Aura is a newly built office property in Universitetsholmen, an optimal location for us where we see great potential for the area.

The proximity to the central station and Malmö Live is a major plus. The city is also planning to develop Nyhamnen. The comprehensive plan was developed by the Municipal Council and outlines an entirely new urban and residential environment directly by the water.

Nyhamnen's location near the central station makes it a very attractive locale for both new workplaces and residences, which we are part of creating. This applies to buildings in stage one and we are also considering more development rights."

#### **How does the office market look?**

"There is a healthy occupancy rate and the rent levels have gradually been raised in both the older and newer properties. In January we completed a major letting to MTM, the Swedish Agency for Accessible Media, which is renting 1,700 square metres in Bylgiahuset – previously Öresundshuset and Skandiahuset.

The consulting company COWI, was the first tenant to move in to our new office project, Priorn, in December. The next major move-in is Region Skåne's memory clinic, which will happen in February 2020. We are putting on the finishing touches and the building will be completed during the second quarter of 2020."

#### **What has been happening with the shopping street?**

"Despite a touch market for retail, it's gratifying that Triangeln, Södertull and Södra Förstads-gatan have all had more visitors and increased sales. This shows that our efforts to develop this street have had results.

The number of visitors to Triangeln increased nearly four percent and the occupancy rate is around 92%, compared to 88% in 2018. Tenants like XXL, ICA Hemma and Gina Tricot moved in during 2019. The presence of these establishments has increased sales for the other stores in Triangeln."

#### **Are there any other new store openings?**

"Yes, Beyond Us is an exciting concept that began in October. It encompasses 1,000 square metres of premises at Södertull that was previously a single store but is now a mix of public lounge space, market hall, showroom, conference centre and where you can even go to yoga.

The project is the work of Frida Roos and Petra Hodel, who are helping us test this innovative concept. The results so far have been very positive. Many actors see Beyond Us as a way to make their products visible for a short time. This reduces risks and costs."

#### **What will be important in 2020?**

"First and foremost, continuing to develop the office projects in Nyhamnen. But of course the challenges in retail as well, where we have to keep on our toes to deal with increased e-commerce.

Malmö's plan to be climate-neutral by 2030 is also an exciting challenge. We're one of several actors who have signed on to the initiative and are actively contributing to it. The national goal is 2045, which we think is too late. For Vasakronan and our entire value chain, the goal is the same as for the city of Malmö: climate neutrality by 2030."







**PRIORN**, 13,000 square metres of development property in Malmö's most accessible location. The building will be ready in 2020. The tenants include COWI, Region Skåne, E.ON Wind Sweden and the architect firm Här!

REGION MALMÖ

Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage sq. m.	Share		Environmental certification <sup>1)</sup>
				Offices	Retail	
1 Abbedissan 1 (previously Priorn 2)	Rådmansgatan 13/S:t Johannesgatan 2-6	1944/2010	8,171			LG
1 Abbedissan 2 (previously Priorn 5)	Pildammsvägen/S:t Johannesgatan		-			
2 Björnen 1	Södra Förstadsgatan 17/Kärleksgatan 2/Davidshallsgatan 14	1903/2001	3,864			LG
3 Björnen 38	Södra Förstadsgatan 25-27/Davidshallsgatan 26	1904/1999	5,269			LG
4 Bylgia 1	Hans Michelsengatan 2A, 2B/Skeppsbron 17	1957/2004	8,855			LP
5 Carl Gustav 5	Södra Tullgatan 4/Kanalgatan 3-5/Stenhuggaregatan 2-4/Södra Vallgatan 3A-C	1961/2000	15,194			LG
6 Claus Mortensen 26	Södergatan 14	1967/2009	3,237			LS
7 Claus Mortensen 35	Södergatan 20/Baltzarsgatan 43	1898/2009	1,993			LS
8 Delfinen 12	Södra Förstadsgatan 2/Drottninggatan 38	1908/2007	5,380			LG
9 Elefanten 23	Södra Förstadsgatan 22-24/Södra Långgatan 25/Lugna gatan 38	1938/1988	5,888			LS
10 Elgen 14	Södra Förstadsgatan 9-11/Davidshallsgatan 10/Storgatan 22	1937/1998	5,723			LS
11 Gasklockan 3	Porslinsgatan 6/Malmgatan 1/Drottninggatan 7	1993/2014	54,898			LG
12 Hans Michelsen 9	Adelgatan 1-3/Bruksgratan 1-3/Norra Vallgatan 51-52	1974/2013	2,003			LP
13 Jungmannen 1	Skeppsgatan 9	2004	5,114			LG
14 Kaninen 26	Södra Förstadsgatan 33-47/Rådmansgatan 10/Triangeln 2-4	1989/2013	36,678			LS
15 Kaninen 27	Södra Förstadsgatan 49-51/Friisgatan 2/S:t Johannesgatan 1 A/Triangeln	1958/2013	19,428			LS
16 Kaninen 30 & Innerstaden 6:149	Rådmansgatan 12 A-C/Rådmansgatan 18 A-C/S:t Johannesgatan 1 E, 2C, 3 N-W	2012	11,551			LS & BVG
16 Kaninen 32	Rådmansgatan 16	2012	4,701			LG & BVG
17 Magnus Stenbock 2	Gustav Adolfs Torg 12/Torggatan 2	1894/2007	5,254			LG
17 Magnus Stenbock 4	Södra Tullgatan 3/Torggatan 4/Södra Vallgatan 5	1963/2010	10,477			LP
18 Nereus 1	Neptuniplan 7-9/Matrosgr 1/Styrmansgatan 2/Bassängkajen 10-12	2012	16,678			LP
19 Oscar 1	Stortorget 31/Södergatan 1-3	1903/2004	2,997			LS
19 Oscar 17	Stortorget 27-29/Stortorget 19-23/Lilla Torg 2-4/Skomakaregatan 7-11	1910/2001	14,222			LG
20 Relingen 1	Propellergatan 1/Västra Varvsgatan 10	2000	5,117			LP
21 Sankt Jörgen 7	Södergatan 28/Kalendegatan 27	1929/2012	5,590			LG
22 Sejen 3	Neptuniagatan 40-44/Argogatan 7	2019	6,699			LP
23 Sirius 1	Jörgen Kocksgatan 9/Navigationsgatan 3	1992	7,114			LG
24 Smedjan 13 & 15	Celsiusgatan 33-35/Östra Farmvägen 5	1937/2004	11,231			-
25 Stapelbädden 3	Stora Varvsgatan 13A, Södra Stapelgränd 4	2012	8,100			BE
26 Tigern 1	Södra Förstadsgatan 1/Regementsgatan 2	1893/2008	2,508			LS
26 Tigern 7	Södra Förstadsgatan 7/Storgatan 37	1894/2006	2,335			LS
<b>Total Region Malmö</b>			<b>296,269</b>			

1) LP=LEED Platinum LG=LEED Gold LS=LEED Silver BVG=BREEAM Very Good BE=BREEAM Excellent





### 17 SÖDERTULL

In October, Beyond Us - The Urban Market - opened at Södertull. The space includes 1,000 square metres of stores, showrooms, parcel delivery, coffee shops, workplaces and an exercise studio. Beyond Us is managed by Voii Studios on behalf of Vasakronan.



### 22 AURA

Acquired from Skanska for SEK 430 million, includes a total of 6,700 square metres of which nearly 5,700 are office space. The occupancy rate is high and tenants include Grant Thornton, Lindab, Adecco and Trägårdh Advokatbyrå.



### 1 PRIORN

Priorn is being constructed in Malmö's best location for offices. 13,000 square metres allocated over seven floors and a garage. Tenants include COWI, Region Skåne and E.ON Wind. Priorn represents an investment of SEK 580 million and the building will be completed during the second quarter of 2020.



# A jewel among properties

The purchase of Juvelen, close to Uppsala central station, was our largest transaction of the year. Over the last few years, the areas on either side of the railway tracks have become one of Uppsala's best office locations. Tenants include SMHI and Vivo Media.



**"The floor space and environmental profile are both modern, making Juvelen a fantastic addition."**

**Jan-Erik Hellman,**  
SVP, Property development, former SVP, Uppsala Region

#### What do you want to showcase from 2019?

"What I call 'our daily machine' works very well when it comes to working with tenants and letting. Of course this is based on strong demand, but an organisation still needs to deliver: take care of its customers, see opportunities and find the right solution."

#### How do the occupancy rate and rent levels look?

"It has been well over 97% for quite some time, so there has been favourable pressure. And even if it's been somewhat weaker for restaurants and stores, we've had several new openings, including Lakritsroten, Hawaii Poké and TUGG Burgers. Establishing new brands in Uppsala is important for retail development and provides the energy to address urban issues.

Rent levels for offices continued to increase in 2019 and are significantly higher than the last few years. Top rents for offices have exceeded SEK 3,400 per square metre."

#### Ground was broken in October for Magasin X, Sweden's first office building in wood.

##### How did that feel?

"Accomplished and pleased, but primarily quite relieved. We're immensely proud that we've come so far and can start construction on the project. It's been a long journey and, in many ways, a different kind of project. Building with a frame entirely in wood was a bit of uncharted territory.

There has been a great deal of interest from the market and at the beginning of the project the Swedish Tax Agency and White Arkitekter signed agreements for 3,500 and 1,000 square metres, respectively. This means the project has reached an occupancy rate of 65%, which of course is exciting. We'll also move in with our own office and establish Arena in the building.

It will be exciting to see when the building starts

to go up during summer 2020. I hope and believe that Magasin X will get a lot of attention – from the industry, from the municipality, and from the approximately 30,000 people who pass by the area every day."

#### What was the largest transaction in Uppsala?

Purchasing Juvelen, which we took possession of in December. The property is on Stationsgatan, close to Uppsala central station and Magasin X, Uppsala's best commuter location. The floor space and environmental profile are both modern, making Juvelen a fantastic addition. Tenants include SMHI, Vivo Media and Projektengagemang."

#### Is there anything else you want to showcase?

"It's exciting to see how Celsius in Uppsala Science Park is growing. The Swedish National Food Agency will move in to 8,000 square metres when the building is completed in the end of 2020. The new building will be a significant contribution to the area's appeal and the development of one of Sweden's most innovative areas.

The solar park that we're building on land we own in Fyrislund is also exciting. This will double our own solar electricity production and contribute to a renewable power grid. Plans are for the park to go into operation in spring 2020. It encompasses 24,000 square metres and the estimated annual electricity production is 4.2 GWh. This is around the amount needed to provide 210 average-sized houses with heat and electricity for an entire year."

#### What is the main challenge in 2020?

"Conducting climate-neutral projects, primarily. We want to minimise the negative environmental impact of renovations and new builds through our choices of material and transportation, and through recycling and reusing. We've started on this project in different ways. Now's the time to take the next step."







**JUVELEN**, a shimmering and gem-like triangular building is the first thing visitors see when the train rolls into Uppsala. 8,600 square metres of lettable area in Uppsala's best location. Acquired by Vasakronan from Skanska in 2019 for SEK 563 million.

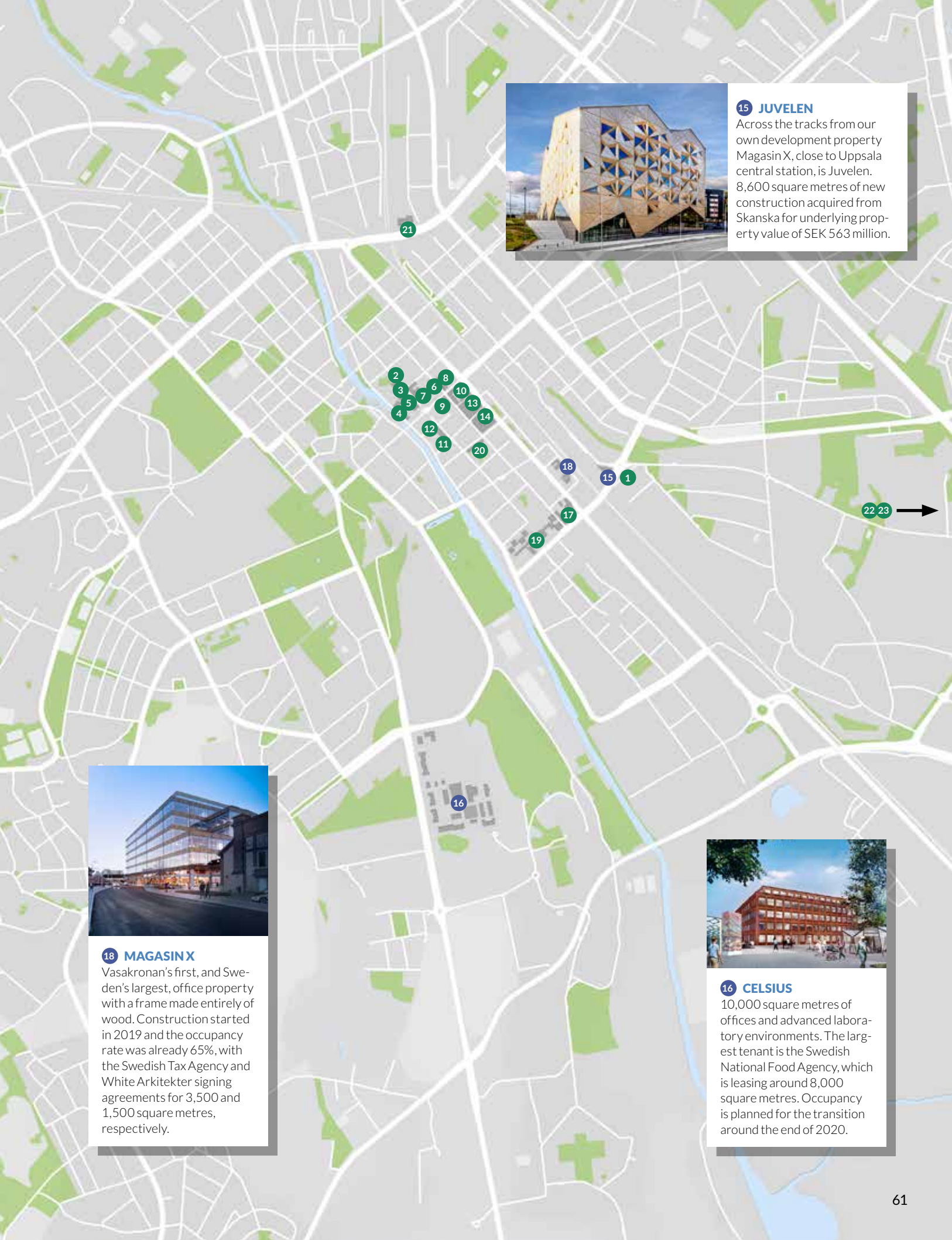


REGION UPPSALA

Name of property	Street address	Year of construction/ most recent redevelopment	Lettable area excl. garage sq. m.	Share		Environmental certification <sup>1)</sup>
				Offices	Retail	
1	Boländerna 7:4	Säbygatan 3/Östunagatan 1	1937/1999	1,710		-
2	Dragarbrunn 14:5	Svartbäcksgatan 8/S:t Persgatan 6	1972	5,140		-
3	Dragarbrunn 18:1	Gamla Torget 5	1990/2001	1,435		LS
3	Dragarbrunn 18:3	Gamla Torget 7/S:t Persgatan 5/Svartbäcksgatan 6	1977/2010	5,135		-
4	Dragarbrunn 18:2, 18:7	Gamla Torget 1-3/Östra Ågatan 25-27	1973/1991	6,131		LS
5	Dragarbrunn 18:9	Stora Torget 4/Svartbäcksgatan 4	1978/2001-04	6,026		LG
6	Dragarbrunn 19:10	Dragarbrunnsgatan 35/Påvel Snickares Gränd 1	1966/2005	4,198		-
7	Dragarbrunn 19:11	Svartbäcksgatan 1B-5/S:t Persgatan 7/Påvel Snickares Gränd 3	1918/1978	9,173		LG
8	Dragarbrunn 20:3	Dragarbrunnsgatan 38-40/Vaksalagatan 8	1966/1999	3,433		LC
9	Dragarbrunn 23:4	Dragarbrunnsgatan 39/Vaksalagatan 5	1961/2006	2,716		LC
10	Dragarbrunn 24:5	Vaksalagatan 7-13/Dragarbrunnsgatan 42-44/Kungsgatan 49	1974/2000	15,352		LG
11	Dragarbrunn 26:3	Bredgränd 4/Kungsängsgatan 5 B/Kungsängsgatan 7	1962/2006	4,261		LG
12	Dragarbrunn 26:4	Kungsängsgatan 3-5A/Smedsgränd 3	1962/1994	4,998		-
13	Dragarbrunn 28:5	Kungsgatan 53-55/Bredgränd 14-18/ Dragarbrunnsgatan 46-48	1895/2011	21,041		LP
14	Dragarbrunn 31:1	Dragarbrunnsgatan 50-52/Bangårdsgatan 10-28/ Bredgränd 15-19/Kungsgatan 57 A-D	1860/2011	19,852		LG
15	Fålhagen 1:39	Stationsgatan 21-29/Strandbodgatan	2016	8,629		LP
16	Kronåsen 1:1	Dag Hammarskjölds väg 10-14, 26-54, 58-60	1910/2017	69,851		LG & LP
17	Kungsängen 1:25	Kungsgatan 79/Dragarbrunnsgatan 78/Samaritergränd 5/ Strandbodgatan 10	2006	10,974		LG
18	Kungsängen 14:1	Fjalars gränd 4	-	-		-
18	Kungsängen 14:2	Suttungsgränd 3	1885/2008	1,747		LS
18	Kungsängen 14:5	Suttungsgränd 3A	-	-		-
19	Kungsängen 16:6	Hammesplanaden 1-5/Kungsängsgatan 43/Strandbodgatan 2-4/ Ebba Boströms gata 7	1975/2008	30,650		-
20	Kungsängen 4:4	Bangårdsgatan 5-9/Kungsängsgatan 18 A/ Dragarbrunnsgatan 51-53	1972/2013	6,728		LG
21	Kvarngärdet 1:19	Ljusbärargatan 2	1959/1990	5,160		LG
22	Årsta 11:233	Haeggströmsgatan 1	-	-		-
23	Årsta 64:1	Haeggströmsgatan 1	-	-		-
<b>Total Region Uppsala</b>				<b>244,340</b>		

1) LP=LEED Platinum LG=LEED Gold LS=LEED Silver LC=LEED Certified





**15 JUVELEN**  
 Across the tracks from our own development property Magasin X, close to Uppsala central station, is Juvelen. 8,600 square metres of new construction acquired from Skanska for underlying property value of SEK 563 million.



**18 MAGASIN X**  
 Vasakronan's first, and Sweden's largest, office property with a frame made entirely of wood. Construction started in 2019 and the occupancy rate was already 65%, with the Swedish Tax Agency and White Arkitekter signing agreements for 3,500 and 1,500 square metres, respectively.



**16 CELSIUS**  
 10,000 square metres of offices and advanced laboratory environments. The largest tenant is the Swedish National Food Agency, which is leasing around 8,000 square metres. Occupancy is planned for the transition around the end of 2020.





**A FLIRT** with Garnisonen's brutalist architecture. That is how Happy Socks' new colourful head office spread over 2,300 square metres at Karlahuset could be described. Signature patterned carpets and wallpaper are mixed with neon lights, and a mix of modern and retro furnishings. And it is all framed by visible concrete pillars and ceilings.



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# Administration Report

The Board of Directors and CEO of Vasakronan AB (publ), corporate registration number 556061-4603, hereby present the 2019 Annual Report for the Group and Parent Company.

## Rental market

Trends in the regional rental markets in which Vasakronan operates were characterised in 2019 by continued rising rent levels mainly driven by the prevailing strong economy and high demand for modern office premises in prime locations. The highest market growth over the year was primarily recorded in offices in central Stockholm, including the CBD, followed by offices in Gothenburg.

For central locations in Vasakronan's markets, office vacancies remained relatively still at low levels during the year, rising from 3% to not quite 5%. Malmö is the exception, where office vacancies were approximately 9%.

## Property market

The property market in Sweden has performed well over the last few years due to the economic boom, low interest rates and good access to capital. Interest in properties in the Swedish market remains strong and 2019 was a record year in terms of transaction volumes.

Aside from the development of the economy and employment, there are primarily three trends that affect the property market: digitisation, expanding e-commerce and new office solutions such as co-working. Parallel to these three aspects, the sector – along with society as a whole – is also affected by a greater focus on sustainability topics, first and foremost driven by the increasingly obvious effects of ongoing climate change. Increasing interest and awareness of health issues, not least how employees' health is affected by workplace conditions and environment, is also having greater influence on how property companies plan premises and the surrounding urban environment.

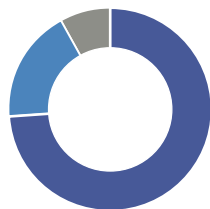
During the year, completed transactions amounted to SEK 229 billion, compared with SEK 165 billion in 2018. Of this volume, residential property was the largest segment followed by office properties, and most of the transactions were completed in Stockholm.

The market is still characterised by continued healthy access to capital and low interest rates. In 2019, market requirements for yields continued to be adjusted downward in all of Vasakronan's sub-markets, but the increase in value was mainly attributable to higher market rents. In the CBDs of Stockholm and Gothenburg, the requirements for yields are 3.4% and 3.6% respectively, and in Stockholm's inner suburbs, Malmö and Uppsala from 4.0–4.3%.

## Operations

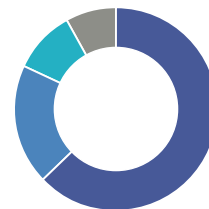
Vasakronan owns, manages and develops centrally located office and retail properties in Stockholm, Uppsala, Gothenburg and Malmö. At year end, the property portfolio comprised 174 properties (174) with a total lettable area of 2.3 million sq. m. (2.4). Of the total area, 85% (85) was environmentally certified, of which 72% (69) had certifications of LEED Gold or higher. The total market value of the properties at year end amounted to SEK 156 billion (139), and the ten largest properties accounted for 29% of the value.

Contracted rent by property type



- Offices, 74%
- Retail, 18%
- Other, 8%

Contracted rent by geographic market



- Stockholm, 63%
- Gothenburg, 19%
- Malmö, 10%
- Uppsala, 8%

The occupancy rate was 94.1% (93.1) on 31 December 2019. Of total vacancies, 1.6 percentage points (2.5) were attributable to ongoing projects and development properties. At year end, Vasakronan had property projects encompassing new construction, extensions or redevelopments valued at SEK 14.4 billion (10.6), of which SEK 6.8 billion (3.9) was capitalised. The occupancy rate for major projects was 69% (41) at the end of the year.

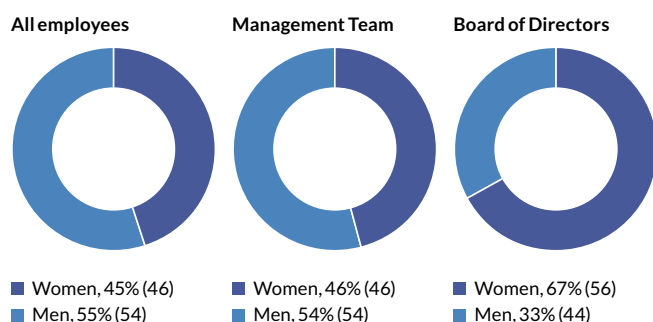
Vasakronan improves its property portfolio by buying and selling properties, which creates the preconditions for an increased long-term return. During the year, the Fålhagen 1:39 (Juvelen) and Sejen 3 (Aura) properties were acquired for a total of slightly more than SEK 1.0 billion in parallel with the divestment of properties to a value of SEK 1.6 billion.



## Personnel

At 31 December 2019, the number of employees was 304 (309). Vasakronan endeavours to be a company where the diversity of society is reflected in the composition of its personnel. All employees and job applicants will be treated equally, and no discrimination will be accepted. Further information related to staff composition can be found on pages 131–132 of this Annual Report.

### Distribution, women and men



## Sustainability reporting

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Vasakronan has chosen to prepare its Sustainability Report separately from its Annual Report. The Sustainability Report can be found on pages 116–134 of this Annual Report.

## Appropriation of profit

A dividend of SEK 6 billion has been proposed to the General Meeting. The Board finds that the proposed dividend is justifiable in terms of the assessment criteria stipulated in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act regarding operations, scope and risks as well as consolidation requirements, liquidity and general position. Refer to page 78.

## Future performance

The assessment at the end of 2019 was that the rental market would remain strong during 2020 with robust demand in prime locations, which would provide excellent prerequisites for a positive net operating income trend and a somewhat higher occupancy rate. The targets for 2020 are an increase in net operating income in comparable property holdings of 4.5% and an occupancy rate of not less than 95% at year end. A healthy rental market also creates favourable prerequisites for the continued development of Vasakronan's property portfolio. Planning of additional projects is in progress, and the assessment is that approximately SEK 5 billion will be invested in 2020.

After the balance-sheet date, the global economy slowed dramatically as a result of the spread of the novel coronavirus in large parts of the world, with resulting disturbances in the financial markets. Vasakronan is following market developments carefully. The company has a strong financial position and considerable liquidity reserves. The earnings forecast and objectives for 2020 were not updated after year end.

# Consolidated income statement

Amounts in SEK million	2019	2018 <sup>1)</sup>	Note
<b>Rental revenue</b>	<b>7,040</b>	<b>6,718</b>	2.1-2
Operating expenses	-682	-711	
Repairs and maintenance	-119	-108	
Property administration	-377	-357	2.3
Property tax	-655	-527	
Ground rents and land leases	-	-146	
<b>Total property expenses</b>	<b>-1,833</b>	<b>-1,849</b>	2.3
<b>Operating surplus</b>	<b>5,207</b>	<b>4,869</b>	
Central administration	-113	-101	2.3
Result from participations in joint ventures	1,105	159	
Financial income	4	3	2.5
Financial expenses	-1,135	-1,046	2.5
Interest expenses, ground rents and land leases	-147	-	
<b>Profit before value changes and tax</b>	<b>4,921</b>	<b>3,884</b>	
Change in value of investment properties	13,270	10,651	4.2
Depreciation of land lease agreements	-7	-	
Change in value of financial instruments	-881	13	6.5
Divested/impaired goodwill	-74	-62	4.1
<b>Profit before tax</b>	<b>17,229</b>	<b>14,486</b>	
Current tax	-230	-120	3.1
Deferred tax	-3,090	-1,464	3.1
<b>Profit for the year</b>	<b>13,909</b>	<b>12,902</b>	
Of which, attributable to non-controlling interests	-2	-	
<b>Total profit attributable to the Parent Company shareholders</b>	<b>13,911</b>	<b>12,902</b>	
<b>Other comprehensive income</b>			
<i>Items that may not be reclassified<sup>2)</sup></i>			
Pensions, revaluation	-41	-18	2.4
Restriction for surplus in pension plan with asset cap	5	8	2.4
Income tax on pensions	7	2	
<b>Other comprehensive income for the year, net of tax</b>	<b>-29</b>	<b>-8</b>	
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT COMPANY SHAREHOLDERS<sup>3)</sup></b>	<b>13,882</b>	<b>12,894</b>	
<b>Key metrics</b>			
Surplus ratio, %	74	73	
Interest coverage ratio <sup>4)</sup> , multiple	4.6	4.7	

1) Comparison figures have not been restated according to IFRS 16.

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

3) The absence of any potential shares means there is no dilutive effect.

4) Calculations for the current period have been made according to previous accounting policies.



# Comments on the consolidated income statement

## Rental revenue

Rental revenue increased during the period to SEK 7,040 million (6,718). In comparable property holdings, the increase was 7% (5) and was mainly attributable to higher gross rents from new lettings contracted and from renegotiated leases as well as from raised property tax supplements as a result of new property tax rates. New lettings corresponding to 220,000 square metres (146,000) and annual rent of SEK 982 million (510) were contracted, of which 12% (20) impacted on revenue in 2019. Changes in new lettings between the years was primarily attributable to the major new lettings to the Swedish Tax Agency in Nya Kronan in Solna and to Handelsbanken in Tre Vapen in Stockholm, which were completed during the first quarter, as well as the letting to the game developer King at Sergelhuset in the third quarter. Notice of termination was received during the period (tenant will be vacating) corresponding to annual rent of SEK 557 million (491), whereby net lettings amounted to SEK 426 (19) million.

Renegotiations and lease extensions of 306,000 square metres (324,000) during the period corresponded to annual rent of SEK 1,030 million (990), resulting in an increase on the previous rent payable of 12% (12). Of all the contracts up for renegotiation over the last 12 months, 70% (69) of the tenants decided to extend their contracts.

The result of renegotiations for the period for leases related to retail amounted to 1.9% (5.3).

Contracted rent at the end of the year amounted to SEK 7,193 million (6,854) and the average remaining maturity was 3.9 years (4.2). The closing occupancy rate was 94.1% (93.1). Of total vacancies, 1.6 percentage points (2.5) were attributable to ongoing projects and development properties.

## Even distribution of rents to maturity

	No. of contracts	Annual rent, SEK m	% of total
2020	1,311	1,185	16
2021	875	1,184	16
2022	804	1,348	19
≥2023	1,163	3,121	43
<b>Total</b>	<b>4,153</b>	<b>6,838</b>	<b>94</b>
Residential	1,175	101	2
Garage	-	254	4
<b>Total</b>	<b>5,328</b>	<b>7,193</b>	<b>100</b>

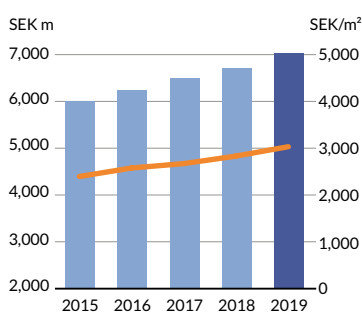
Maturity structure for contracted rent.

## Widely distributed over many tenants

	Share in %
Swedish Police Authority	3
Ericsson	3
H&M	3
Swedish Prison and Probation Service	2
Försäkringskassan (Social Insurance Agency)	2
Swedish National Courts Administration	1
Ähléns	1
Handelsbanken	1
KPMG	1
The Riksdag Administration	1
<b>Total</b>	<b>18</b>

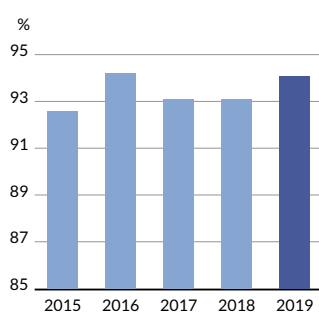
Largest tenants, share of contracted rent

## Rising rental revenue



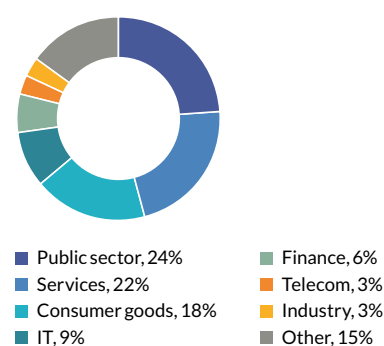
■ Rental revenue, SEK m  
 — Rental revenue SEK/sq. m.  
 January–December

## Improved occupancy rate



At 31 December

## Public sector comprises largest share of tenants



Breakdown by sector, share of contracted rent

### Property expenses

Property expenses amounted to SEK 1,833 million (expense: 1,849) for the period. The year-on-year decrease was primarily due to the transition to IFRS 16, where SEK 154 million pertaining to ground rents and land leases for 2019 were reclassified from property expenses to depreciation of land lease agreements and interest expenses.

For comparable property holdings, with a comparable treatment of ground rents and land leases, the increase in property expenses was slightly more than 9% (4). The increase in comparable property holdings was largely due to the rise in property tax. In the third quarter, the properties were assigned new taxation values that apply retroactively from 1 January 2019. The taxation values rose for most properties, resulting in a consequent increase in property tax, of which just over 90% was invoiced on to tenants. Excluding property tax, property expenses rose slightly more than 3% for comparable property holdings.

### Operating surplus

The operating surplus increased during the period to SEK 5,207 million (4,869), primarily due to increased rental revenue. The operating surplus has also increased SEK 154 million as a result of the transition to IFRS 16. The surplus

ratio increased to 74% (73), a result of the transition to IFRS 16.

For comparable property holdings, the increase in net operating income<sup>1)</sup> was 6% (6).

### Administration

Property administration costs were SEK 377 million (expense: 357) and central administration costs were SEK 113 million (expense: 101). The increase was primarily due to higher staff and IT costs.

### Result from participations in joint ventures

The result from participations in joint ventures totalled SEK 1,105 million (159) and the increase was due to positive value changes, both realised and unrealised, for development rights owned by Vasakronan's associated companies, Järvastaden and Stora Ursvik. The value changes were primarily due to detailed development plans that entered force and the sale in December of the development rights in Stora Ursvik. The potential development rights for Järvastaden and Stora Ursvik respectively encompass a gross floor area (GFA) of around 600,000 square metres, with the majority designated for housing.

1) Net operating income corresponds to operating surplus adjusted for IFRS 16.

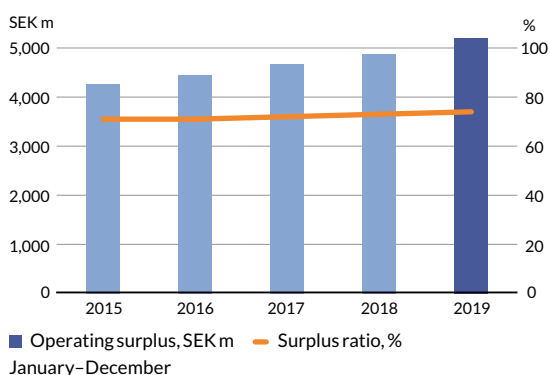
## Sensitivity analysis

	Change	Impact on profit before tax, SEK m
Economic occupancy rate	+/-1%	+/-92
Rental revenue	+/-1%	+/-70
Price change for renegotiated leases expiring in 2019	+/-1%	+/-11
Property expenses	+/-1%	+/-18
Net interest with current fixed-interest tenors and changed interest	+/-1 percentage point	+/-224
Value of interest-rate derivatives if average interest rates change <sup>1)</sup>	+/-1 percentage point	+/-1,591
Market value of properties <sup>2)</sup>	+/-1%	+/-1,560

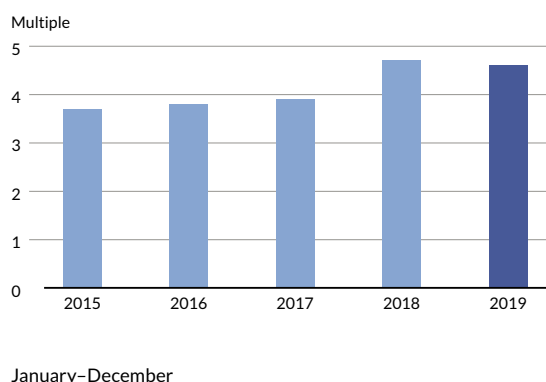
1) The unrealised appreciation in value of interest-rate derivatives can be realised to meet the effect of cash flow from increased borrowing expenses.

2) The market value is in turn impacted by other factors, refer to the sensitivity analysis on page 88.

### Increased surplus ratio



### Stable interest coverage ratio





### Net financial items

Net financial items amounted to an expense of SEK 1,131 million (expense: 1,043). The change is attributable to larger borrowings and slightly higher interest rates during the year. The average interest rate for loans and derivatives amounted to 1.7% (1.6) at the end of the period.

The LTM interest coverage ratio decreased to a multiple of 4.6 (4.7). The policy for the interest coverage ratio does not permit it falling below a multiple of 2.0 over a rolling 12-month period.

As a result of the transition to IFRS 16, as of 1 January 2019 a portion of the ground rent and land leases is recognised as an interest expense and amounted to SEK 147 million for the period. Interest expenses pertaining to leaseholds and land leases are not included in net financial items.

### Profit before value changes and tax

Profit before value changes and tax amounted to SEK 4,921 million (3,884), corresponding to a 27% increase. Adjusted for the result from participations in joint ventures, the increase was just over 2%.

### Change in value of investment properties

At 31 December 2019, the entire property portfolio had been valued by external appraisers Cushman & Wakefield and Forum Fastighetsekonomi. Altogether, the change in the property value amounted to SEK 13,270 million (10,651), which corresponded to a 9.7% (8.5) increase in value. The increase was primarily due to higher market rents, primarily in Stockholm.

On average, the yield requirement for the portfolio was 4.2%, compared to 4.3% for corresponding properties at the end of 2018.

### Change in value by region

	Change in value, %	Contribution to change in value, percentage points
Stockholm	11.8	7.8
Gothenburg	6.8	1.2
Uppsala	4.2	0.3
Malmö	4.1	0.4
<b>Total</b>	<b>9.7</b>	<b>9.7</b>

### Factors impacting value<sup>1)</sup>

	Value impact, %
Yield requirement	3.5
Market rents	6.2
<b>Total</b>	<b>9.7</b>

1) The increase in value was also due to investments and other factors impacting value that have been allocated proportionally across yield requirements and market rents.

### Change in value of financial instruments

The value change in derivatives amounted to negative SEK 881 million (positive: 14), which was due to lower long market interest rates during the year.

Derivatives are primarily used to adjust the maturity structure in the loan portfolio and to hedge borrowings in foreign currencies. At the end of the period, the derivative portfolio amounted to SEK 73,000 million (62,088), of which SEK 54,936 million (51,621) comprised interest-rate derivatives and SEK 18,064 million (10,467) cross-currency derivatives.

### Tax

The Group reported a total tax expense of SEK 3,320 million (expense: 1,584). Of the tax expense, SEK 230 million (expense: 120) was current tax and SEK 3,090 million (expense: 1,464) was deferred tax resulting from temporary differences primarily attributable to investment properties and financial instruments.

The effective tax rate for 2019 amounted to 19.3% (10.9). The difference between the actual tax rate and the corporate tax rate of 21.4% was due to tax free sales of companies during the year.

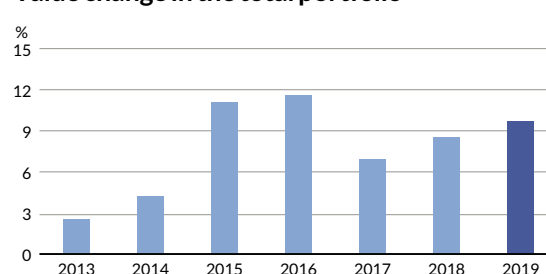
Vasakronan has a tax policy that has been established by the Board to ensure that tax issues are managed in a societally responsible way. For more information on Vasakronan's tax policy, please see Vasakronan's website.

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

### Change in value, by category

	Change in value, %	Contribution to change in value, percentage points
Investment properties	9.5	8.1
Development properties	11.5	1.6
Transactions	-	-
<b>Total</b>	<b>9.7</b>	<b>9.7</b>

### Value change in the total portfolio



# Consolidated balance sheet

Amounts in SEK million	2019	2018 <sup>1)</sup>	Note
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	2,024	2,089	4.1
<b>Property, plant and equipment (PPE)</b>			
Investment properties	156,071	138,934	4.2
Leaseholds and land leases	5,243	-	
Equipment	40	44	4.3
<b>Total property, plant and equipment (PPE)</b>	<b>161,354</b>	<b>138,978</b>	
<b>Financial assets</b>			
Shares and participations in joint ventures	1,164	365	7.2
Receivables from joint ventures	130	165	
Derivatives	642	214	6.4
Other non-current receivables	174	270	6.4
<b>Total financial assets</b>	<b>2,110</b>	<b>1,014</b>	
<b>Total non-current assets</b>	<b>165,488</b>	<b>142,081</b>	
<b>Current assets</b>			
Accounts receivable	35	29	5.1
Receivables from joint ventures	0	0	
Derivatives	27	39	6.4
Other current receivables, prepaid expenses and accrued income	1,114	837	5.2
Cash and cash equivalents	3,515	2,215	6.3
<b>Total current assets</b>	<b>4,691</b>	<b>3,120</b>	
<b>TOTAL ASSETS</b>	<b>170,179</b>	<b>145,201</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	4,000	4,000	
Other contributed capital	4,227	4,227	
Retained earnings	61,926	52,044	
Non-controlling interests	3	-	
<b>Total equity</b>	<b>70,156</b>	<b>60,271</b>	
<b>Non-current liabilities</b>			
Interest-bearing liabilities	53,682	45,956	6.2
Liabilities, leaseholds and land leases	5,244	-	
Deferred tax liability	21,368	18,286	3.2
Derivatives	2,725	2,200	6.4
Other non-current liabilities	385	76	6.4
Provision for pensions	119	91	2.4
<b>Total non-current liabilities</b>	<b>83,523</b>	<b>66,609</b>	
<b>Current liabilities</b>			
Interest-bearing liabilities	12,956	15,131	6.2
Accounts payable	220	118	
Liabilities joint ventures	12	151	
Current tax liabilities	128	42	
Derivatives	70	20	6.4
Other current liabilities, accrued expenses and deferred income	3,114	2,859	5.3
<b>Total current liabilities</b>	<b>16,500</b>	<b>18,321</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>170,179</b>	<b>145,201</b>	
<b>Key metrics</b>			
Net interest-bearing liabilities, SEK m	63,123	58,872	
Equity/assets ratio, %	41	42	
LTV, %	38	41	

1) Comparison figures have not been restated according to IFRS 16.



## Comments on the consolidated balance sheet

### 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. At 31 December, goodwill was SEK 1,908 million (1,982), and the decline was primarily due to the sale of properties.

The remaining portion of intangible assets comprised the value of the Vasakronan brand, which amounted to SEK 100 million (100). SEK 16 million (7) invested in certain technical platforms was recognised as an intangible asset.

### Investment properties

At 31 December 2019, based on external appraisals, the estimated market value of Vasakronan's property portfolio was SEK 156,071 million compared with SEK 138,934 million at year-end 2018. The change in value during the period was SEK 13,270 million (10,651) and net investments totalled SEK 3,867 million (1,443). A change in the yield requirement of +/- 0.25 percentage points would have a negative impact of 5.3/5.9% on the value of the current property portfolio.

The valuations were performed pursuant to the RICS Red Book and apply the same methodology as previous valuations. Market value is influenced by property-specific events, such as new and renegotiated leases, properties being vacated and investments. Consideration has also been taken for any assessed changes in market rents and yield requirements. A more comprehensive description of

Vasakronan's property valuation methodology is available on page 87.

The Juvelen property in Uppsala was acquired and taken possession of during the year. The Aura property in Malmö was purchased from Skanska for SEK 430 million and taken possession of. At the same time, the Hyllie Connect development rights were sold and vacated to Skanska for a property value of SEK 85 million.

Due to the application of IFRS 16 from 1 January, Vasakronan's ground rent agreements and land leases are recognised as assets in the balance sheet. At 31 December, right-of-use agreements totalled SEK 5,243 million. Comparison figures have not been restated.

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. At the end of the period, 85% (85) of our property portfolio was environmentally certified, of which 72% (69) was rated LEED Gold or higher.

### Higher property values

SEK m	2019	2018
<b>Opening value, 1 January</b>	138,934	126,875
Investments	4,440	3,335
Acquisitions, consideration	977	594
Sales, consideration	-1,550	-2,521
Change in value	13,270	10,621
<b>Closing value, 31 December</b>	<b>156,071</b>	<b>138,934</b>

### Large investments in property projects

City	Property	Total investment, SEK m	Capitalised, SEK m	Share capitalised, %	Area of premises, sq. m.	Estimated completion date	Occupancy rate, % <sup>1)</sup>	Environmental certification
Stockholm	Sergelhuset	3,700	2,669	72	56,500	Dec 2021	49 <sup>2)</sup>	LEED
Gothenburg	Platinum	2,600	1,052	40	53,700	Dec 2022	67 <sup>3)</sup>	LEED
Sundbyberg	Kronan 1	1,680	350	21	42,700	Nov 2021	100	LEED
Stockholm, Solna Strand	Nöten 5	916	594	65	26,000	Dec 2020	55	LEED
Stockholm	Nattugglan, block 2	800	168	21	15,000	Jun 2022	80	LEED
Malmö	Priorn 5	530	444	84	13,200	Apr 2020	67	LEED
Uppsala	Magasin X	530	67	13	11,500	Dec 2021	51 <sup>4)</sup>	LEED
Uppsala	Kronåsen 1:1 Celsius	420	287	68	10,200	Oct 2020	82	LEED
Stockholm	Sperlingens Backe	300	38	13	3,900	Dec 2021	47	LEED
Stockholm	Styrpinnen 15	290	242	83	3,700	Jun 2020	100	LEED
Stockholm, Solna	Diktaren	115	19	17	6,400	Aug 2021	100	LEED
<b>Total major property projects</b>		<b>11,881</b>	<b>5,930</b>	<b>50</b>			<b>69</b>	
Stockholm	Sergelgatan	1,500	213	14		Mar 2023	- <sup>5)</sup>	LEED
Other projects		966	610					
<b>Total</b>		<b>14,347</b>	<b>6,753</b>					

1) Calculated based on area.

2) Including the lease to EY, the occupancy rate amounts to around 62%.

3) Including Vasakronan Arena, the occupancy rate amounts to 72%.

4) Including Vasakronan Arena and Vasakronan's regional office, the occupancy rate amounts to around 77%.

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

**Property projects**

Ongoing property projects have a total investment volume of SEK 14,374 million (10,619), of which SEK 6,753 million (3,909) had been capitalised as of 31 December. The occupancy rate for major projects was 69% (41) at the end of the period.

**Deferred tax**

At 31 December 2019, the deferred tax liability was SEK 21,368 million (18,286) and pertained primarily to investment properties. The main reason for the change was the higher market value of the 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.

**Liabilities and cash**

Interest-bearing liabilities, net of cash and cash equivalents, increased to SEK 63,123 million (58,872) during the period. Vasakronan strives to diversify borrowing by allocating across several different sources of funding and markets. Since spring 2018, Vasakronan has had a public rating of A3, with a stable outlook, from the credit-rating agency Moody's. The rating has opened access to advantageous financing in new markets with longer tenors.

As a result of the rise in long-term borrowing, the average loan-to-maturity increased to 5.2 years (3.9) and the average loan-to-maturity taking into consideration unutilised credit commitments increased to 5.6 years (4.4). Loans maturing within the next 12 months decreased to 19% (25) of interest-bearing liabilities, at the same time as loans maturing in five years or more rose to 37% (27).

To minimise financing risk and secure its access to capital, the company has a credit facility with the First, Second, Third and Fourth Swedish national pension funds that amounts to SEK 18 billion. The agreement extends until further notice with a notice period of two years. Cash and cash equivalents of SEK 3,515 million (2,215) and the unutilised credit facility together correspond to 166% (134) of loans maturing over the next 12 months. Of cash and cash equivalents, SEK 321 million (94) comprises deposits under CSAs.

During the period, the company's borrowings in foreign currencies increased. The company issued the equivalent of SEK 15.2 billion (11.8) in total, distributed as follows: SEK 7.5 billion (8), JPY 10 billion (-), NOK 300 million (3,300), EUR 407 million (30), USD 185 million (-) and AUD 80 million (-). Of the total liability at the end of the period, 27% (17) consisted of borrowings in currencies other than SEK. Borrowing in foreign currencies is hedged through currency interest-rate derivatives, which eliminates currency risk. During the period, secured bank loans with long maturities totalling SEK 1.3 billion (2) were obtained and bank loans outstanding secured against mortgage deeds amounted to 7% (9) of the Group's total assets at the end of the period.

To reduce interest-rate risk, Vasakronan has entered into new interest-rate derivatives during the period with longer

tenors. As a result, the average fixed-interest tenor increased and was 5.8 years (4.7) at year end. The proportion of loans with fixed-interest maturities within one year declined to 32% (43) and loans with fixed-interest maturities of five years or more increased to 53% (47) of interest-bearing liabilities. The average interest rate for loans and derivatives amounted to 1.7% (1.6) at the end of the period.

**Green financing**

Green financing broadens the investor base and provides access to financing from various markets. During the period, the company issued bonds totalling SEK 13.4 billion (6.9) distributed over six currencies: SEK, EUR, USD, JPY, NOK, and AUD.

Since Vasakronan issued the world's first green corporate bond in 2013, the volume of green financing has increased drastically and several sources of green financing have come into being. In addition to funding operations under the company's framework for green financing, Vasakronan has green unsecured loans with the Nordic Investment Bank and the European Investment Bank that total SEK 4,827 million (4,827) and green secured bank loans of SEK 760 million (-).

The percentage of green funding consisting of green bonds, green commercial paper and green loans increased during the period to 47% (35) of the total loan portfolio.

**Breakdown of funding sources**

SEK m	Nominal amount base currency, million	Carrying amount, SEK m	Share, %
Commercial paper		7,235	11
Bonds, SEK		24,909	37
Bonds, NOK	9,720	10,361	16
Bonds, EUR	437	4,584	7
Bonds, JPY	10,000	861	1
Bonds, AUD	80	526	1
Bonds, USD	185	1,732	3
Secured bank loans		11,603	17
NIB and EIB		4,827	7
<b>Total</b>		<b>66,638</b>	<b>100</b>

**Green financing under the framework**

	Amounts in SEK million
Green commercial paper	560
Green bonds, SEK	18,673
Green bonds, NOK	684
Green bonds, EUR	2,809
Green bonds, JPY	835
Green bonds, AUD	530
Green bonds, USD	1,672
<b>Total volume of Green Finance Instruments</b>	<b>25,762</b>
Total volume of Green Assets – Green Pool	33,318
<b>Remaining approved borrowing capacity</b>	<b>7,555</b>



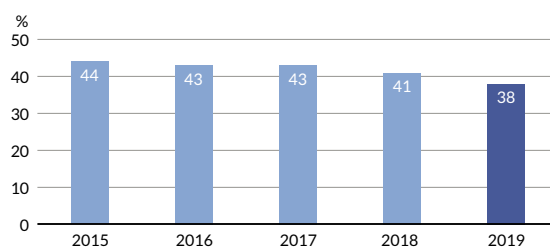
# Consolidated statement of changes in equity

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 at 1 Jan 2018</b>	<b>4,000</b>	<b>4,227</b>	<b>43,150</b>	<b>51,377</b>	-	<b>51,377</b>
Profit for the year	-	-	12,902	12,902	-	12,902
Other comprehensive income	-	-	-8	-8	-	-8
<i>Comprehensive income for the year</i>	-	-	12,894	12,894	-	12,894
Dividend	-	-	-4,000	-4,000	-	-4,000
<b>Equity, closing balance at 31 Dec 2018</b>	<b>4,000</b>	<b>4,227</b>	<b>52,044</b>	<b>60,271</b>	-	<b>60,271</b>
<b>Equity, opening balance at 1 Jan 2019</b>	<b>4,000</b>	<b>4,227</b>	<b>52,044</b>	<b>60,271</b>	-	<b>60,271</b>
Profit for the year	-	-	13,911	13,911	-2	13,909
Minority share	-	-	-	-	5	5
Other comprehensive income	-	-	-29	-29	-	-29
<i>Comprehensive income for the year</i>	-	-	13,882	13,882	3	13,885
Dividend	-	-	-4,000	-4,000	-	-4,000
<b>Equity, closing balance at 31 Dec 2019</b>	<b>4,000</b>	<b>4,227</b>	<b>61,926</b>	<b>70,153</b>	<b>3</b>	<b>70,156</b>

## Equity

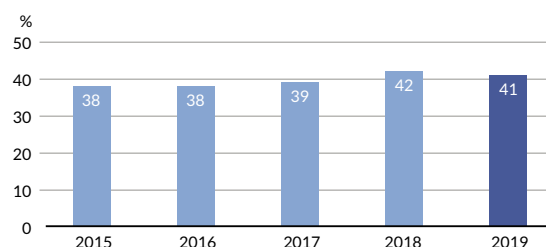
Equity increased during the period to SEK 70,156 million (60,271) due to positive comprehensive income of SEK 13,911 million (12,894). The equity/assets ratio was 41% (42) and the loan-to-value ratio was 38% (41). During the year, Vasakronan invested in two partially owned companies, which means that equity contains shares attributable to minority owners.

## Loan-to-value (LTV) ratio



At 31 December

## Equity/assets ratio



At 31 December

# Consolidated cash-flow statement

Amounts in SEK million	2019	2018 <sup>1)</sup>	Note
<b>Operating activities</b>			
Operating surplus	5,207	4,869	
Central administration	-113	-101	
Add back amortisation and depreciation	12	12	
Adjustment for other non-cash items	-13	-9	6.7
<b>Cash flow from operating activities before interest and tax</b>	<b>5,093</b>	<b>4,771</b>	
Interest paid <sup>2)</sup>	-1,194	-1,069	
Interest received	3	3	
Taxes paid	-147	-138	
<b>Cash flow before changes in working capital</b>	<b>3,755</b>	<b>3,567</b>	
Increase (-)/decrease (+) in operating receivables	-213	-190	
Increase (+)/decrease (-) in operating liabilities	287	258	
<b>Cash flow from operating activities</b>	<b>3,829</b>	<b>3,635</b>	
<b>Investing activities</b>			
Investments in existing property	-4,440	-3,335	4.2
Property acquisitions	-977	-634	4.2
Property divestments	1,550	2,526	
Other PPE, net	-3	-9	
Acquisition of intangible assets	-12	-7	
Dividends from joint ventures	309	162	
<b>Cash flow from investing activities</b>	<b>-3,573</b>	<b>-1,297</b>	
<b>Cash flow after investing activities</b>	<b>256</b>	<b>2,338</b>	
<b>Financing activities</b>			
Dividends and Group contributions	-4,000	-4,000	7.3
Raised debt: interest-bearing liabilities	35,874	34,908	
Repayment of debt: interest-bearing liabilities	-30,709	-32,223	
Change in collateral	214	253	
Redemption of financial instruments	-335	-484	
<b>Cash flow from financing activities</b>	<b>1,044</b>	<b>-1,546</b>	
<b>Cash flow for the period</b>	<b>1,300</b>	<b>792</b>	
<b>Opening balance, cash and cash equivalents</b>	<b>2,215</b>	<b>1,423</b>	
Cash flow for the period	1,300	792	
<b>Closing balance, cash and cash equivalents</b>	<b>3,515</b>	<b>2,215</b>	6.3

1) Comparison figures have not been restated according to IFRS 16.

2) Interest paid includes ground rents paid and land leases.



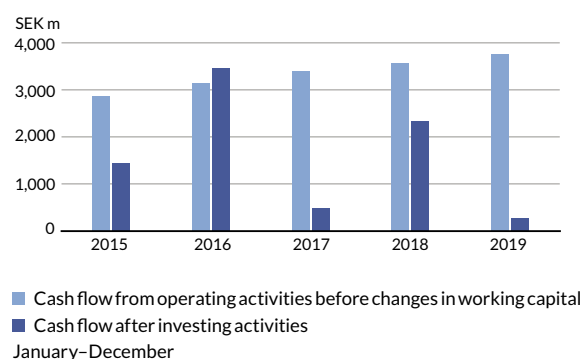
## Comments to the consolidated cash-flow statement

Cash flow from operating activities before interest and taxes increased SEK 322 million to SEK 5,093 million (4,771) due primarily to higher rental revenue and the transition to IFRS 16. Cash flow from operating activities before changes in working capital was SEK 3,755 million (3,567).

Investments in existing properties rose during the period to SEK 4,440 million (3,335) as a result of increased investments in projects. Cash flow from the purchase and sale of properties amounted to SEK 573 million (1,892). Cash flow after investing activities thus amounted to SEK 256 million (2,338).

In total, net borrowing for the period amounted to SEK 5,165 million (2,685). Altogether, cash and cash equivalents increased SEK 1,300 million (792) and totalled SEK 3,515 million (2,215) at the end of the year.

### Stable cash flow from operating activities



### Property divestments 2019

Property	City	Buyer	Purchase price, SEK m	Transfer date
Nya Vattentornen 2 and 4	Lund	Wihlborgs	1,259	February 2019
Järva 2:7	Stockholm	Sporhallen i Solna	2	April 2019
Telefonfabriken 7	Stockholm	Einar Matsson Projekt	210	May 2019
Regndroppen	Malmö	Skanska	85	Dec 2019
<b>Total property value</b>			<b>1,556</b>	
Transaction costs, as well as deduction for deferred tax			-6	
<b>Total purchase price</b>			<b>1,550</b>	

### Agreed divestments to be completed

Property	City	Buyer	Purchase price, SEK m	Transfer date
Smedjan 13 and 15	Malmö	Trianon	88	Dependent on detailed development plan
<b>Total purchase price</b>			<b>88</b>	

### Property acquisitions 2019

Property	City	Seller	Purchase price, SEK m	Occupancy
Juvelen	Uppsala	Skanska	563	Dec 2019
Aura	Malmö	Skanska	430	Dec 2019
<b>Total property value</b>			<b>993</b>	
Transaction costs, as well as deduction for deferred tax			-16	
<b>Total purchase price</b>			<b>977</b>	

# Parent Company financial statements

## INCOME STATEMENT

Amounts in SEK million	2019	2018	Note
Net sales	503	484	
Operating expenses	-639	-605	2.3-4
Capital gain on sales	3	341	4.2
<b>EBIT</b>	<b>-133</b>	<b>220</b>	
<b>Financial items</b>			
Profit from participations in subsidiaries	6,982	7,192	8.2
Result from participations in joint ventures	0	0	
Interest income	841	67	2.5
Interest expense	-1,260	-1,107	2.5
<b>Profit before value changes and tax</b>	<b>6,430</b>	<b>6,372</b>	
Change in value of financial instruments	-881	13	6.5
Appropriations	-300	-	8.3
<b>Profit before tax</b>	<b>5,249</b>	<b>6,385</b>	
Tax	-84	-109	3.1
<b>Profit for the year</b>	<b>5,165</b>	<b>6,276</b>	
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Profit for the year recognised in profit or loss	5,165	6,276	
Other comprehensive income	-	-	
<b>Total comprehensive income for the year</b>	<b>5,165</b>	<b>6,276</b>	

## BALANCE SHEET

Amounts in SEK million	2019	2018	Note
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	7	11	4.3
Shares and participations in subsidiaries	37,635	30,660	7.1
Receivables from subsidiaries	37,093	9,820	
Shares and participations in joint ventures	1	1	7.2
Receivables from joint ventures	130	165	
Deferred tax assets	459	137	3.2
Derivatives	642	214	6.4
Other non-current receivables	169	267	6.4
<b>Total non-current assets</b>	<b>76,136</b>	<b>41,275</b>	
<b>Current assets</b>			
Accounts receivable	0	0	5.1
Receivables from subsidiaries	4,565	32,448	
Receivables from joint ventures	0	0	
Current tax assets	0	78	
Derivatives	27	39	6.4
Other current receivables, prepaid expenses and accrued income	615	470	5.2
Cash and cash equivalents	3,506	2,212	6.3
<b>Total current assets</b>	<b>8,713</b>	<b>35,247</b>	
<b>TOTAL ASSETS</b>	<b>84,849</b>	<b>76,522</b>	

## CHANGE IN EQUITY

Amounts in SEK million	Share capital <sup>1)</sup>	Retained earnings	Total equity
<b>Equity, opening balance at 1 Jan 2018</b>	<b>4,000</b>	<b>5,200</b>	<b>9,200</b>
Profit for the year	-	6,276	6,276
Comprehensive income for the year	-	6,276	6,276
Dividend	-	-4,000	-4,000
<b>Equity, closing balance at 31 Dec 2018</b>	<b>4,000</b>	<b>7,476</b>	<b>11,476</b>
<b>Equity, opening balance at 1 Jan 2019</b>	<b>4,000</b>	<b>7,476</b>	<b>11,476</b>
Profit for the year	-	5,165	5,165
Comprehensive income for the year	-	5,165	5,165
Dividend	-	-4,000	-4,000
<b>Equity, closing balance at 31 Dec 2019</b>	<b>4,000</b>	<b>8,641</b>	<b>12,641</b>

1) 40,000,000 shares with a quotient value of SEK 100 per share.



**BALANCE SHEET**

Amounts in SEK million	2019	2018	Note
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	4,000	4,000	
	<b>4,000</b>	<b>4,000</b>	
<i>Unrestricted equity</i>			
Retained earnings	3,476	1,200	
Profit for the year	5,165	6,276	
	<b>8,641</b>	<b>7,476</b>	
<b>Total equity</b>	<b>12,641</b>	<b>11,476</b>	
Untaxed reserves	486	186	8.3
<b>Non-current liabilities</b>			
Interest-bearing liabilities	53,682	45,956	6.2
Liabilities to subsidiaries	728	-	
Derivatives	2,725	2,200	6.4
Other non-current liabilities	383	72	6.4
Provision for pensions	6	7	
<b>Total non-current liabilities</b>	<b>57,524</b>	<b>48,235</b>	
<b>Current liabilities</b>			
Interest-bearing liabilities	12,956	15,131	6.2
Accounts payable	3	7	
Current tax liabilities	84	-	
Liabilities to subsidiaries	391	790	
Derivatives	70	20	6.4
Other current liabilities, accrued expenses and deferred income	694	677	5.3
<b>Total current liabilities</b>	<b>14,198</b>	<b>16,625</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>84,849</b>	<b>76,522</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 503 million (484), which primarily consists of the Parent Company's invoices to the subsidiaries for services rendered. The profit from participations in Group companies amounted to SEK 6,982 million (7,192) and pertained to dividends.

The change in the value of financial instruments amounted to negative SEK 881 million (positive: 13) due to lower long market interest rates. Profit before tax was SEK 5,249 million (5,165). Closing cash and cash equivalents amounted to SEK 3,506 million (2,212).

**CASH-FLOW STATEMENT**

Amounts in SEK million	2019	2018	Note
<b>Operating activities</b>			
EBIT	-133	220	
Add-back of amortisation, depreciation and impairment	5	4	
Adjustment for other non-cash items	-5	-342	6.7
<b>Cash flow from operating activities before interest and tax</b>	<b>-133</b>	<b>-118</b>	
Interest paid	-1,161	-1,117	
Interest received	840	67	
Taxes paid	-33	-138	
<b>Cash flow before changes in working capital</b>	<b>-487</b>	<b>-1,306</b>	
Increase (-)/decrease (+) in operating receivables	2,950	-1,584	
Increase (+)/decrease (-) in operating liabilities	244	-565	
<b>Cash flow from operating activities</b>	<b>2,707</b>	<b>-3,455</b>	
<b>Investing activities</b>			
Acquisitions of equipment	-2	-1	
Divestments of equipment	3	3	
Acquisition of shares in subsidiaries	0	0	
Divestment of shares in subsidiaries	1,210	328	
Dividends received from subsidiaries	5,616	5,463	
Shareholders' contributions paid	-9,284	-	
<b>Cash flow from investing activities</b>	<b>-2,457</b>	<b>5,793</b>	
<b>Cash flow after investing activities</b>	<b>250</b>	<b>2,338</b>	
<b>Financing activities</b>			
Dividends and Group contributions to Parent Company	-4,000	-4,000	7.3
Raised debt: interest-bearing liabilities	35,874	34,908	
Repayment of debt: interest-bearing liabilities	-30,709	-32,223	
Change in collateral	214	253	
Redemption of financial instruments	-335	-484	
<b>Cash flow from financing activities</b>	<b>1,044</b>	<b>-1,546</b>	
<b>Cash flow for the period</b>	<b>1,294</b>	<b>792</b>	
<b>Opening balance, cash and cash equivalents</b>	<b>2,212</b>	<b>1,420</b>	
Cash flow for the period	1,294	792	
<b>Closing balance, cash and cash equivalents</b>	<b>3,506</b>	<b>2,212</b>	6.3

# Proposed appropriation of profits

The consolidated income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject to adoption by the AGM on 4 May 2020.

<b>The following profit is at the disposal of the AGM:</b>		<b>The Board proposes that the earnings be appropriated as follows:</b>	
Retained earnings	SEK 3,476,433,583	Dividend to shareholders, SEK 150 per share	SEK 6,000,000,000
Profit for the year	SEK 5,165,128,432	To be carried forward	SEK 2,641,562,015
<b>Total</b>	<b>SEK 8,641,562,015</b>	<b>Total</b>	<b>SEK 8,641,562,015</b>

A dividend of SEK 6 billion has been proposed to the General Meeting. The Board finds that the proposed dividend is justifiable in terms of the assessment criteria stipulated in Chapter 17, Section 3, second and third paragraphs of the Swedish Companies Act regarding operations, scope and risks as well as consolidation requirements, liquidity and general position.



# Notes

Notes, pertaining to the Group and Parent Company. All amounts are given in SEK million, if not otherwise stated.

## NOTE 1 General information and accounting policies

### 1.1 General information

The Vasakronan Group's operations comprise the ownership, management and development of properties with the aim of providing owners with a high and stable long-term return. The Parent Company Vasakronan AB (publ) has personnel employed to manage and administer the Group's properties. The Parent Company's assets mainly comprise shares and participations in the companies that own the properties.

Parent Company domiciled in Stockholm; Vasakronan AB (publ) Corp. Reg. No: 556061-4603. Address: Mäster Samuelsgatan 56, Box 30074, SE-104 25 Stockholm, Sweden

Vasakronan AB is owned by Vasakronan Holding AB, corporate registration number 556650-4196, which is owned in turn in equal shares by the First, Second, Third and Fourth Swedish National Pension Funds.

The annual accounts and consolidated accounts were approved by the Board for publication on 23 March 2020 and will be submitted to the Annual General Meeting for adoption on 4 May 2020.

### 1.2 Accounting policies

This section provides an overview of the policies applied in the preparation of these financial statements. Refer to the respective note for information about specific items. All amounts are stated in SEK million, unless otherwise stated. Amounts pertain to the 1 January to 31 December period for income-statement items and 31 December for balance-sheet items.

#### Basis for preparation of the financial statements

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as determined on 31 December 2019 and as adopted by the EU together with the interpretations issued by the IFRS Interpretations Committee (IFRIC), and in accordance with the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Corporate Groups and the Annual Accounts Act. These policies were consistently applied for all years presented, unless otherwise stated. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant, are disclosed in more detail in the respective note.

#### Consolidated accounts

The consolidated financial statements have been prepared applying a historical cost convention, except for the measurement of investment properties, and certain financial assets and liabilities, which are measured at fair value.

Group companies are entities over which Vasakronan exercises a controlling influence. Subsidiaries are companies owned directly by Vasakronan AB (publ). A "controlling influence" entails that the Parent Company is exposed to, or is entitled to, variable returns from its investment, and can also affect the returns from the subsidiary by means of its influence. Group companies are consolidated from the date on which controlling influence is transferred to the Group, and they are deconsolidated from the date that control ceases.

Initial recognition of Group companies in the consolidated financial statements follows the acquisition method. Any surplus comprising the difference between compensation paid and the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill.

When a company is acquired, the acquisition meets the criteria for either an asset acquisition or a business combination. A transaction qualifies as an asset acquisition if it pertains to properties, with or without leases, but excluding an organisation and the administrative processes required for property management. Other acquisitions are business combinations. The management determines for each acquisition which criteria have been met. The assessment is that all acquisitions in 2019 and 2018 were asset acquisitions.

Intra-Group transactions, balances, and any unrealised gains and losses arising from intra-Group transactions are eliminated in preparing the consolidated financial statements.

#### Joint ventures

All joint arrangements are classified as joint ventures since the agreement terms or the entities' legal forms entitle the participants to the net assets of the related arrangement. Joint ventures are companies where, through partnership agreements with one or more parties, Vasakronan shares controlling influence with one or more parties.

Holdings in joint ventures are recognised using the equity method. This means that the consolidated carrying amount of the holding is adjusted with Vasakronan's share of profit for the year and any dividends received, and accordingly, the Group's participation in joint ventures is thus recognised in the consolidated income statement. When losses in a joint venture exceed the Group's share, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the joint venture.

Intra-Group gains and losses as a result of transactions with these companies are eliminated in relationship to the Group's holding. Adjustments have been made where the accounting policies of joint ventures do not correspond with those of the Group.

#### Leases

Until 31 December 2018, leases of assets where the Group comprised the lessee were essentially classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease. Due to the transition to IFRS 16 from 1 January 2019, all material leases that extend for more than 12 months are recognised as right-of-use assets and financial liabilities. For Vasakronan these leases comprise land leases and ground rent agreements. Lease payments are allocated between amortisation and interest, with the interest recognised in profit or loss over the lease period pursuant to the effective interest method.

Ground rent agreements are treated as perpetual rental agreements that are given market valuations and, therefore, are not written down. The market values are calculated by discounting future fees using a discount rate corresponding to between 3.25 and 3.5%. For land leases, present values are calculated over the term of the contract by discounting future land leases by the market interest rate with a corresponding tenor to the contract.

Payments associated with short-term leases for equipment or vehicles, and all leases of low-value assets are recognised expenses in profit or loss.

#### Provisions

Provisions comprise reliable estimates of amounts that reflect formal or constructive obligations for the Group as a result of earlier events.

Provisions are classified as current liabilities if payment can be deferred for up to 12 months after the balance-sheet date, otherwise provisions are classified as non-current liabilities.

#### Critical judgements in applying the Group's accounting policies

The preparation of financial statements in accordance with generally accepted accounting principles requires that the management and Board make judgements and assumptions that affect the amounts recognised for assets, liabilities, income and expenses, as well as other information disclosed. These judgements are based on experience and assumptions that are considered reasonable in view of the prevailing circumstances. The most significant in preparing the company's financial reports are as follows:

- Fair value of investment properties, Note 4.2 on pages 87–88
- Criteria for business combinations and asset acquisitions, page 79
- Recoverable amount for goodwill, Note 4.1 on page 87

#### New or amended accounting standards

From 1 January 2019, IFRS 16 Leases replaces the previous standard IAS 17. Under this new standard, assets and liabilities must be recognised in the balance sheet for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This means that future lease fees are discounted over the term of the contract and recognised as liabilities and assets, respectively. The Group's material leases pertain to land leases and ground rent agreements. From 1 January 2019, each of these leases will be recognised as an asset together with a corresponding liability.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**NOTE 2 Revenue, income and expenses****2.1 Segment reporting****§ Accounting policies – segment reporting**

Segmentation is based on how the management and the chief operating decision-maker (CODM) monitor and control operations. Vasakronan conducts operations in four regions: Stockholm, Gothenburg, Malmö and Uppsala, which correspond to the operating segments reported.

The management is responsible for allocating resources and assessing the performance of the operating segments. Vasakronan has determined that the CODM is the CEO of the Parent Company and the Group's management collectively as the Management Team.

The allocation of results by segment is conducted down to net operating income level, and thereafter only items pertaining directly to investment properties. Other revenue and costs are assessed as Group-wide and

are not allocated by segment. Items directly attributable to investment properties are also segmented in the balance sheet. Other assets, and equity and liabilities, are assessed as essentially Group-wide.

Income statement	Stockholm		Gothenburg		Malmö		Uppsala		Group-wide		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Rental revenue</b>	<b>4,464</b>	<b>4,156</b>	<b>1,325</b>	<b>1,280</b>	<b>692</b>	<b>761</b>	<b>559</b>	<b>521</b>	-	-	<b>7,040</b>	<b>6,718</b>
Operating expenses	-406	-414	-105	-108	-102	-120	-69	-69	-	-	-682	-711
Repairs and maintenance	-73	-63	-19	-16	-15	-15	-12	-14	-	-	-119	-108
Property administration	-198	-178	-75	-75	-58	-63	-46	-41	-	-	-377	-357
Property tax	-441	-342	-121	-98	-60	-61	-33	-26	-	-	-655	-527
Ground rents and land leases	-	-129	-	-9	-	-8	0	0	-	-	-	-146
<b>Property expenses</b>	<b>-1,118</b>	<b>-1,126</b>	<b>-320</b>	<b>-306</b>	<b>-235</b>	<b>-267</b>	<b>-160</b>	<b>-150</b>	-	-	<b>-1,833</b>	<b>-1,849</b>
<b>Operating surplus</b>	<b>3,346</b>	<b>3,030</b>	<b>1,005</b>	<b>974</b>	<b>457</b>	<b>494</b>	<b>399</b>	<b>371</b>	-	-	<b>5,207</b>	<b>4,869</b>
Central administration	-	-	-	-	-	-	-	-	-113	-101	-113	-101
Result from participations in joint ventures	-	-	-	-	-	-	-	-	1,105	159	1,105	159
Financial income	-	-	-	-	-	-	-	-	4	3	4	3
Financial expenses	-	-	-	-	-	-	-	-	-1,135	-1,046	-1,135	-1,046
Interest expenses, ground rents and land leases	-138	-	-2	-	-7	-	-	-	-	-	-147	-
<b>Profit before value changes and tax</b>											<b>4,921</b>	<b>3,884</b>
Change in value of investment properties	10,704	7,625	1,721	2,231	490	380	355	415	-	-	13,270	10,651
Depreciation of land lease agreements	-	-	-7	-	-	-	-	-	-	-	-7	-
Change in value of financial instruments	-	-	-	-	-	-	-	-	-881	13	-881	13
Divested/impaired goodwill	-	-36	-	-10	-74	-16	-	-	-	-	-74	-62
<b>Profit before tax</b>											<b>17,229</b>	<b>14,486</b>
Balance sheet	Stockholm		Gothenburg		Malmö		Uppsala		Group-wide		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investment properties	105,113	91,617	28,149	25,630	13,010	13,196	9,799	8,492	-	-	156,071	138,935
of which, investments during the year	3,000	2,004	801	731	242	412	397	188	-	-	4,440	3,335
of which, acquisitions/sales during the year	-208	-990	-3	-1,020	-918	-263	556	345	-	-	-573	-1,928
Ground rent agreements and land leases	4,945	-	52	-	246	-	-	-	-	-	5,243	-
Goodwill	1,047	1,047	435	435	346	420	80	80	-	-	1,908	1,982
Other assets	-	-	-	-	-	-	-	-	6,957	4,284	6,957	4,284
<b>Total assets</b>	<b>111,105</b>	<b>92,664</b>	<b>28,636</b>	<b>26,065</b>	<b>13,602</b>	<b>13,616</b>	<b>9,879</b>	<b>8,572</b>	<b>6,957</b>	<b>4,284</b>	<b>170,179</b>	<b>145,201</b>

2.2 Rental revenue

**§ Accounting policies – rental revenue**

The Group's revenue primarily consists of rental revenue and additional rental charges, which are invoiced in advance and allocated over a straight line so that only the portion that falls due during the period is recognised as revenue. IFRS 15 – Revenue from Contracts with Customers entered force 1 January 2018. The Group's revenue is essentially rental revenue, which is recognised pursuant to IAS 17 Leases. Vasakronan has chosen to view media, property tax and other expenses as an integrated part of rental revenue, since they are not independent services. In those cases where Vasakronan acts as the tenant's representative, the services are invoiced for separately. When applicable, recognised revenue is reduced by the cost of incentives. Larger rent discounts are allocated in a straight line over the term of the agreement. Surrender premia paid by tenants in conjunction with vacating leases prior to lease expiry are recognised as revenue in conjunction with the termination of the agreement and when no commitments remain for Vasakronan, which generally arises on vacation of the premises.

Rental agreements classified as operating leases and properties leased out under operating leases are included in investment properties.

**Change in the Group's rental revenue**

Income statement 2018	6,718
Change in comparable property holdings	376
Development properties	3
Acquired properties	16
Properties sold	-73
<b>Income statement 2019</b>	<b>7,040</b>

Lease portfolio expiry structure	No. of contracts	Annual rent
Expires within 1 year <sup>1)</sup>	2,482	1,283
2021	879	1,186
2022	802	1,349
2023	402	1,004
2024	155	550
More than 5 years	608	1,821
<b>Total</b>	<b>5,328</b>	<b>7,193</b>

1) Of which, 1,175 residential leases with annual rents amounting to SEK 101 million.

At year end, the average remaining term to maturity for the lease portfolio was 3.9 years (4.2). Of contracted rents, 95% (95) pertained to commercial leases and 5% (5) to leases for residential and parking facilities. There are some 4,150 commercial leases (4,250) allocated across tenants in a number of different industries, no single tenant accounts for more than 3% of rental revenue. Public sector tenants account for 24% (24) of contracted rents. Credit loss exposure is reduced through analysis of tenants' credit ratings for new lettings and on an ongoing basis; when needed, requirements are set for collateral.

2.3 Costs

The Group's costs mainly encompass direct property expenses and administration costs.

Costs recognised in profit or loss	Group	
	2019	2018
Property expenses excl. admin.	-1,456	-1,492
Property administration	-377	-357
Central administration	-113	-101
<b>Total</b>	<b>-1,946</b>	<b>-1,950</b>

Expenses allocated by category	Group	
	2019	2018
Repairs and maintenance	-119	-108
Property tax	-655	-527
Ground rents	-	-146
Other direct property expenses	-676	-706
Personnel costs	-422	-415
Depreciation	-11	-12
Other external expenses	-63	-36
<b>Total</b>	<b>-1,946</b>	<b>-1,950</b>

The operations of the Parent Company consist of Group-wide functions and management of properties owned by other Group companies. The property management costs are invoiced to the property-owning Group companies as property administration. Central administration costs are recognised in the Parent Company and relate to the costs associated with the Group management, property investments, financing and central marketing.

Administration	Group	
	2019	2018
Personnel costs	-291	-289
Procured services	-88	-79
IT	-56	-43
Marketing	-18	-14
Depreciation, equipment	-5	-7
Other	-32	-26
<b>Total</b>	<b>-490</b>	<b>-458</b>

Auditors' fees	Group/ Parent Company	
	2019	2018
Audit engagement	1.4	1.4
Audit activities other than the audit engagement	0.3	0.3
Tax advice	0.1	0.1
Other	0.3	0.4
<b>Total</b>	<b>2.1</b>	<b>2.2</b>

The audit engagement refers to the statutory audit required of the auditors in order to be able to submit an auditors' report.



## 2.4 Employees, personnel costs and remuneration to the Board

**§ Accounting policies – employee compensation**

Remuneration of employees as vested and comprises salaries, paid holiday, paid sick leave and other benefits as well as pensions. Pensions are based on defined-contribution or defined-benefit pension plans. For defined-contribution pension plans a fixed premium is paid to a separate legal entity and the Group expenses the resulting cost as the benefit is vested. For defined-benefit pension plans, the employee is guaranteed an amount on retirement. Vasakronan applies IAS 19 for these.

The recognised commitment for defined-benefit obligations is calculated by an independent actuary at the present value of future disbursements discounted by the interest rate on high-quality mortgage bonds with corresponding maturities to the term of the actual pension obligation. Actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

**Employees**

All of the Group's staff are employed by the Parent Company, Vasakronan AB. In 2019, the average number of employees was 308 (313), of these 139 (143) were women and 169 (170) men. More details regarding the number of employees is available in the Group's sustainability reporting.

Vasakronan's senior executives refers to the 12 individuals who, together with the CEO, comprise the Management Team, refer to page 109. At the balance-sheet date, the gender breakdown of the Group's senior executives was as follows: 6 (6) women and 7 (7) men, and for the Board: 6 (5) women and 3 (4) men.

**Salaries and other benefits**

Salaries and other benefits for the CEO and other senior executives consist only of fixed salaries. Variable compensation can be paid to other employees based on the operational focus areas, which for 2019 were net operating income, occupancy rate, area let, major projects and customer satisfaction. The Group has a standardised model for variable compensation, whereby the maximum outcome is capped at two months' salary. A provision has been made in the annual accounts for an estimated outcome corresponding to one month's salary and was established on an individual basis in Q1 2020. Variable compensation for the 2018 financial year was distributed during the year and was also capped at two months' salary. The average outcome corresponded to 1.2 months' salary.

Salaries, other benefits and social security costs	Group/ Parent Company	
	2019	2018
Senior executives	32	30
Other employees	196	194
<b>Total salaries and benefits</b>	<b>228</b>	<b>224</b>
Pension costs	88	88
Social security costs	96	95
<b>Total</b>	<b>412</b>	<b>407</b>

**Remuneration to the Board**

Remuneration to the Board is determined by resolution of the AGM. From the 2018 AGM, Board fees are paid as salary, previously it was possible for Board members to invoice as a sole trader or through their companies. Board members employed at one of the Swedish national pension funds or at Vasakronan receive no Board fees.

Senior executives 2019 (SEK 000)	Basic salary/Board and committee fees <sup>1)</sup>	Other benefits <sup>2)</sup>	Pension costs	Total
<b>Chairman of the Board</b>				
Ulrika Francke	770	-	-	770
<b>Other Board members</b>				
Jan-Olof Backman <sup>3)</sup>	133	-	-	133
Ann-Sofi Danielsson	380	-	-	380
Christel Kinning	280	-	-	280
Rolf Lydahl <sup>4)</sup>	164	-	-	164
Magnus Meyer <sup>5)</sup>	140	-	-	140
Kia Orback Pettersson <sup>6)</sup>	140	-	-	140
	<b>2,007</b>			<b>2,007</b>
Chief Executive Officer Johanna Skogestig				
1 Nov-31 Dec	776	6	196	978
Chief Executive Officer Fredrik Wirdenius				
1 Jan-31 Oct	5,492	51	2,337	7,880
1 Nov-31 Dec	1,070	10	468	1,548
Other senior executives	22,798	415	12,047	35,260
	<b>30,136</b>	<b>482</b>	<b>15,048</b>	<b>45,666</b>
<b>Total</b>	<b>32,143</b>	<b>482</b>	<b>15,048</b>	<b>47,673</b>

Senior executives 2018 (SEK 000)	Basic salary/Board and committee fees <sup>1)</sup>	Other benefits <sup>2)</sup>	Pension costs	Total
<b>Chairman of the Board</b>				
Ulrika Francke <sup>7)</sup>	359	–	–	359
Mats Wäppling <sup>8)</sup>	348	–	–	348
<b>Other Board members</b>				
Jan-Olof Backman	265	–	–	265
Ann-Sofi Danielsson	291	–	–	291
Christel Kinning	265	–	–	265
Rolf Lydahl	328	–	–	328
	<b>1,856</b>			<b>1,856</b>
Chief Executive Officer Fredrik Wirdenius	6,310	57	1,791	8,158
Other senior executives	21,963	373	11,060	33,396
	<b>28,273</b>	<b>430</b>	<b>12,851</b>	<b>41,554</b>
<b>Total</b>	<b>30,129</b>	<b>430</b>	<b>12,851</b>	<b>43,410</b>

1) Remuneration to employees pertains to remuneration paid in 2019, while remuneration to the Board pertains to Board fees as adopted by the AGM.

2) Other benefits pertain primarily to costs for group health insurance and group life insurance.

3) Pertains to fees paid in 2019. Jan-Olof Backman stepped down from the Board in conjunction with the May 2019 AGM.

4) Pertains to fees paid in 2019. Rolf Lydahl stepped down from the Board in conjunction with the May 2019 AGM.

5) Magnus Meyer was elected to the Board at the May 2019 AGM. Board fees amount to SEK 280,000 per year.

6) Kia Orback Petterson was elected to the Board at the May 2019 AGM. Board fees amount to SEK 280,000 per year.

7) Ulrika Francke was elected to the Board at the May 2018 AGM. Board fees amount to SEK 660,000 per year, Audit Committee fees to SEK 26,000 per year and fees as Chairman of the Remuneration Committee to SEK 32,000 per year.

8) Pertains to fees paid in 2018. Mats Wäppling stepped down from the Board in conjunction with the May 2018 AGM.

#### Pensions

The pension rights of salaried employees are covered pursuant to the defined-benefit BTP pension plan (the occupational pension plan for Swedish bank employees), which is financed through payments to SPP and, according to a statement from the Swedish Financial Reporting Board UFR 10, this comprises a multi-employer plan.

The following applied for the CEO until 31 October 2019: The CEO's employment contract extended until the age of 62. The pension terms and conditions adhered to the defined-benefit BTP plan, and were calculated based on a pension age of 65. During the contracted employment period, a supplementary and defined-contribution pension provision was also made. If the provision amounted to less than 30% of pensionable monthly salary, a supplementary payment was made up to that level. Settlement was carried out by the end of February, the year after the settlement year.

The following applied for the CEO from 1 November 2019: Pensionable salary consists of the applicable base salary and holiday pay. The pension provision is 30% of pensionable salary with a pension age of 65.

Other senior executives have a "10-pointer" pension solution through the BTP plan, and are calculated based on a retirement age of 65.

#### Terms and conditions

The following applied for the CEO until 31 October 2019: A notice period of six months. In the event that notice was given by the company, the notice period was 12 months and the CEO would then receive severance pay corresponding to 12 months' salary.

The following applied for the CEO from 1 November 2019: In the event of termination of employment, a mutual notice period of six months applies. In the event of notice being given by the company, or due to some other reason for immediate dismissal, further severance pay corresponding to 12 months' salary is due in addition to the benefits during the notice period.

Other senior executives are subject to a mutual notice period of six months. If employment is terminated by the company, the senior

executive is entitled to severance pay of 12 months' salary, unless the executive is aged over 50 at the time, in which case severance pay is increased to 18 months' salary.

If the CEO or other senior executives receive remuneration from other employment, the severance pay is reduced by a corresponding amount. If the employment is terminated by the CEO or other senior executive, no severance pay is due.

#### Provision for pensions

The pension solutions primarily encompass retirement, disability and survivors' pensions, and are held in either defined-contribution or defined-benefit pension plans. Defined-contribution pension plans consist of BTPK and ITPK, and defined-benefit plans comprise BTP which is secured through insurance with SPP, as well as a number of retirement and survivors' obligations secured with Skandia.

When Vasakronan was founded as a company in 1993, it took over the defined-benefit pension obligations from Byggnadsstyrelsen, which were administered by the National Government Employee Pensions Board (SPV) and have mainly been secured with KPA. Moreover, Vasakronan has a defined-benefit ITP secured through insurance with Alecta, which is recognised in accordance with the Swedish Financial Reporting Board's statement UFR10 as a defined-contribution pension. The obligation in Alecta has been agreed previously and no new premiums or fees were paid. At the end of the financial year, Alecta had a consolidation ratio of 148 (142).

Under IAS 19, all defined-benefit pension rights are vested on a straight-line basis over the period of employment. This means that the pension costs in the consolidated income statement consist of an estimated value which could differ from the actual paid-up pension premiums recognised in the Parent Company. The present value of pension obligations and the fair value of plan assets are recognised net in the consolidated balance sheet.

Pension costs in the income statement	Group		Parent Company	
	2019	2018	2019	2018
Pension costs, defined-contribution	67	70	35	38
Pension costs, defined-benefit	15	13	53	50
Separate payroll tax on pension costs	20	18	22	20
<b>Total pension costs in the income statement</b>	<b>102</b>	<b>101</b>	<b>110</b>	<b>108</b>
Of which recognised as property administration	82	80		
Of which recognised as central administration	20	21		

**Pension costs in other comprehensive income, excl. tax**

Actuarial gains(-)/losses(+), incl. payroll tax	41	18		
Restriction for surplus in pension plan with asset cap, incl. payroll tax	-5	-8		
<b>Total pension costs in other comprehensive income, excl. tax</b>	<b>36</b>	<b>10</b>		

Net debt defined-benefit pensions, Group	Group			
	2019	2018	2019	2018
<b>Change in the defined-benefit obligation</b>				
Present value of the pension obligation, opening balance	433	419		
Pension rights vested through service <sup>1)</sup>	14	12		
Interest on pension obligation <sup>1)</sup>	9	9		
Pension disbursements	-17	-19		
Actuarial gains(-)/losses(+) on pension obligations <sup>2)</sup>	56	12		
<b>Present value of the obligation, closing balance<sup>3)</sup></b>	<b>495</b>	<b>495</b>	<b>433</b>	<b>433</b>
<b>Change in plan assets</b>				
Fair value of plan assets, opening balance	-377	-370		
Interest income <sup>1)</sup>	-8	-8		
Paid-in premiums	-22	-20		
Pension disbursements	16	19		
Return on plan assets excluding interest income <sup>2)</sup>	-22	2		
<b>Fair value of plan assets, closing balance</b>	<b>-413</b>	<b>-413</b>	<b>-377</b>	<b>-377</b>
Restriction for surplus in pension plan with asset cap		8		11
Other pension obligations		7		6
Separate payroll tax on net pension debt		22		18
<b>Net debt, defined-benefit pensions</b>		<b>119</b>		<b>91</b>

1) Recognised in profit or loss.

2) Recognised in other comprehensive income.

3) Expected weighted-average duration for the obligation's present value at 31 December 2019 is 18.57 years (17.21).

The plan assets mainly comprise shares, interest-bearing securities and participations in funds.

The difference between the actual and the expected return amounted to SEK 22 million (negative: 2) and was recognised as the return on plan assets excluding interest income.

Net actuarial gains and losses after tax amounted to SEK 29 million (8) and were recognised in other comprehensive income under the alternative rule in IAS 19.

The Group's payments to defined-benefit plans are expected to amount to SEK 21 million in 2020.

**Actuarial and financial assumptions (%):**

	Group	
	2019	2018
Discount rate	1.5	2.1
Inflation	2.0	2.0
Expected annual wage growth	3.5	3.5
Expected annual increase in pension disbursements	2.0	2.0
Expected annual increase in income base amount	3.0	3.0

The discount rate corresponds to the interest rate on mortgage bonds and is the single assumption that has the largest impact on the size of the pension obligation. A 1 percentage point change in the discount

rate would, for example, result in a SEK 81 million change in the present value of the pension obligation.



## 2.5 Financial income and expenses

### § Accounting policies – financial income and expenses

Financial income encompasses interest income on bank funds, receivables, financial investments and dividend income. Expenses consist of interest expense and other costs arising in conjunction with borrowing, such as arrangement fees and administrative expenses. The net effect of exchange-rate differences on financial items is recognised as an income or expense depending on the outcome. Financial income and expenses are recognised in profit or loss in the period in which they arise. Financial expenses pertaining to major new construction, extensions or redevelopments are capitalised in the balance sheet as investments during the production period.

### Net financial items

Net financial items is not affected by the market values of contracted interest-rate derivatives, which are used to adjust fixed-interest periods, since they are recognised as changes in value under their own item. Refer to Note 6.4 for more information.

Financial income and expenses	Group		Parent Company	
	2019	2018	2019	2018
Interest income	4	3	4	3
Interest income from subsidiaries	-	-	837	64
Other financial income	0	0	0	0
<b>Total financial income</b>	<b>4</b>	<b>3</b>	<b>841</b>	<b>67</b>
Interest expense	-1,194	-1,042	-1,192	-1,041
Interest expense to subsidiaries	-	-	-20	-
Capitalised interest	107	62	-	-
Other financial expenses	-48	-66	-48	-66
<b>Total financial expenses</b>	<b>-1,135</b>	<b>-1,046</b>	<b>-1,260</b>	<b>-1,107</b>
<b>Net financial items</b>	<b>-1,131</b>	<b>-1,043</b>	<b>-419</b>	<b>-1,040</b>

The average interest rate for the loan portfolio over the period is used for capitalising interest expense. In 2019, the average interest rate was 1.8% (1.7).

## NOTE 3 Tax

### § Accounting policies – tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except where the underlying transaction is recognised in other comprehensive income or directly in equity, in these cases the accompanying tax effect is also included.

The current income tax charge is calculated on the taxable income for the period and recognised as an expense or income in profit or loss. Taxable income differs from profit in the form of adjustments for non-taxable income and non-deductible items.

Current tax is tax that is to be paid or received in the current year adjusted with any current tax attributable to previous periods.

Deferred tax is recognised according to the balance sheet method, and deferred tax liabilities and tax assets are recognised in the balance sheet for all temporary differences that arise between the carrying amount and the tax base of an asset or liability. The carrying amounts for deferred tax assets and tax losses are tested at each reporting date and reduced if it is no longer likely that sufficient taxable profits will be available to be utilised fully or in part.

Deferred income tax is calculated based on tax rates and tax laws that have been enacted or substantively enacted by the balance-sheet date and, which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The temporary difference that arises from the initial recognition of assets or liabilities in an asset acquisition is not recognised as deferred tax.

Tax on profit for the year	Group		Parent Company	
	2019	2018	2019	2018
Current tax	-230	-120	-196	0
Deferred tax	-3,090	-1,464	112	-109
<b>Total tax on profit for the year</b>	<b>-3,320</b>	<b>-1,584</b>	<b>-84</b>	<b>-109</b>

**3.1 Summary of tax expense/income**

Tax expense	Group		Parent Company	
	2019	2018	2019	2018
Recognised profit before tax	17,229	14,486	5,249	6,385
Tax on profit according to current tax rate, 21.4% (22.0)	-3,687	-3,187	-1,123	-1,405
Tax attributable to previous fiscal years	6	0	0	0
<b>Tax effect of:</b>				
Non-taxable sale of subsidiaries	182	323	-1	102
Divested goodwill	-16	-13	-	-
Non-taxable dividend	119	35	1,202	1,202
Impairment of participations	-	-	-109	0
Non-deductible interest expenses	-53	-	-49	-
Other non-taxable income/non-deductible costs	0	-1	0	-1
Effect of lowered tax rates on deferred tax	-	1,259	-	-7
Effect as a result of lowered tax rates on deferred tax	129	-	-4	-
Other adjustments	0	0	0	0
<b>Tax expense recognised</b>	<b>-3,320</b>	<b>-1,584</b>	<b>-84</b>	<b>-109</b>
Effective tax rate, %	19.3	10.9		

Current tax for 2019 has been calculated based on a nominal tax rate of 21.4%, while deferred tax has been calculated using a lower corporate tax rate of 20.6% in accordance with the government's decision to change the corporate tax rate from 1 January 2019. In 2018, the calculation of current tax was based on a tax rate of 22% and the calculation of deferred tax was based on a tax rate of 20.6%.

Properties can be divested directly or indirectly through the divestment of the property-owning subsidiary. Gains from the sale of property are taxable while gains from the sale of companies are in most cases free of taxes.

**3.2 Deferred tax**

Deferred tax liability	Opening balance		Recognised in profit or loss		Recognised directly in equity		Closing balance	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Group</b>								
Derivatives	-347	-480	-112	133	-	-	-459	-347
Investment properties	18,550	17,247	3,083	1,303	-	-	21,633	18,550
Untaxed reserves	80	53	69	27	-	-	149	80
Tax losses	-1	-1	-7	0	-	-	-8	-1
Other temporary differences	4	5	57	1	-7	-2	54	4
<b>Total deferred tax</b>	<b>18,286</b>	<b>16,824</b>	<b>3,090</b>	<b>1,464</b>	<b>-7</b>	<b>-2</b>	<b>21,368</b>	<b>18,286</b>
<b>Parent Company</b>								
Derivatives	-347	-480	-112	133	-	-	-459	-347
Investment properties	210	234	-	-24	-	-	- <sup>1)</sup>	210
<b>Total deferred tax</b>	<b>-137</b>	<b>-246</b>	<b>-112</b>	<b>109</b>	<b>-</b>	<b>-</b>	<b>-459</b>	<b>-137</b>

1) The change for the year pertained to deferred tax attributable to wholly owned general and limited partnerships divested to other Group companies.

**3.3 Market value of deferred tax**

The deferred tax liability is calculated in the balance sheet using a nominal tax rate and in the case of a market valuation of the deferred tax liability would probably result in a lower value than the carrying amount in the balance sheet. When calculating the EPRA triple net asset value (NNNAV), the fair value is calculated at 30% of the nominal tax rate of 20.6%, in other words 6.2%, which results in deferred tax of SEK 6,421 million. For more guidance, refer to the key metrics on page 146 and the definition for NNNAV on page 148.

**3.4 Depreciation**

Vasakronan recognises investment properties at fair value in the consolidated accounts. However, tax legislation permits depreciation of 2–5% for buildings, 5% for land improvements and 20–30% of the fixtures and fittings of a building or of the type of land improvement that constitutes the building and land inventory. Land may not be depreciated.

## NOTE 4 Assets

### 4.1 Intangible assets

#### § Accounting policies – intangible assets

##### Goodwill

The goodwill that arises when preparing the consolidated accounts comprises the difference between any consideration paid and the fair value of the net assets acquired. The Group's goodwill mainly arose from business acquisitions performed by Vasakronan and is recognised in accordance with IFRS 3 Business Combinations. In the Group, goodwill is mainly attributable to the difference between nominal and calculated tax for business combinations and is thus entirely linked to the deferred tax. This item changes if a property with goodwill is divested. When a property is sold, or alternatively if a need for impairment arises, goodwill attributable to the property is eliminated and recognised as "divested/impairment goodwill."

##### Other intangible assets

In addition to goodwill, the Group's intangible assets include brands acquired through business combinations that are valued at fair value at the acquisition date as well as investments during the year in certain new technical platforms.

##### Impairment testing

The useful lives for goodwill and the brand have been assessed as indefinite and therefore not subject to amortisation. Instead, their values are tested annually or on any indication of a need for impairment. Goodwill arising on acquisitions that are not considered asset acquisitions is tested for each property or balance-sheet item for which goodwill was allocated at the acquisition date.

##### Goodwill

The value of goodwill is tested each quarter to ensure the carrying amount for the property does not exceed the recoverable amount. The recoverable amount is mainly impacted by the assessed market value of deferred tax. The company management bases its assessment mainly on observable market data for completed transactions. When establishing the fair value for goodwill at the end of 2019, deferred tax has been measured at an average of 6.2% (6.2).

##### Other intangible assets

The value of the brand is tested annually or on any indication of a decline in value to identify any need for impairment and to then recognise the brand at cost less any accumulated impairments.

Intangible assets	Goodwill		Group Other intangible assets		Total	
	2019	2018	2019	2018	2019	2018
Opening balance	1,982	2,045	107	100	2,089	2,145
Divested/impairment goodwill	-74	-62	-	-	-74	-62
Acquisitions for the year	-	-	11	7	11	7
Amortisation for the year	-	-	-2	-1	-2	-1
<b>Closing balance</b>	<b>1,908</b>	<b>1,983</b>	<b>116</b>	<b>106</b>	<b>2,024</b>	<b>2,089</b>

Goodwill decreased SEK 74 million (62) in conjunction with the sale of properties and companies in 2019.

### 4.2 Investment properties

#### § Accounting policies – investment properties

Vasakronan's properties are held to generate rental revenue and capital appreciation, and are therefore classified as investment properties. The term investment properties includes land and buildings, land improvements, building and land installations, and ongoing projects. Investment properties are recognised at fair value in the balance sheet, which is determined by the management based on the properties' market values. Changes in the fair value are recognised as realised and unrealised value changes in profit or loss. Vasakronan applies IFRS 13 Fair Value Measurement – Level 3 Unobservable inputs for the asset or liability.

On initial recognition, property is recognised at cost, including directly attributable transaction costs, and thereafter at fair value at each reporting date.

Subsequent expenditure is capitalised when it is probable that future economic benefits associated with the expenditure will accrue to the Group, in other words, when the expenditure adds value. Other repairs and maintenance costs are expensed when incurred.

In the case of major new construction, extensions or redevelopments, interest expense during the production period is capitalised in accordance with IAS 23 Borrowing Costs, see Note 6.2.

##### Measurement

Fair value comprises the market value based on the most likely outcome of a sale with a normal marketing period in the open property market.

To establish the properties' fair value at each reporting date, market valuations are conducted for all properties. The valuation process is governed by a valuation policy under which all properties are valued by external parties at year end and mid year, and valued internally at the end of the first and third quarters. If an agreement has been signed regarding the purchase and sale of a property, the agreed property value is used as the market value in the next quarterly accounts.

External valuations are conducted pursuant to RICS Valuation – Global Standards (the Red Book). In parallel with the external valuation, an internal control of the reasonableness of this valuation is carried out. In 2019, the external valuation was conducted by Cushman & Wakefield in Gothenburg and Stockholm, and by Forum Fastighetsekonomi in Malmö and Uppsala.

##### Valuation assumptions

The market values are assessed using a yield-based valuation method that utilises cash-flow statements with a horizon of at least ten years.

The cost of capital and requirements for yields are based on the valuers' experience-based assessments of market return requirements for comparable properties. The projections of future cash flows take into consideration the use of the object, its age and maintenance status. Rent payments are based on existing rental contracts and on their expiry, rent levels at market rates are assumed. Cost for operation, maintenance and administration are based on actual costs in combination with projections and experience from comparable objects. Future investments have been assessed based on actual requirements. The external valuers inspect each property every three years.



Valuation assumptions	2019 Average
Inflation assumption	2.0%
Cost of capital – cash flow	5.97%
Cost of capital – residual value	6.17%
Yield requirement – residual value	4.15%
Long-term vacancy rate	4.72%
Operating and maintenance costs, year 1	SEK 410 sq. m.
Investments, year 1	SEK 2,003 sq. m.
Market rent (at zero vacancies)	SEK 3,506 sq. m.

Yield requirement – residual value per sub-market	Interval	Average
Central Stockholm	3.25–5.25	3.85
Stockholm's inner suburbs	3.95–7.00	4.87
Gothenburg	3.65–4.30	4.05
Malmö	4.10–5.45	4.67
Uppsala	4.60–5.60	4.99

Change in value of investment properties	Group	
	2019	2018
Development properties	2,136	834
Transactions	47	369
Investment properties:		
Changed yield requirement	4,538	2,219
Change in market rents	6,549	7,229
<b>Total change in value</b>	<b>13,270</b>	<b>10,651</b>

The properties sold in 2019 are detailed on page 75. The total rental value for properties sold was SEK 114 million. Over the year, sales in a corporate wrapper have resulted in a gain of SEK 3 million (341) in the Parent Company.

Investment properties	Group	
	2019	2018
Opening balance	138,934	126,875
Investments	4,440	3,335
Acquisitions, consideration	977	594
Sales, consideration	-1,550	-2,521
Change in value	13,270	10,651
<b>Closing balance</b>	<b>156,071</b>	<b>138,934</b>
<b>Fiscal values</b>	<b>47,887</b>	<b>46,234</b>

#### Sensitivity analysis

The following table illustrates the effects on the market value of changes in each factor.

Sensitivity analysis	Change in assumption	Value impact, SEK m	Value impact, %
Yield requirement and cost of capital	+1 percentage point	-29,250	-18.7
Yield requirement and cost of capital	-1 percentage point	47,807	30.6
Long-term vacancy rate	+/- 1 percentage point	-/+1,710	-/+1.1
Operating and maintenance costs	+/- SEK 25 sq. m.	-/+1,247	-/+0.8
Market rents	+/- SEK 50 sq. m.	+/-2,494	+/-1.6

Undertakings	2019	2018
Capital expenditure investment properties	7,238	6,325

### 4.3 Equipment

#### § Accounting policies – equipment

Equipment mainly comprises office equipment, which is recognised at cost less accumulated depreciation and any impairment losses. Equipment is depreciated using the straight-line method over a five-year period and residual values are assessed as negligible and not taken into consideration. Depreciation is calculated from the time the asset is taken into use.

Assets that are subject to depreciation are reviewed for impairment whenever an indication arises that the carrying amount may not be recoverable. The impairment is established as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Equipment	Group		Parent Company	
	2019	2018	2019	2018
Cost:				
Opening balance	131	124	66	70
Acquisitions	8	12	2	1
Sales and disposals	-10	-5	-9	-5
<b>Closing balance – cost</b>	<b>129</b>	<b>131</b>	<b>59</b>	<b>66</b>
Depreciation:				
Opening depreciation	-87	-78	-55	-51
Depreciation for the year	-11	-12	-5	-7
Sales and disposals	9	3	8	3
<b>Closing balance – depreciation</b>	<b>-89</b>	<b>-87</b>	<b>-52</b>	<b>-55</b>
<b>Closing balance</b>	<b>40</b>	<b>44</b>	<b>7</b>	<b>11</b>

## NOTE 5 Operating receivables and liabilities

Accounts receivable are recognised net after provisions for doubtful receivables and the amount reflects the sum expected to be recovered based on the circumstances known at the balance-sheet date. The payment period for accounts receivable is short and fair value corresponds to amortised cost less accumulated impairment.

Other current receivables, prepaid expenses and accrued income are recognised at carrying amounts as the payment period is short.

5.1 Accounts receivable	Group		Parent Company	
	2019	2018	2019	2018
Tenant receivables	50	60	0	0
Provision for doubtful receivables	-15	-31	0	0
<b>Closing balance</b>	<b>35</b>	<b>29</b>	<b>0</b>	<b>0</b>

The Group reported losses of SEK 1 million (12) for the impairment of tenant receivables.

5.2 Other current receivables, prepaid expenses and accrued income	Group		Parent Company	
	2019	2018	2019	2018
Accrued interest income	240	173	240	173
Accrued rent discounts	86	103	-	-
Deposit account	298	271	298	271
VAT adjustment	12	18	-	-
Prepaid operating expenses	21	37	-	-
Other items	457	235	77	26
<b>Closing balance</b>	<b>1,114</b>	<b>837</b>	<b>615</b>	<b>470</b>

5.3 Other current liabilities, accrued expenses and deferred income	Group		Parent Company	
	2019	2018	2019	2018
Prepaid rental revenue	1,235	1,206	-	-
Accrued interest expense	481	324	481	324
Accrued expenses for ongoing projects	509	394	-	-
VAT	162	197	11	12
Deposits	300	271	-	1
Accrued operating expenses	31	43	-	-
Property tax	81	36	-	-
Vacation pay, social security expenses and employee withholding taxes	53	50	53	50
Other items	262	338	149	290
<b>Closing balance</b>	<b>3,114</b>	<b>2,859</b>	<b>694</b>	<b>677</b>

## NOTE 6 Financing and capital structure

### 6.1 Goals for financial operations

Owning and developing properties is a capital-intensive business. Interest expense is one of the Group's major cost items and access to cost-efficient financing is strategically important. Vasakronan finances its activities through owners' capital or through external borrowing, the division being decided by weighting the requirements for returns and financial stability.

Vasakronan's financial objective is, within set frameworks and with restrictions, to diversify its financing structure in terms of tenors and financing sources to thereby secure its required funding at the lowest possible cost.

### Credit rating

In May 2019, Moody's confirmed the rating of A3 with a stable outlook. The rating is based on the high quality of the property portfolio, healthy financial metrics and the links to the company's owners, the First, Second, Third and Fourth Swedish National Pension Funds.

### 5 Accounting policies – financial instruments

#### Financial instruments

Financial instruments are defined as any form of agreement or contract that gives rise to a financial asset or liability. Financial assets in the balance sheet are: accounts receivable, receivables from joint ventures, cash and cash equivalents, and derivatives. Financial liabilities comprise: accounts payable, borrowings and derivatives.

The Group's financial assets are assigned the following categories in accordance with IFRS 9:

- Equity instruments: measured at FVTOCI
- Derivatives: measured at FVTPL
- Debt instruments: measured at FVTPL, or through the other comprehensive income alternative, in accordance with the cost, since the aim of the instrument is the basis for its classification

#### Fair value estimation

The fair value of financial instruments traded on an active market is based on market valuations obtained from current market data. The bid price is used for financial assets and the put price for financial liabilities.

#### Method and decision data

- Derivatives are calculated by discounting future contracted cash flows with the actual market interest rate for the respective tenor
- Financial liabilities are calculated by discounting future contracted cash flows at the current market interest rate
- Accounts receivable and accounts payable are based on their nominal values, in other words, consideration is taken to any estimated credits

### Financial risks and reporting

Financing and financial risks are managed pursuant to guidelines set by Vasakronan's Board. The Group is exposed to financing risk, interest-rate risk, credit risk and currency risk in its financing operations.

**Financial policy**

Goals, governing principles and allocation of responsibilities across treasury operations are set in Vasakronan's financial policy. The policy regulates the risk mandate and the principles for calculating, reporting, following up and controlling financial risks. In accordance with the policy, the duality principle applies in conjunction with transactions in so far as the individual who conducts and registers a transaction does not have authority to control and administer the funds pertaining to the trans-

action. Authority to conclude business transactions is regulated through powers of attorney with the respective counterparty. The financial policy is evaluated on an ongoing basis and adopted each year by the Board.

All financial operations are conducted by a central finance function to ensure efficient management and control of the company's financial risks and to enable the utilisation of economies of scale.

Summary, compliance with financial policy	Policy	31 Dec 2019
<b>Financing risk</b>		
Loan-to-maturity	min. 2 years	5.2
Loans maturing, 12 months	max. 40%	19%
Credit commitments and cash/loans maturing 12 months	at least 100%	166%
<b>Interest-rate risk</b>		
Interest coverage ratio	min. 2.0x (LTM)	4.6
Fixed-interest period	min. 2 years	5.8
Fixed-interest maturity within 12 months	max. 55%	32%
<b>Currency risk</b>		
Currency exposure with no foreign currency assets	No exposure	met
Currency exposure with foreign currency assets	max 1% of total assets	met
<b>Credit risk</b>		
Counterpart's rating	min. A-, or BBB+ with CSAs	met

**6.2 Breakdown of funding sources, share of total loan portfolio**

	Loan limit	Nominal amount base currency	Amount utilised	Share, %
Commercial paper	25,000		7,235	11%
Bonds, SEK	62,999 <sup>1)</sup>		24,909	37%
Bonds, NOK	-	9,720	10,361	16%
Bonds, EUR	-	437	4,584	7%
Bonds, JPY	-	10,000	861	1%
Bonds, AUD	-	80	526	1%
Bonds, USD	-	185	1,732	3%
Secured bank loans	11,603		11,603	17%
NIB and EIB	4,827		4,827	7%
Credit facility from owners	18,000		-	-
<b>Total</b>			<b>66,638</b>	<b>100</b>

1) The amount corresponds to EUR 6 billion and encompasses all currencies.

Summary of liabilities arising from financing activities – Group	Opening balance	Loan repayments	New borrowings	Repayment premiums/ discounts	Exchange-rate differences	Closing balance
Commercial paper	6,157	-18,288	19,366	-	-	7,235
Bonds, SEK	26,729	-9,325	7,500	5	-	24,909
Bonds, NOK	10,162	-529	325	-	403	10,361
Bonds, EUR	305	-	4,280	-	-1	4,584
Bonds, JPY	-	-	835	-	26	861
Bonds, AUD	-	-	529	-	-3	526
Bonds, USD	-	-	1,770	-	-38	1,732
Secured bank loans	12,907	-2,567	1,269	-6	-	11,603
Unsecured bank loans	4,827	-	-	-	-	4,827
<b>Total</b>	<b>61,087</b>	<b>-30,709</b>	<b>35,874</b>	<b>-1</b>	<b>387</b>	<b>66,638</b>

Exchange-rate differences and repayment premiums/discounts are non-cash items.

**Loan terms and conditions**

- Agreements for commercial paper and bank loans contain an ownership covenant that allows lenders to terminate the loan and require repayment unless the First, Second, Third and Fourth Swedish National Pension Funds collectively or separately own at least 51% of Vasakronan. A similar ownership covenant is included in bond agreements whereby the bondholder can require repayment if a change in ownership, as above, should lead to a downgrade of the company's rating by at least one level
- The bank loan agreements also contain a covenant specifying that the interest coverage ratio may not fall below a multiple of 1.5

- Unsecured loan agreements also include covenants stating that the LTV may not exceed 65%
- The bond is subject to a covenant that covered financing may not exceed 40% of the Group's total assets

**Carrying amount**

Interest-bearing liabilities are recognised at amortised cost, which is reported in the above tables.



### 6.3 Financial risks

#### Currency risk

Currency risk pertains to unfavourable changes in exchange rates that impact the Group's financial position. When borrowing, all currency risk is to be eliminated and the exchange rate for interest payments and loan repayments of foreign currency loans hedged using currency swaps. Where assets in foreign currency exist, currency exposure (net of assets and liabilities in foreign currencies) is permitted corresponding to a maximum of 1% of the company's total assets.

At 31 December 2019, borrowing in foreign currency amounted to NOK 9,720 million (9,700), EUR 437 million (30), JPY 10,000 million (-), AUD 80 million (-) and USD 185 million (-).

#### Financing and liquidity risk

Financing risk pertains to the long-term risk that fulfilling the Group's capital requirements and refinancing loans outstanding becomes more difficult or expensive, for example through limitation to several different types of financing sources. This risk is limited since the average remaining tenors for interest-bearing liabilities may not be less than two years. Vasakronan has a credit facility that extends indefinitely from the First, Second, Third and Fourth Swedish National Pension Funds, whereby the owners commit to supply the company with liquidity. The agreement has a volume of SEK 18 billion and a notice period of 24 months.

Cash and cash equivalents are recognised at nominal values and include cash in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less. Liquidity risk pertains to Vasakronan's risk of having insufficient cash funds or credit to meet its payment obligations. The risk is balanced since the relationship between credit commitments, cash funds and loans maturing within 12 months must be not less than 100%.

The maturity analysis is based on amounts for future undiscounted cash flows related to financial receivables and liabilities, including interest, allocated over the period until the contractual maturity date. The closing interest rates for the respective loans and derivatives form the basis for estimating future cash flows for all liabilities. The closing exchange rate is used for currency derivatives.

#### Interest-rate risk

Changes in market interest rates and credit margins influence borrowing expenses. Vasakronan's finance function limits the risk by maintaining an average fixed-interest tenor of at least two years. Interest-rate risk is reflected by the interest coverage ratio which, pursuant to the financial policy, should always exceed a multiple of 2.0 over the last 12 months.

#### Liquidity risk - maturity analysis

Group	2019				2018			
	0-1 year	1-2 years	2-5 years	>5 years	0-1 year	1-2 years	2-5 years	>5 years
<b>Assets</b>								
Accounts receivable	35	-	-	-	29	-	-	-
Other receivables	1,114	-	-	-	837	-	-	-
Cash and cash equivalents	3,515	-	-	-	2,215	-	-	-
<b>Total</b>	<b>4,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,081</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities<sup>1)</sup></b>								
Bonds	-5,978	-9,623	-15,786	-16,994	-8,349	-7,543	-17,120	-6,494
Bank loans	-661	-698	-7,811	-8,164	-1,209	-619	-7,209	-9,465
Commercial paper	-7,235	-	-	-	-6,155	-	-	-
Interest-rate derivatives	-553	-555	-1,534	-1,504	-587	-610	-1,856	-2,053
Currency derivatives – inflows	1,308	224	1,639	8,881	786	1,282	4,149	6,540
Currency derivatives – outflows	-1,184	-118	-1,344	-8,431	-611	-1,143	-3,752	-5,927
Accounts payable	-220	-	-	-	-118	-	-	-
<b>Total</b>	<b>-14,523</b>	<b>-10,770</b>	<b>-24,836</b>	<b>-26,212</b>	<b>-16,243</b>	<b>-8,633</b>	<b>-25,788</b>	<b>-17,399</b>

1) Excl. Liabilities, leaseholds and land leases.

Cash and cash equivalents	Group		Parent Company	
	2019	2018	2019	2018
Cash and cash equivalents	3,515	2,215	3,506	2,212
<b>Closing balance</b>	<b>3,515</b>	<b>2,215</b>	<b>3,506</b>	<b>2,212</b>

Maturity structure current and non-current interest-bearing liabilities in the Group and Parent Company	Group/Parent Company			
	Fixed-interest Amount	Share, %	Loan-to-maturity Amount	Share, %
0-1	21,062	32	12,956	19
1-2	652	1	9,050	14
2-3	3,201	5	8,516	13
3-4	1,800	3	6,954	10
4 years or more	39,923	59	29,162	44
<b>Closing balance</b>	<b>66,638</b>	<b>100</b>	<b>66,638</b>	<b>100</b>
of which				
Interest-bearing liabilities – floating rate	19,833			
Interest-bearing liabilities – fixed rate	46,805			

1) The credit facility from owners of SEK 18,000 million and cash and cash equivalents of SEK 3,515 million corresponded to a total of 166% of loans maturing in the next 12 months, see page 72 for more information.

**6.4 Derivatives**

Derivatives are recognised in the balance sheet at the contract date and are measured on an ongoing basis at fair value pursuant to Level 2 in IFRS 13. All derivatives are recognised as assets when fair value is positive and as liabilities when negative. Gains or losses arising from changes in value are recognised in profit or loss. Derivatives may only be used for risk management within the framework of the financial policy and the electricity trading policy, and are used primarily for controlling fixed-interest tenors and balancing the following risk areas:

Risk area	Derivative contracts
Interest-rate risk	Interest-rate swaps, inflation-linked swaps
Currency risk	Currency swaps
Price risk - electricity	Electricity forwards

**Derivative contracts in the consolidated and Parent Company balance sheets**

Derivatives - financial assets	2019	2018
Interest-rate swaps, currency swaps	664	220
Electricity derivatives	5	33
<b>Closing balance</b>	<b>669</b>	<b>253</b>

Derivatives - financial liabilities	2019	2018
Interest-rate swaps, currency swaps, inflation-linked swaps	-2,795	-2,220
<b>Closing balance</b>	<b>-2,795</b>	<b>-2,220</b>

<b>Net Derivatives</b>	<b>-2,126</b>	<b>-1,967</b>
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To reflect counterparty risk, derivatives are adjusted to fair value through the CVA (Credit Value Adjustment) and DVA (Debt Value Adjustment) components. The CVA shows Vasakronan's credit risk in the event of the counterparty defaulting while the DVA reflects the company's own risk of default. Calculation of the valuation adjustment is based on the expected exposure, probability of default and recovery rates for exposed credits. At 31 December 2019, the net value was SEK 38 million (24) and is included in the value of interest-rate swaps.

**Credit risk**

Credit risk pertains to the risk that Vasakronan's counterparty is unable to discharge its commitments in conjunction with liquidity management and using financial derivatives. This risk is limited by working with a number of different counterparties. The financial policy also states that:

- Derivative agreements are signed with counterparties that have a credit rating of at least A- on Standard & Poor's rating scale or BBB+ with CSAs
- Cash and cash equivalents may only be invested with selected counterparties that have a credit rating of at least BBB on Standard & Poor's rating scale or alternatively Baa2 on Moody's rating scale
- The duration of liquidity investments may not exceed six months
- ISDA agreements are required that allow offsetting of payables and receivables from the same counterparty

**Counterparty risk - derivative contracts**

As part of managing counterparty risks in derivative contracts, the Group has entered into credit support annexes (CSAs) to International Swaps and Derivatives Association (ISDA) agreements. The annexes are mutual and both parties undertake to post cash collateral for deficit and surplus values in derivative contracts outstanding. As of 31 December 2019, the Group has received and posted such collateral.

Non-current receivables	Group		Parent Company	
	2019	2018	2019	2018
Deposits, CSAs	113	213	113	213
Other non-current receivables	61	57	56	54
<b>Closing balance</b>	<b>174</b>	<b>270</b>	<b>169</b>	<b>267</b>

Other non-current liabilities	Group		Parent Company	
	2019	2018	2019	2018
Deposits, CSAs	326	19	326	19
Liabilities to subsidiaries	-	-	728	-
Other non-current liabilities	59	57	57	53
<b>Closing balance</b>	<b>385</b>	<b>76</b>	<b>1,111</b>	<b>72</b>

### 6.5 Financial instruments

Fair value corresponds to carrying amounts for the following financial instruments: accounts receivable, accounts payable, derivatives and cash and cash equivalents. Fair value for other financial instruments is established using the current yield curve along with a borrowing

margin, which currently results in a lower interest rate than that contracted for the loan. Recognition at fair value would increase the Group's liabilities by SEK 1,048 million and reduce equity by SEK 824 million. All investments in financial instruments are intended to be held till maturity.

Classification of financial instruments, Group	Loans and accounts receivable		Financial assets/liabilities at FVTPL		Other financial liabilities		Total carrying amount		Fair value	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Financial assets</b>										
Accounts receivable	35	29	-	-	-	-	35	29	35	29
Deposits, CSAs	113	213	-	-	-	-	113	213	113	213
Derivatives	-	-	669	253	-	-	669	253	669	253
Cash and cash equivalents	3,515	2,215	0	0	-	-	3,515	2,215	3,515	2,215
<b>Total</b>	<b>3,663</b>	<b>2,457</b>	<b>669</b>	<b>253</b>	<b>-</b>	<b>-</b>	<b>4,332</b>	<b>2,710</b>	<b>4,332</b>	<b>2,710</b>
<b>Financial liabilities</b>										
Bonds	-	-	-	-	42,973	37,196	42,973	37,196	43,722	37,401
Bank loans	-	-	-	-	16,430	17,734	16,430	17,734	16,730	17,895
Commercial paper	-	-	-	-	7,235	6,157	7,235	6,157	7,234	6,153
Liabilities, leaseholds and land leases	-	-	-	-	5,244	-	5,244	-	5,244	-
Accounts payable	-	-	-	-	220	118	220	118	220	118
Deposits, CSAs	-	-	-	-	326	19	326	19	326	19
Derivatives	-	-	2,795	2,220	-	-	2,795	2,220	2,795	2,220
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,795</b>	<b>2,220</b>	<b>72,428</b>	<b>61,224</b>	<b>75,223</b>	<b>63,444</b>	<b>76,271</b>	<b>63,806</b>

Change in value of financial instruments	Group/Parent Company	
	2019	2018
Interest-rate derivatives	-518	470
Early settlement of derivatives	-335	-484
Valuation allowances for foreign currency loans	-387	38
Valuation allowances for currency derivatives	387	-38
Electricity derivatives	-28	27
<b>Total</b>	<b>-881</b>	<b>13</b>

### 6.6 Pledged assets and contingent liabilities

Property deeds are pledged as collateral for the Group's interest-bearing liabilities.

Vasakronan is a limited partner in Stora Ursvik KB and its responsibility for the company's undertakings is limited to an amount equivalent to the invested capital of SEK 46 million (46). The Parent Company's contingent liabilities of SEK 0 million (488) pertain to liabilities at the

Group's general and limited partnerships in which the Parent Company is a partner.

For the Järvastaden AB joint venture, Vasakronan has issued surety of SEK 241 million (241) for the performance of the implementation agreement with Svenska Kraftnät.

Pledged assets and contingent liabilities	Group		Parent Company	
	2019	2018	2019	2018
Property deeds	11,625	13,049	None	None
Contingent liabilities	287	287	None	488

### 6.7 Adjustment for non-cash items

Adjustment for non-cash items	Group		Parent Company	
	2019	2018	2019	2018
Estimated defined-benefit pension costs	-8	-8	-	-
Sales/discontinuation of Group companies	-	-	-3	-341
Result from participations in joint ventures	-2	-	-	-
Equipment sales	-3	-1	-2	-1
<b>Total</b>	<b>-13</b>	<b>-9</b>	<b>-5</b>	<b>-342</b>



**NOTE 7 Group structure****7.1 Shares and participations in subsidiaries**

Shares and participations in subsidiaries	Parent Company	
	2019	2018
Opening balance	30,660	30,610
Shareholders' contributions	9,284	-
Acquisitions	0	-
Settlement of earnings shares	-593	35
Sales	-1,206	13
Impairment	-512	-
Reversed impairment	2	2
<b>Closing balance</b>	<b>37,635</b>	<b>30,660</b>
Of which, assets	37,635	30,660

Companies in the Vasakronan AB Group	Shares/ participations <sup>1)</sup>	Share of equity, % <sup>2)</sup>	Carrying amount in Parent Company	
			2019	2018
Civitas Holding AB, 556459-9164, Stockholm	500	100	30,106	24,685
Vasakronan Fastigheter AB, 556474-0123, Stockholm	500	100	-	-
Vasakronan Holdingfastigheter AB, 556611-6850, Stockholm	1,000	100	-	-
Vasakronan Inom Vallgraven 22:3 AB, 556879-7012, Malmö	500	100	-	-
Vasakronan Malmöfastigheter AB, 556376-7267, Stockholm	5,000	100	-	-
Handelsbolaget Gotic, 969622-2844, Trelleborg	100	100	-	-
Ankarspik 115 AB, 559122-1519, Stockholm	500	100	-	-
Fastighets AB Luxor, 556059-7139, Stockholm	2,000	100	-	-
Vasakronan IC AB, 556497-7279, Stockholm	50	100	-	-
Vasakronan Vattenled A, 556577-9088, Stockholm	1,000	100	-	-
Vasakronan Priorinnan 5 AB, 559073-2151, Stockholm	500	100	-	-
Mabrabo AB, 556339-0227, Stockholm	10,000	100	-	-
Vasakronan Kista Science Tower AB, 556649-8043, Stockholm	1,000	100	-	-
Kymlinge Utvecklings AB, 556647-7583, Stockholm	1,000	100	-	-
Vasakronan Kista Science Tower KB, 969660-7820, Stockholm	100	100	-	-
Vasakronan Uppsalafastigheter AB, 556651-1092, Stockholm	1,000	100	-	-
Kungspinnen I AB, 556701-4278, Stockholm	1,000	100	-	-
Frösunda Hus I AB, 556704-9183, Stockholm	1,000	100	-	-
Frösunda Hus II AB, 556704-9175, Stockholm	1,000	100	-	-
Frösunda Hus III AB, 556704-6213, Stockholm	1,000	100	-	-
Vasakronan Priorinnan 2 AB, 556675-2423, Stockholm	1,000	100	-	-
Vasakronan Ängen AB, 556637-3550, Stockholm	1,000	100	-	-
Vasakronan Hakberget AB, 556745-5695, Stockholm	1,000	100	-	-
Vasakronan Trähus AB, 556715-4850, Stockholm	1,000	100	-	-
Vasakronan Hammarby Gård 12 AB, 556766-4007, Stockholm	1,000	100	-	-
Vasakronan Boländerna 7:4 AB, 556297-1696, Stockholm	1,000	100	-	-
Vasakronan Fålhagen 1:39 AB, 556876-3204, Stockholm	1,000	100	-	-
Vasakronan Sejen 3 AB, 556837-6742, Stockholm	500	100	-	-
Vasakronan Fastighetsutveckling AB, 556532-9108, Stockholm	1,000	100	-	-
Järvatorget AB, 556548-5546, Stockholm	1,000	100	-	-
Vasakronan Utvecklings AB, 556611-6900, Stockholm	1,000	100	-	-
Vasakronan Ullevifastigheter Holding AB, 556718-7884, Stockholm	1,000	100	-	-
Vasakronan Ullevifastigheter AB, 556718-6704, Stockholm	1,000	100	-	-
Ullevi Park Holding 1 i Göteborg AB, 556718-6688, Stockholm	1,000	100	-	-
Ullevi Park 1 i Göteborg AB, 556718-6621, Stockholm	1,000	100	-	-
Vasakronan Skänegatan AB, 556870-5791, Stockholm	500	100	-	-
Vasakronan Hekla AB, 559088-2196, Stockholm	500	100	-	-
Vasakronan Hekla Fastigheter AB, 559091-2340, Stockholm	500	100	-	-
Vasakronan Markholding AB, 556675-1771, Stockholm	1,000	100	-	-
Vasakronan Diktaren 1 AB, 556943-7584, Stockholm	500	100	-	-
Ankarspik 41 AB, 556761-8763, Stockholm	1,000	100	-	-

1) Pertains to the Group's total number of shares and participations.

2) Pertains to the Group's total share of equity.

Companies in the Vasakronan AB Group	Shares/ participations <sup>1)</sup>	Share of equity, % <sup>2)</sup>	Carrying amount in Parent Company	
			2019	2018
Fastighets AB Gesimsen Grön, 556011-7698, Stockholm	50,000	100	1,892	1,778
Fastighets AB Svava, 556268-6658, Uppsala	500,000	100	-	-
Vasakronan Uppsala City AB, 556057-0896, Uppsala	75,000	100	-	-
Aktiebolaget Nepos, 556238-9105, Uppsala	500	100	-	-
Uppsala Science City AB, 556250-5346, Uppsala	300,000	100	-	-
Uppsala Science Park KB, 916512-8126, Uppsala	200	100	-	-
Vasakronan Blåmannen AB, 556825-9302, Stockholm	500	100	1,110	3
Vasakronan Stockholmsstuten AB, 556820-7798, Stockholm	500	100	611	0
Vasakronan Kaninen 30 AB, 556740-3604, Stockholm	1,000	100	473	15
Vasakronan Bassängkajen AB, 556696-1362, Stockholm	1,000	100	367	214
Fastighets Aktiebolaget Telefonfabriken, 556577-4535, Stockholm	1,000	100	360	322
Vasakronan Inom Vallgraven 22:16 AB, 556865-4163, Stockholm	500	100	333	180
KB Positionen 2, 969666-7485, Stockholm	1,000	100	278	278
RTB Reval KB, 969635-4886, Stockholm	200	100	-	-
Ankarskruv 1 AB, 556339-0839, Stockholm	1,000	100	251	98
Agilia Förvaltnings AB, 556651-1852, Stockholm	1,000	100	-	-
KB Inom Vallgraven 22:15 Göteborg, 916445-7039, Stockholm	200	100	-	-
Arkaden Göteborg KB, 969646-3448, Stockholm	200	100	-	-
Allmänna Pensionsfondens Fastighets nr 53 KB, 969646-3836, Stockholm	200	100	-	-
Fastighets AB Skjutsgossen nr 8 & Co KB, 916502-7971, Stockholm	105	100	-	550
Nisseshus Nr 1 HB, 916587-3424, Stockholm	-	100	-	310
Allmänna Pensionsfondens Fastighets nr 63 KB, 969646-7522, Stockholm	200	100	-	173
Förvaltningsbolaget Alvikshus HB, 916501-8004, Stockholm	-	100	-	147
Fastighetsbolaget Brödrtorget & Co KB, 989200-4418, Stockholm	100	100	-	63
Allmänna Pensionsfondens Fastighets nr 12 KB, 969646-4016, Stockholm	200	100	-	61
Vasakronan Nordstaden 10:20 AB, 556865-4205, Stockholm	500	100	214	99
Fastighets Aktiebolaget Bodega, 556031-4246, Stockholm	3,000	100	213	213
Fastighets AB Gesimsen, 556482-7318, Stockholm	1,000	100	-	-
KB Radio Östra, 916625-7007, Stockholm	1,000	100	-	-
Vasakronan Kaninen 32 AB, 556740-3612, Stockholm	1,000	100	173	97
AB Studentskrapan, 556611-6868, Stockholm	1,000	100	171	95
Position Stockholm AB, 556577-3818, Stockholm	1,000	100	158	120
Vasakronan Värtan Exploatering AB, 556984-3963, Stockholm	500	100	-	-
Vasakronan Stapelbädden 3 AB, 556740-2614, Stockholm	500	100	151	75
Vasakronan Magasinet 1 AB, 556692-9146, Stockholm	1,000	100	151	151
Vasakronan Inom Vallgraven 20:14 AB, 556865-4361, Stockholm	500	100	135	59
Vasakronan Heden 22:19 AB, 556859-5291, Stockholm	500	100	113	113
AP Fastigheter AB, 556417-5858, Stockholm	100,000	100	98	593
Vasakronan Ankarspik 47 AB, 556772-0676, Stockholm	1,000	100	-	-
Vasakronan Magasin XAB, 559016-1450, Stockholm	500	100	-	-
Ankarspik 100 AB, 559016-1427, Stockholm	500	100	-	-
Vasakronan Nordstaden 21:1 AB, 556875-2918, Stockholm	500	100	90	52
Vasakronan Jungmannen 1 AB, 556646-7089, Stockholm	1,000	100	88	50
Allmänna Pensionsfondens Fastighets AB, 556355-6835, Stockholm	500	100	60	60
Vasakronan Starkströmmarna AB, 556771-7920, Stockholm	1,000	100	39	4
Allmänna Pensionsfondens Fastighets nr 59 KB, 969646-4032, Stockholm	200	100	-	-
Nacka Strand Förvaltnings Aktiebolag, 556034-9150, Stockholm	500	100	0	2
Gotic AB, 556708-2101, Stockholm	50,000	100	0	0
Vasakronan Nedo AB, 556772-2805, Stockholm	500	100	0	0
Vasakronan Invest AB, 559172-8950, Stockholm	500	100	0	-
Idun Real Estate Solutions AB, 559016-1245, Stockholm	1,012	51	-	-
Beyond Us AB, 559016-1559, Stockholm	500	100	-	-
Tmpl Work AB, 556761-8961, Stockholm	1,000	60	-	-
<b>Total</b>			<b>37,635</b>	<b>30,660</b>

1) Pertains to the Group's total number of shares and participations.

2) Pertains to the Group's total share of equity.

**7.2 Shares and participations in joint ventures**

Shares and participations in joint ventures	Group		Parent Company	
	2019	2018	2019	2018
Opening balance	366	368	1	1
Settlement of earnings shares	798	-3	0	0
Sales	0	-	-	-
<b>Closing balance</b>	<b>1,164</b>	<b>365</b>	<b>1</b>	<b>1</b>

Joint ventures	Corp. Reg. No.	Reg. office	Share of equity, %	Shares/ participations	Carrying amount	Other owners
<b>Companies that pursue the long-term development of development rights at Järvafältet</b>						
Järvastaden AB	556611-6884	Solna	50	500	771	Skanska
Ursvik Exploaterings AB	556611-6892	Stockholm	50	5,000	0	Bonava
Stora Ursvik KB	969679-3182	Stockholm	50	50	392	Bonava
<b>Companies for property development at Värtahamnen</b>						
Värtan Fastigheter AB	556678-0267	Stockholm	50	1,000	0	Fabege
Värtan Fastigheter KB	969601-0793	Stockholm	50	1	1	Fabege
<b>Total</b>					<b>1,164</b>	

**7.3 Related parties**

Related parties	Transactions
Parent Company	An ordinary dividend of SEK 4,000 million was paid to the Parent Company.
Parent Company shareholders	The First and Third Swedish national pension funds lease premises under market terms and conditions. Vasakronan has a subscription commitment from the First, Second, Third and Fourth Swedish National Pension Funds for its commercial paper, refer to page 72. At the end of 2019, the Third Swedish National Pension Fund had bond holdings with Vasakronan of SEK 90 million.
Board of Directors	Refer to Note 2.4 for details of remuneration. No Board member has participated directly or indirectly in any business transaction with Vasakronan. The Board is presented on page 108.
Management Team	Refer to Note 2.4 for details of remuneration. No senior executive has participated directly or indirectly in any business transaction with Vasakronan. The management are presented on page 109.
Subsidiaries	Specified in Note 7.1
Group companies	Specified in notes 7.1 and 8.1.
Joint ventures	Specified in Note 7.2



**NOTE 8 Parent Company**

The Parent Company applies the same accounting policies as the Group in accordance with RFR 2, Accounting for Legal Entities. This means that the IFRS are applied together with the deviations presented in the Parent Company's accounting policies.

- The Parent Company's functional currency is Swedish krona (SEK), which is also the reporting currency for the Parent Company and the Group.
- Shares in subsidiaries are recognised using the cost method. Should the carrying amount exceed the consolidated fair value of the subsidiaries, impairment is charged to profit or loss. Investment properties are measured at fair value when calculating the consolidated value, refer to Note 4.2. Earlier impairment is reversed when it is no longer justified. Carrying amounts are tested each quarter against the subsidiaries' equity.
- Dividends are recognised when the entitlement to receive payment is considered certain.
- Income from the sale of subsidiaries is recognised when the risks and benefits associated with the holding in the subsidiary have transferred to the buyer.
- Group contributions paid to the owner Vasakronan Holding AB are treated as dividends and are recognised in equity.
- Group contributions received and paid from and to subsidiaries are recognised as profit from participations in subsidiaries in profit or loss.

**8.1 Intra-Group transactions**

Of the Parent Company's purchases during the financial year, 3% (5) pertained to purchases from Group companies. Intra-Group costs mainly comprised rent.

Of the Parent Company's sales during the financial year, 99% (99) pertained to sales to Group companies. Intra-Group revenue comprises the property management costs invoiced by the Parent Company to the property-owning Group companies.

**8.2 Profit from participations in subsidiaries**

<b>Profit from participations in subsidiaries</b>	<b>Parent Company</b>	
	<b>2019</b>	<b>2018</b>
Group contributions received and paid	1,875	1,037
Dividends from participations in subsidiaries	5,616	5,463
Profit from participations in subsidiaries	-	689
Impairment and reversal of impairment in participations in subsidiaries	-509	3
<b>Total</b>	<b>6,982</b>	<b>7,192</b>

Profit from participations in subsidiaries pertains to earnings generated by general and limited partnerships owned by Vasakronan AB.

**8.3 Appropriations and untaxed reserves**

<b>Appropriations and untaxed reserves</b>	<b>Parent Company</b>	
	<b>2019</b>	<b>2018</b>
<b>Appropriations</b>		
Provision to tax allocation reserve	-300	-
<b>Total</b>	<b>-300</b>	<b>-</b>
<b>Untaxed reserves</b>		
Tax allocation reserve, 2015 fiscal year	44	44
Tax allocation reserve, 2017 fiscal year	142	142
Tax allocation reserve, 2019 fiscal year	300	-
<b>Total</b>	<b>486</b>	<b>186</b>

**NOTE 9 Dividend per share**

The dividend distributed in 2019 for the previous year amounted to SEK 4,000 million (SEK 100 per share).

At the AGM on 4 May 2020, the Board will propose a dividend of SEK 6,000 million, corresponding to SEK 150 per share.

**NOTE 10 Events after the balance-sheet date**

After the balance-sheet date, the global economy slowed dramatically as a result of the spread of the novel coronavirus in large parts of the world, with resulting disturbances in the financial markets. Vasakronan is following market developments carefully. The company has a strong financial position and considerable liquidity reserves. The earnings forecast and objectives for 2020 were not updated after year end.

# Reasonable and desirable levels for risk assumption

Vasakronan has been tasked by its owners with delivering a high and stable, long-term return. At the same time, the operations should take people, ethics and the environment into consideration. To best achieve these goals, all the opportunities and risks that impact operations must be managed.

All business operations are associated with risks, which when managed correctly can give rise to opportunities. When managed incorrectly, risks can have considerable negative consequences in the form of lower revenue, higher costs or reduced credibility. Efforts to identify, analyse, manage and follow up risks are therefore a prioritised area at Vasakronan.

Ultimately, it is the Board's responsibility to establish appropriate and effective systems for risk management and internal control. The Board has delegated day-to-day responsibility to the CEO and has established guidelines in terms of how to conduct these efforts. The CEO is supported by a steering committee for internal control that, in addition to the

CEO, comprises the CFO, General Counsel and Group controllers. The steering committee's responsibilities include follow up and ongoing development of internal control. Vasakronan's day-to-day risk efforts involve all employees and follow a structured process.

## Risk management process



Vasakronan has divided identified risks into four categories:

### MARKET AND BUSINESS RISKS

Risks related to external factors and market developments that Vasakronan is unable to directly influence, but still needs to relate to, and where the negative effects can be mitigated.

### OPERATIONAL RISKS

Risks in operating activities that result from insufficient or inadequate internal processes or routines, human error or system error.

### FINANCIAL RISKS AND REGULATORY COMPLIANCE

Risks related to our funding, our financial reporting and inadequate compliance with ordinances, laws and regulations.

### SUSTAINABILITY AND REPUTATIONAL RISKS

Risks connected with environmental impact, climate change, work environment and reputation.

All of the risks are ranked based on their impact on operations and the likelihood of the risk occurring. A description of the risks and their rankings is presented in the tables on pages 99–101.

## MARKET AND BUSINESS RISKS

Risk description	Analysis and exposure	Management	Vasakronan's assessment	
<p><b>Political decisions</b></p> <p>Political decisions can lead to changed prerequisites for Vasakronan's operations, both positive and negative. For example, this could pertain to decisions regarding new tax legislation, the relocation of government agencies or energy-related decisions.</p>	<p>Political decisions and regulatory changes are generally outside Vasakronan's control, but could negatively impact future investment opportunities, value growth, returns and cost levels. The effects can be limited through proactive monitoring of plausible decisions, analysis of consequences and action plans for the various alternatives.</p>	<ul style="list-style-type: none"> <li>Competitive intelligence and monitoring of developments in the areas that concern Vasakronan</li> <li>Participate in debate via appropriate forums</li> <li>Analysis of the effects and of possible proactive measures</li> <li>Dialogue with the Board and owners about impact and actions</li> </ul>	Impact Likelihood Priority	● ● ●
<p><b>Value decline in properties</b></p> <p>Negative market trend due to raised yield requirements, lower market rents, increased vacancies and higher property expenses leading to a downturn in property values.</p>	<p>In the short term, the single largest impact on the company's financial performance is from changes in the value of the properties, even if it does not directly affect cash flow. Vasakronan has chosen to concentrate its portfolio in markets with strong economic growth. The long-term assessment is that these properties have the best prerequisites for generating a favourable value trend even if, in the short term, they may be the most volatile in terms of yield.</p>	<ul style="list-style-type: none"> <li>Competitive intelligence and close dialogues with tenants</li> <li>Clear strategy for each property</li> <li>Structured process for decisions regarding new construction, extensions or redevelopments</li> <li>Portfolio focused on central and desirable locations</li> <li>Keeping at the forefront in terms of sustainability and technical developments</li> <li>Quarterly valuations of the property portfolio</li> </ul>	Impact Likelihood Priority	● ● ●
<p><b>Property investments</b></p> <p>Investments are made through new construction, extensions or redevelopments as well as through the acquisition of existing properties. Risk exists of investing in unprofitable projects or properties as a result of incorrectly assessing the preconditions in terms of the market and condition of the property.</p>	<p>Through its size and focus, Vasakronan has excellent market knowledge of the regions and sub-markets in which it operates. Long lead times apply when starting larger new or redevelopment projects, which always entail market risk. However, Vasakronan never starts new projects in weaker sub-markets without having first leased out the majority of the premises.</p> <p>The acquisition of existing properties always includes a risk of the property not generating the desired yield due to a poorer than expected location, condition or tenant structure. Vasakronan's market insight and its experience and expertise in property acquisitions means such risks are minimised.</p>	<ul style="list-style-type: none"> <li>Continuous analysis of market conditions</li> <li>Clear investment strategy subject to continuous evaluation</li> <li>Clear decision process in terms of risk and opportunities</li> <li>Highly skilled in property investment and market analysis</li> <li>Active dialogues with municipalities</li> <li>Continuous evaluation of the portfolio</li> </ul>	Impact Likelihood Priority	● ● ●
<p><b>Changing macro environment</b></p> <p>The pace of technical development is rapid. Digital solutions are replacing old technology, new participants are entering the market with a wider offering and customers are demanding new solutions and services. Those who are unable to adapt their operations and offerings to these new conditions risk losing customers, suppliers and employees.</p>	<p>Vasakronan aims to be at the forefront as regards the use of modern technical solutions, and of service and product offerings. This requires the company to diligently monitor the market to identify trends and demand as well as to be bold enough to develop and try new and unproven solutions. Vasakronan strives to ensure it has the right skills in combination with close partnerships with customers, suppliers and other companies.</p>	<ul style="list-style-type: none"> <li>Competitive intelligence</li> <li>Organisation structure that focuses on and promotes change and development</li> <li>New innovative energy solutions</li> <li>Collaboration with relevant parties</li> <li>Increased flexibility in the customer offering</li> </ul>	Impact Likelihood Priority	● ● ●
<p><b>Structural changes in retail</b></p> <p>Changed consumption patterns, such as increased e-commerce and environmental awareness, result in fewer purchases in physical stores, which will lead to stores closing, entering receivership or demanding smaller premises.</p>	<p>Lower demand for Vasakronan's store space will result in lower rental revenue and higher vacancy rates. Vasakronan's portfolio mainly comprises stores in central locations with considerable natural flows of people. Vasakronan believes demand will remain firm for these types of properties, even for other uses, which will reduce the negative effect of the decline in shopping.</p>	<ul style="list-style-type: none"> <li>Competitive intelligence</li> <li>Offer flexible solutions</li> <li>Plan for each property and ongoing evaluation of alternative uses for premises</li> <li>Follow-up and analysis of sales statistics reported by store tenants</li> <li>Close dialogues with existing tenants</li> <li>Clear concepts for shopping precincts</li> </ul>	Impact Likelihood Priority	● ● ●
<p><b>Access to the right skills</b></p> <p>Employees are the company's most important assets, since they create and nurture the company's culture and develop its operations. If it is not possible to keep the right employees or sufficient employees, the business will underperform.</p>	<p>The continued development of operations and remaining relevant for the market requires that the company continuously adds new skills in the form of further training and new recruitments. Competition is fierce for the best employees. Vasakronan actively strives to be an employer that attracts qualified personnel. The strong brand together with the innovative, values-driven corporate culture engender considerable interest in the company.</p>	<ul style="list-style-type: none"> <li>Strong brand and industry market leader</li> <li>A sustainable company in every dimension</li> <li>Development plans for personnel</li> <li>Collaboration with universities</li> <li>Succession planning for key personnel</li> <li>Strong corporate culture that promotes curiosity, diversity and flexibility</li> </ul>	Impact Likelihood Priority	● ● ●

● Low impact, likelihood or priority ● Medium impact, likelihood or priority ● High impact, likelihood or priority



OPERATIONAL RISKS			
Risk description	Analysis and exposure	Management	Vasakronan's assessment
<b>Rental revenue</b> Negative trend for rental revenue as a result of lower market rents or higher vacancies leading to lower profitability and poorer cash flow, which would negatively impact the value of properties.	Rental revenue is affected by many different factors such as economic downturns with lower demand, lower willingness to pay, increased insolvencies and as a consequence, higher vacancies. Rental revenue can also be negatively impacted by excessive supply in the market, a dated product or dissatisfied customers. Vasakronan's ambition is to always offer products that are in demand in the market and to continuously broaden its offering. Vasakronan also strives to limit exposure to any one sector or tenant in combination with an even spread of lease durations.	<ul style="list-style-type: none"> <li>• Good market knowledge</li> <li>• Focused holding at central locations in growth areas</li> <li>• Mix of sectors, tenants, lease durations and premises types in each property/area</li> <li>• Close, proactive dialogues with tenants and the market to understand customers' needs, both today and in the future.</li> <li>• Structured procurement process for accepting new tenants</li> <li>• Annual Customer Satisfaction Index – measurement</li> </ul>	Impact ● Likelihood ● Priority ●
<b>Property expenses</b> Risk linked to property expenses pertains mainly to increases that Vasakronan cannot offset through rent increases, index adjustments or onward invoicing. The risk primarily resides in those costs that the company has limited ability to influence, such as ground rents or unforeseen costs, mainly related to repairs and maintenance.	Property expenses are impacted, inter alia, by the consumption of electricity and water, the price trends for goods and services, and the utilisation level of resources. Active efforts are ongoing at Vasakronan to optimise and streamline operations at each property from both a sustainability and a cost perspective.  Vasakronan has a number of ground rent agreements. The company actively drives negotiations with municipalities to limit the negative effects of ground rent increases.	<ul style="list-style-type: none"> <li>• Structured and focused efforts to optimise and reduce energy consumption</li> <li>• Maintenance plans for all properties</li> <li>• Optimise property administration</li> <li>• Terms and conditions for green financing linked to energy consumption</li> <li>• Actively negotiate with municipalities regarding ground rents</li> <li>• Profit sharing linked to net operating income</li> </ul>	Impact ● Likelihood ● Priority ●
<b>Project management</b> Redevelopments, extensions and new construction projects are associated with risk across all phases, and risks increase in line with complexity. The main risks associated with these projects are financial, technical and time-related.	Vasakronan has substantial project volumes. Most of the projects are complex, extend over a long period of time and involve many different parties. Calculation errors, delivery delays or increased expense due to unforeseen events or carelessness can lead to substantial negative financial consequences.	<ul style="list-style-type: none"> <li>• Quality assurance of internal processes including risk analysis, project reviews and exchanging experiences</li> <li>• Structured evaluations are conducted during the project period with all parties involved</li> <li>• Highly skilled project organisation</li> <li>• Contractual agreements with partners</li> <li>• Code of conduct for suppliers</li> <li>• Clear and proactive supplier procurement process</li> <li>• Frequent dialogue between the project organisation and the letting organisation</li> </ul>	Impact ● Likelihood ● Priority ●
<b>Information and data security</b> In pace with increasing property sector digitalisation, there is an accelerating need for well-functioning information and data security. Development in these areas is rapid and is becoming increasingly complex.	If critical information is lost or falls into the wrong hands as a result of a computer crash, data hacking or inadequate IT security, the financial consequences could be considerable and the company's credibility may be damaged. Vasakronan has prioritised this issue highly and actively monitors developments in the area.	<ul style="list-style-type: none"> <li>• Continuously follow developments by participating in seminars, etc.</li> <li>• IT and communication policy</li> <li>• High degree of awareness of IT security-related risks through, inter alia, internal and external courses</li> <li>• Ongoing information via internal channels</li> </ul>	Impact ● Likelihood ● Priority ●
FINANCIAL RISKS AND REGULATORY COMPLIANCE			
Risk description	Analysis and exposure	Management	Vasakronan's assessment
<b>Financing</b> Property is a capital intensive industry and it is important to secure access to borrowed capital to ensure the survival of the operation. When capital is scarce, risk arises that the cost of new financing or refinancing will be high or impossible.	Vasakronan has an LTV of 38% and a strong financial position. The company's rating from Moody's provides wider access to more sources of finance as well as financing with longer tenors. In combination with a stable owner structure, this reduces refinancing risk.	<ul style="list-style-type: none"> <li>• Use several different sources of finance</li> <li>• The average maturity of interest-bearing liabilities is not permitted to be lower than two years</li> <li>• Not more than 40% of interest-bearing liabilities are permitted to mature within the next 12 months.</li> <li>• Rating A3 from Moody's</li> <li>• Strong balance sheet</li> </ul>	Impact ● Likelihood ● Priority ●
<b>Interest-rate risk</b> Interest on borrowed capital is a large cost item in profit or loss and a change in interest rate can have a considerable impact.	Vasakronan has long fixed-interest periods of 5.8 years. The share of fixed-interest maturities within one year was 32% (43) of interest-bearing liabilities, which limits exposure to interest-rate changes. If the interest rate increases 1 percentage point, the company's interest expense would rise by SEK 224 million.	<ul style="list-style-type: none"> <li>• Financial policy with conservative goals for interest coverage ratio, fixed-interest tenors and fixed-interest maturities</li> <li>• Interest-rate derivatives aimed at achieving the desired fixed-interest structure</li> <li>• Credit facility from owners</li> </ul>	Impact ● Likelihood ● Priority ●

<b>Financial reporting</b> Financial reporting comprises important decision-data and shortcomings can lead to erroneous decisions for Vasakronan, as well as for external parties such as lenders and investors.	Awareness of financial reporting risks is created by discussion between the employees concerned. The risk of errors in the financial reporting are limited due to Vasakronan having a centralised accounting and finance function with clear allocation of responsibility and follow-up.	<ul style="list-style-type: none"> <li>• Policies with clear allocation of responsibility and authorities</li> <li>• Good internal control with preventive and follow-up controls</li> <li>• External audit</li> <li>• Highly skilled accounting and finance function</li> <li>• Continuous monitoring and analysis of regulatory changes</li> </ul>	Impact Likelihood Priority	  
<b>Counterparty risk</b> All business relationships entail a risk of the counterparty not meeting its obligations.	Vasakronan is exposed to counterparty risk in terms of its suppliers, tenants and transaction counterparties. To limit risk, diligent evaluations are always conducted prior to entering into contracts.	<ul style="list-style-type: none"> <li>• Structured procurement process for suppliers and accepting new tenants, including credit checks and taking references</li> <li>• Consequences from non-delivery are contractually regulated</li> <li>• When necessary, a deposit is required</li> </ul>	Impact Likelihood Priority	  
<b>Regulatory compliance</b> Vasakronan has to adapt to numerous different rules, regulations and laws. Non-compliance with regulations can lead to economic consequences, sanctions or damaged confidence.	Regulations can be complex to interpret and comply with. Vasakronan continuously strives to stay updated vis-à-vis current regulations as well as regulatory changes to ensure regulatory compliance.	<ul style="list-style-type: none"> <li>• Continuously follow developments in terms of laws, rules and regulations in relevant areas</li> <li>• Proactive analysis of the possible effects of changes in rules and acting with the above in mind</li> <li>• Active participation in debates to the extent possible in the relevant forums</li> <li>• Dialogue with politicians or other influential individuals, for example</li> </ul>	Impact Likelihood Priority	  

## SUSTAINABILITY AND REPUTATIONAL RISKS

Risk description	Analysis and exposure	Management	Vasakronan's assessment	
<b>Climate changes</b> Global climate change is leading to higher temperatures, extreme weather events and rising sea levels. For property companies, this means increased risk of property damage due to temporary flooding, of buildings/material not coping with the new weather conditions or temperature changes. In areas that are close to the sea, this also entails permanent risks in the long term.	Vasakronan's single largest asset comprises properties. Climate change poses new demands on Vasakronan's properties, which the company has to address when making investments. If Vasakronan does not work proactively and monitor climate issues, there is a considerable risk that, in the future, some properties will be unusable and/or the cost of rectifying the damage will be high.	<ul style="list-style-type: none"> <li>• Follow research and development in sustainability and the consequences of climate change</li> <li>• Make an inventory of the entire portfolio to identify where any risk of a major impact exists and to prepare action plans</li> <li>• Risk analyses for new construction and acquisitions, preventive measures</li> </ul>	Impact Likelihood Priority	  
<b>Negative environmental impact</b> The property sector has a high environmental impact and accounts for slightly more than 30% of society's energy consumption, 21% of climate impact and creates a lot of waste.	Vasakronan has a goal of delivering a high and stable long-term return, but never at the cost of the environment. Environmental initiatives should not be seen as an isolated are but rather as a natural and integral part of business activities. The company has a high percentage of green funding (also refer to page 32), which sets stringent requirements on sustainability work.	<ul style="list-style-type: none"> <li>• High environmental ambitions permeate all operations</li> <li>• Clear targets for reducing Vasakronan's and its customers' energy consumption and waste, increasing recycling of materials and reducing environmental impact from transportation</li> <li>• Increased share of self-produced electricity</li> <li>• Environmental certification of properties</li> <li>• Preparation and review of a sustainability report</li> </ul>	Impact Likelihood Priority	  
<b>Reputation</b> Decreased confidence in Vasakronan among the company's stakeholders due to unethical behaviour or breaches of laws and regulations, both internal and external, could lead to financial harm and damage the brand.	As Sweden's largest property company, there is considerable public interest in Vasakronan's operations. Any failure to comply with laws and regulations, occurrences of bribery or corruption, poor work conditions or negative environmental impacts at Vasakronan or any of its business partners could lead to declines in confidence among tenants and suppliers as well as owners and investors. In turn, this could lead to substantial economic damage in the form of lost business or partnerships.	<ul style="list-style-type: none"> <li>• Active valuation efforts involving all employees</li> <li>• Policies with clear allocation of responsibility and authorities</li> <li>• Codes of conduct for employees and for suppliers</li> <li>• Supplier audits</li> <li>• Whistle-blower function</li> </ul>	Impact Likelihood Priority	  
<b>Workenvironment</b> All activities are associated with risk for both physical and mental injury. The construction industry is particularly closely associated with major occupational health risks.	The employees' occupational health is a strategically important issue for Vasakronan. An unsafe work environment and a negative work climate lead to an ineffective organisation. Vasakronan works actively to minimise the risk of employees, contractors or tenants suffering physical or mental injury in and around Vasakronan's offices, projects or properties.	<ul style="list-style-type: none"> <li>• Collaboration between employees, safety officers, managers, company management and suppliers</li> <li>• Training in physical and mental health</li> <li>• Clear goals linked to worksite accidents and mental health as well as their follow-up</li> <li>• Wellness measures</li> <li>• Codes of conduct for employees and suppliers</li> <li>• Whistle-blower function</li> <li>• Work climate that provides the prerequisites and takes responsibility for a healthy working life</li> </ul>	Impact Likelihood Priority	  

# Clear structure provides control

Corporate governance comprises the foundation for how a company should be owned and controlled. Good corporate governance ensures that the business is run sustainably, responsibly and as efficiently as possible to be able to realise the company's strategies and to create maximum value and returns for its stakeholders. Vasakronan's corporate governance is based on external and internal regulatory frameworks, clearly formulated goals and strategies as well as sound values. To support the operations, appropriate controls and continuous follow-up are in place.

## The Swedish Corporate Governance Code

Vasakronan AB is a public limited company. In view of the general interest in the company's operations, and since the company's bonds are listed on the Stockholm stock exchange, the Swedish Corporate Governance Code has been applied. The company also has bonds listed on the Oslo Stock Exchange and Euronext Dublin, and has chosen Ireland as its home Member State. Accordingly, the Central Bank of Ireland is responsible for supervision pursuant to the Transparency Directive.

### Important external regulations:

- The Swedish Companies Act
- Accounting policies, legislation and recommendations
- Nasdaq Stockholm Rule Book for Issuers
- The Issuer Rules for Oslo Børs
- Euronext Dublin's Rule Book for Issuers
- The Prospective Directive under Irish law
- The EU Market Abuse Regulation (MAR)
- The Swedish Corporate Governance Code
- UN Global Compact

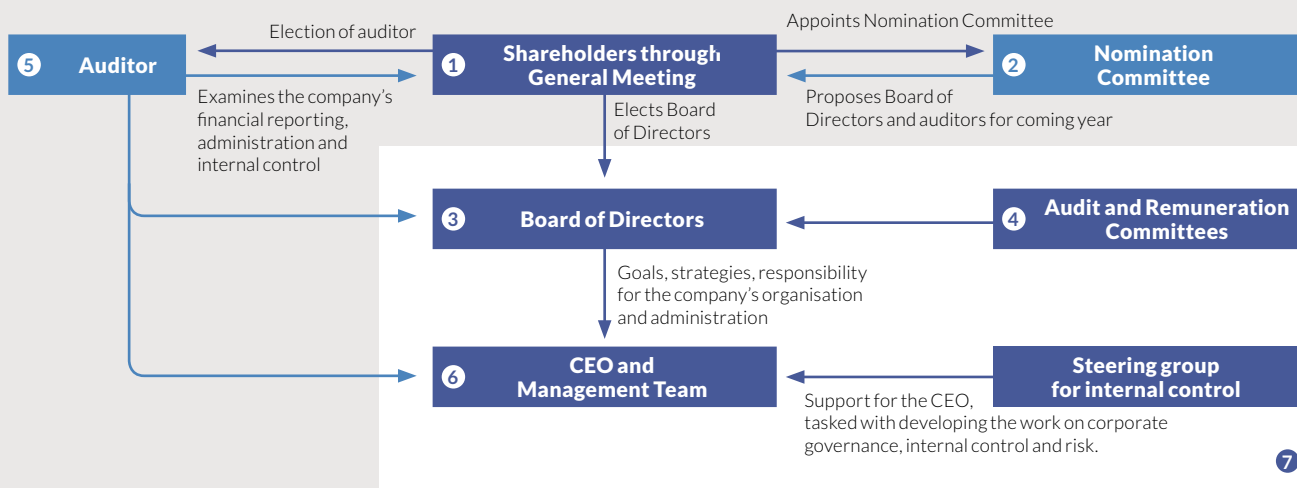
### Important internal regulations:

- The Articles of Association
- The Rules of Procedure for the Board of Directors and committees, and the CEO's Instruction
- Internal guidelines and policies that cover all Vasakronan's employees and are characterised by business values such as a financial policy, decision-making and delegation processes, an anti-corruption policy, an environmental policy and a Code of Conduct
- Framework for green financing

### Deviations from the Code

As a consequence of its small group of owners, Vasakronan deviates from the Code in two regards: the Nomination Committee's proposals for Board members, and notices of General Meetings and minutes from General Meetings are not published on the company's website. None of the members of the Nomination Committee are independent in relation to the owners.

## Governance structure





## 1 Shareholders and General Meeting

Vasakronan is owned in equal shares by the First, Second, Third and Fourth Swedish national pension funds. Shareholders exercise their influence through participation in the annual general meetings (AGMs), which are the highest decision-making body. Under the Articles of Association, the AGM of shareholders must be held within six months of the end of the financial year. The Companies Act and the Articles of Association regulate what is to be resolved at the AGM. Extraordinary general meetings are held if any of the owners so request, or if the Board of Directors considers there is reason to do so.

The tasks of the AGM include:

- Adopting the income statements and balance sheets for the Parent Company and the Group
- Discharging the Board members and CEO from liability
- Resolving on the proposed distribution of profit
- Resolving on fees for the members of the Board and the committees, as well as the auditors
- Electing Board members, members of the Audit and Remuneration committees, and auditors
- Establishing principles for remuneration and other employment terms and conditions for senior executives

The most recent AGM was held on 7 May 2019 at Vasakronan's head office in Stockholm. All shares were represented and the auditors were present.

## 2 Nomination Committee

Vasakronan's Nomination Committee comprises representatives of the respective owners and is tasked with presenting proposals ahead of the AGM regarding:

- The number of Board members
- The election of Board members and Chairman of the Board
- The fees for the Board of Directors and members of the Board Committees
- The auditors and auditors' fees.
- The instruction for the Nomination Committee

In the Committee's work on producing proposals for Board members, an equal gender distribution must be taken into account, and that the Board in general should be characterised by diversity based on competence, experience and background. Ahead of its tasks, the Nomination Committee studies the internal evaluation of the work of the Board, the Chairman's account of the work of the Board and the company's strategy, and interviews individual Board members as part of its work. The goal of the Committee is to propose a composition of Board members that complement each other as regards experience, personalities and knowledge, in order to thereby create the best value for Vasakronan. The Nomination Committee held four minuted

meetings in 2019. No fees were paid to the Nomination Committee in 2019.

## 3 Board of Directors

### Composition of the Board

The Articles of Association stipulate that the Board is to comprise at least three and at most ten members, excluding any employee representatives. The owners can, but do not need to be, represented on the Board. In addition to the owner representatives, the ambition of the owners is that the Board of Directors also consist of members who are independent in relation to the company and the owners. The independent members will supplement the Board with specific industry competence. The CEO is not a member of the Board, but is present at all Board meetings.

The AGM on 7 May 2019 elected two new members of the Board: Magnus Meyer and Kia Orback Pettersson. They replaced Rolf Lydahl and Jan-Olof Backman, who both declined re-election. In September, Mikael Angberg was elected to the Board as the owner representative for the First Swedish National Pension Fund. Mikael Angberg succeeds Johan Magnusson, who stepped down from the Board.

### Tasks and responsibilities of the Board

The overall task of the Board is to be responsible for organisation and administration of operations, and financial reporting. It also decides on the company's strategy, establishes financial, social, and environmental targets, and is responsible for establishing efficient

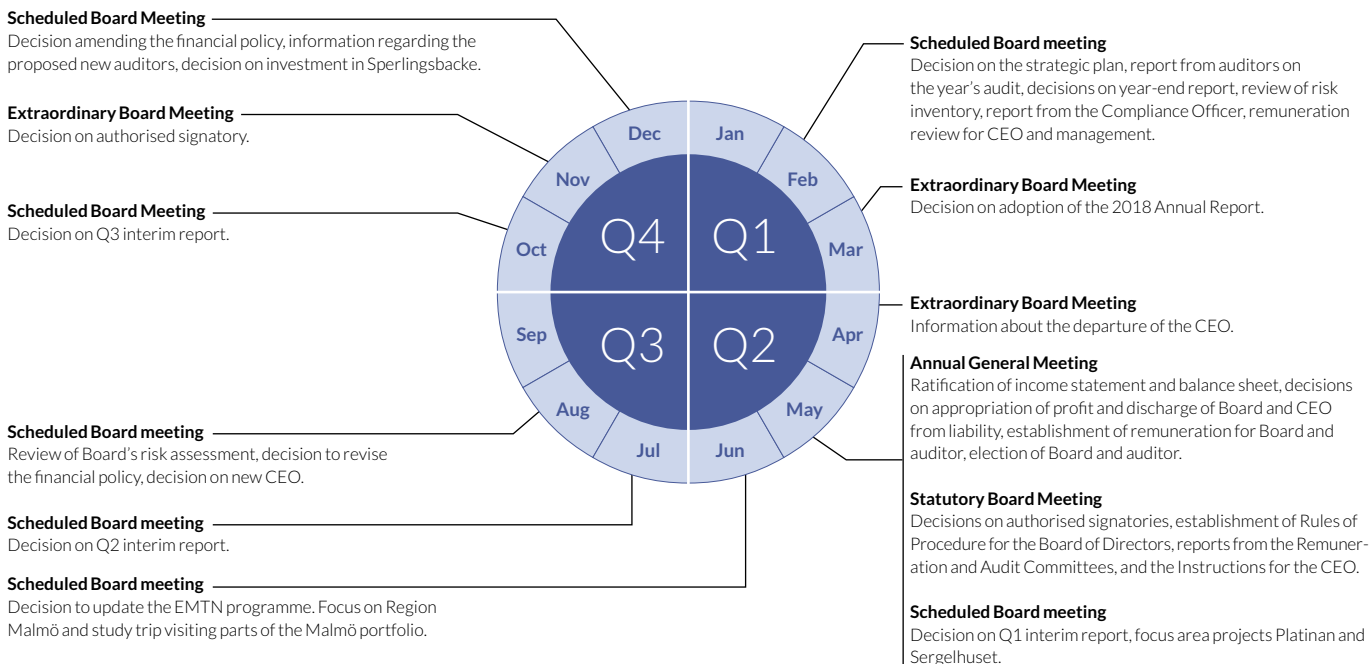
## Composition of the Board

	Elected	Indep. of company	Indep. of major owners	Board and Committee fees, KSEK	ATTENDANCE		
					Board meetings	Audit Committee	Remuneration Committee
Ulrika Francke	2018	Yes	Yes	770	11/11	5/5	4/4
Mikael Angberg <sup>1)</sup>	2019	No	No	No remuneration	3/3		
Jan-Olof Backman <sup>2)</sup>	2011	Yes	Yes	133	3/3		
Ann-Sofi Danielsson	2017	Yes	Yes	380	11/11	5/5	
Niklas Ekvall	2016	No	No	No remuneration	11/11		2/2
Eva Halvarsson	2006	No	No	No remuneration	11/11	5/5	
Kerstin Hessius	2004	No	No	No remuneration	9/11		
Christel Kinning	2014	Yes	Yes	280	11/11		
Rolf Lydahl <sup>2)</sup>	2007	Yes	Yes	164	3/3	2/2	
Magnus Meyer <sup>3)</sup>	2019	Yes	Yes	140	7/8		
Johan Magnusson <sup>4)</sup>	2008	No	No	No remuneration	8/8		2/2
Kia Orback Pettersson <sup>3)</sup>	2019	Yes	Yes	140	8/8		

1) Elected September 2019 2) Stepped down May 2019 3) Elected May 2019 4) Stepped down September 2019

## Governance structure

Standing items on the Board’s agenda comprise market and business conditions, ongoing projects and transactions, market valuations, financing, ongoing disputes and reporting from the Audit and Remuneration Committees. In addition to these items, the following items were addressed at the past year’s Board meetings.



and appropriate systems for governance, internal control and risk management. The work is regulated through rules of procedure that are established at the statutory Board meeting every year. These rules include instructions on the Board’s areas of responsibility and limitations in relation to the committees and the CEO.

The Chairman of the Board monitors the Board’s performance of its tasks. The Chairman also monitors operations in dialogue with the CEO and is responsible for ensuring the other members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman is also responsible for evaluating the work of both the Board and the CEO.

### Work of the Board of Directors in 2019

The work of the Board of Directors follows an annual cycle of scheduled meetings on fixed dates, adjusted for such matters as the Board needing to adopt the financial reporting.

The CEO, CFO and General Counsel (in the capacity of the secretary of the Board) attended the scheduled meetings. Other persons from the organisation such as regional Senior Vice Presidents and SVPs for Finance

and Property Development participate as needed, presenting reports on particular cases. Extraordinary Board meetings are held when needed. Primarily in the case of urgent business decisions that require Board approval.

The scheduled Board meetings follow a fixed agenda on which the CEO’s information on general operations are a standing point. In cases where committee meetings have been held, the chairpersons of the respective committees report on their work. Vasakronan’s Compliance Officer (the company’s General Counsel) reports annually to the Board on cases that have come in to the company’s whistle-blower function. The external auditors attend the Board meeting where the year-end report is adopted.

Issues of strategy and risk management are always high on the Board’s agenda. Over the past year, the primary focus has been on technological developments and developments in retail. Considerable focus was also dedicated to Vasakronan’s larger ongoing new construction and redevelopment projects, as well as progress on projects such as new lettings at the properties.

In total, the Board held eight scheduled meetings in 2019, one of which was statu-

tory. Extra Board meetings were also held during the year.

In addition to the Board meetings, the Board also conducted one strategy conference that was held together with the Management Team. For more information, refer to the section CEO and Management Team.

### Evaluation of the Board of Directors

According to the Rules of Procedure, the Board of Directors must conduct an annual evaluation of its work. In 2018, this was conducted using a written survey prepared by an external party. This was followed up in 2019 through interviews conducted by the Nomination Committee of each individual Board member. The purpose of the evaluation is to ensure that the Board is focused on the correct area, that the Board has the correct competence and that it is correctly composed. The results of the evaluation are also used as the basis for the Nomination Committee’s work with bringing forward new candidates for the Board of Directors and as a basis for improving the Board’s work.

### Remuneration to the Board

The AGM passes resolutions on remunera-

tion to the Board. Board fees are not paid to members who represent any of the owners. For the period until and including the 2020 General Meeting, the AGM resolved that the Chairman will receive SEK 680,000 and the other independent members SEK 280,000 in fees. For the Audit Committee, it was resolved that a fee to its Chairman of SEK 100,000 and to independent members of SEK 50,000 would be paid, and a fee of SEK 40,000 to the Chairman of the Remuneration Committee.

#### 4 The committees

In order to enhance the efficiency of its work, the Board has established an Audit Committee and a Remuneration Committee. The primary task of these committees is to prepare the decisions of the Board in these two areas.

##### **Audit Committee**

The Board of Directors has appointed an Audit Committee consisting of three Board members. The Committee's areas of responsibility are regulated in the rules of procedure established by the Board. The overall responsibilities of the Audit Committee include:

- Preparing the work of the Board on quality assurance of the financial reporting, which in turn includes addressing material accounting issues
- Monitoring the work of company management on internal control, tax management

and risk and corporate governance issues

- Evaluating the audit work and preparing the election of an auditor
- Issuing guidelines concerning the advance approval of non-audit related services performed by the elected external auditor

The Audit Committee receives continual information about the orientation, scope and results of the audit. This take place through the Committee studying the auditor's written reporting and the auditor being present at certain Committee meetings.

For 2019, the Audit Committee consisted of Ann-Sofi Danielsson, who was also the Chairman, Eva Halvarsson and Ulrika Francke. Rolf Lydahl was Chairman of the Audit Committee until the AGM in May 2019, when he stepped down from the Board. All members have the competence in accounting required under the Companies Act.

The Committee held five meetings during the year. The company's auditor was present at two of them to report on the audit. Moreover, the Committee discussed, inter alia, the company's financial statements and the work of the Management Team on risk and internal control as well as the procurement of external auditors. The CEO, the CFO and SVP for Group Control (the secretary of the committee) participated in the meetings. Over the year, the Committee also evaluated its work with the aim of ensuring the right questions

were addressed within the Committee. At least once each year, the Committee meets with the auditor without the participation of company management.

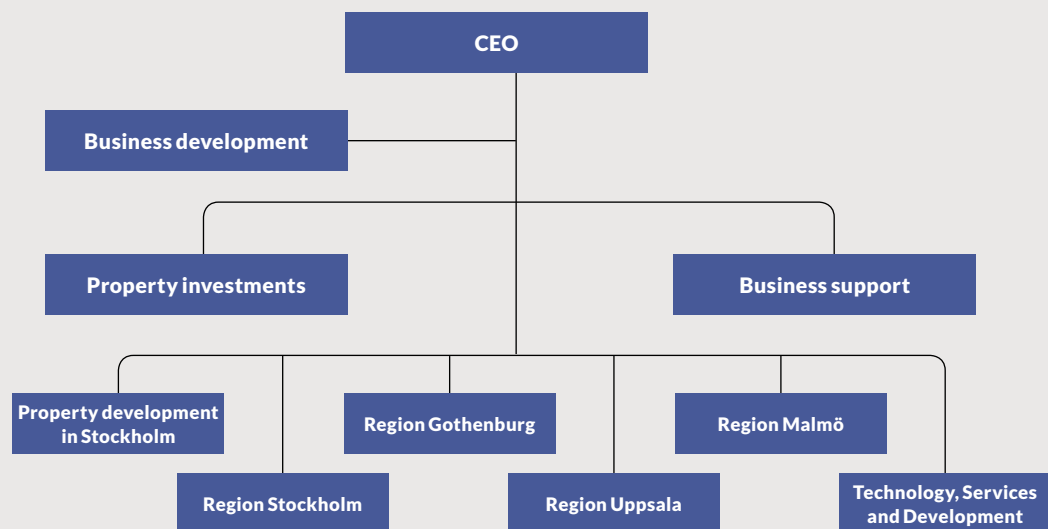
##### **Remuneration Committee**

The Board of Directors has appointed a Remuneration Committee consisting of two Board members. The Committee's areas of responsibility are regulated in a rules of procedure established by the Board and consists primarily of:

- Preparing the work of the Board of Directors on remuneration for senior executives and in the profit-sharing programme for other employees
- Monitoring and evaluating compliance with the "Guidelines for Terms of Employment for Senior Executives in state-owned Companies" that Vasakronan is to comply with as regards remuneration and other terms of employment for company management (refer to Point 6 below for more information)

In 2019, the Remuneration Committee consisted of Ulrika Francke as Chairman and Niklas Ekwall. Niklas replaced Johan Magnusson on his departure from the Board. During the year, the Committee held four meetings at which issues of remuneration for senior executives and principles for profit-sharing for other employees were primarily

## Organisation





discussed. The January meeting addressed the work of the Committee and which issues were priorities. The CEO and the SVP for Human Resources, who is the secretary of the Committee, participated in all the meetings and the company's auditors submitted their report from the review of remuneration for senior executives at the meeting in May.

## 5 External audit

In accordance with the Articles of Association, the general meeting must appoint at least one and at most two authorised public accountants with an equal number of deputies. If an auditing company is appointed as auditor, deputies will not be appointed. The auditor is elected for one year at a time. The Board of Directors has decided that the selection of an auditor will be preceded at least once every four years by a procurement to be prepared by the Audit Committee.

In addition to issuing the Auditors' Report, the selected auditor examines the annual accounts, the consolidated financial statements and accounting records, the Board's and the CEO's administration of the company and the annual accounts of the subsidiaries. The auditor also conducts limited assurance engagements of Vasakronan's Sustainability Report and its Impact Report. The audit and the limited assurance engagements are conducted in accordance with the Companies Act, international auditing standards and generally accepted auditing principles in Sweden.

At the 2019 AGM, PricewaterhouseCoopers was elected as auditor for the coming year, with Helena Ehrenborg as Auditor in Charge. In addition, Daniel Algotsson was elected as auditor. More information about the auditors can be found on page 108. Information about the auditors' fees can be found in Note 2.3 on page 81.

## 6 CEO and Management Team

The CEO is appointed by the Board of Directors and is responsible for daily operations in Vasakronan, in accordance with the Board's instructions established each year. The CEO is responsible for keeping the Board continually updated on operations and ensures that the Board is provided with the necessary basis for decisions in order to take well-founded decisions. Fredrik Wirdenius was the CEO of Vasakronan until 1 November 2019, when

he was succeeded by Johanna Skogestig, previously Head of Real Estate Investments at the company.

The CEO has formed a Management Team that, in addition to the CEO in 2019, consisted of twelve directly subordinate Senior Vice Presidents; refer to the presentation on Page 109. The Management Team meets regularly in order to handle Group-wide and strategic issues. 11 meetings were held in 2019. At four of them, the interim reports and operational monitoring were discussed, and two were longer strategy meetings. One strategy meeting is held in the spring, and focuses on the trends and operating environment factors that impact the company. The other strategy meeting is held in the autumn, and the strategic portion of the business plan is developed with focus areas and key issues for operations.

The principles of remuneration for the CEO and the Management Team are decided by the AGM. Salaries and other benefits for the Management Team, including the CEO, consist only of fixed salaries with no variable remuneration. Vasakronan applies the Government's "Guidelines for Terms of Employment for Senior Executives in state-owned Companies" as regards remuneration and other terms of employment for company management. The company can, however, deviate from the guidelines if there is reason to do so. Vasakronan deviates from the Government's guidelines in two aspects. The CEO's period of notice totals twelve months instead of the six indicated by the guidelines, and remuneration for the Management Team, exclusive of remuneration for the CEO, is not reported at the individual level in the Annual Report.

Vasakronan's operations are organised in four regions, with a separate unit for property development in Stockholm. Technology, Services and Development is organised separately, with central support functions and local staffing. As support for the organisation, there are central units for property investments and business support, which included finance, communications and IT, legal and HR. A Head of Sustainability has been appointed to govern and monitor the company's work on sustainability topics.

## 7 Governance and control

The Board of Directors is responsible for the company having satisfactory and relevant risk management and internal control. The

purpose is to ensure that operations are pursued efficiently and sustainably, that external reporting maintains a good level of quality, and that applicable laws and regulations are observed.

Planning, governance and monitoring of operations follows the organisational structure, with a clear delegation of responsibilities and authorisations. The business planning conducted every year creates clear, well-supported plans for how operations are to be pursued in all sections of the company.

Vasakronan's business planning process starts with the Management Team's strategy days in the spring and concludes with the Board of Directors deciding on the strategy plan at its December meeting. In between, business plans are developed for both underlying units and for the company as a whole. The plans formulate both short- and long-term financial, environmental and social goals. The business plan is thereafter monitored continually during the subsequent year.

A risk inventory and risk assessment are conducted every year in conjunction with business planning. The material risks identified are managed in the business plans for the units. The work on risk management is described in more detail on pages 98–101. A framework of guidelines, policies and instructions established by the Board of Directors and the CEO govern the organisation and its employees for the purpose of ensuring long-term value creation. The framework is to be followed by all employees, and monitoring is conducted continuously.

As support for the CEO, a special steering group has been established in order to develop the work on corporate governance, internal control and risk. In addition to the CEO, the group consists of the General Counsel, the CFO and the SVP for Group Control. The work in the group is conducted in close collaboration with the Audit Committee, which is responsible for monitoring the quality of internal control. Since existing structures for evaluation and monitoring have so far been deemed sufficient to provide a basis for evaluation by the Board, no separate unit for internal auditing has been established. The decision is, however, taken up annually for re-examination.

## Internal control of financial reporting

This report was prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code, and is limited to describing how internal control regarding financial reporting is organised. Vasakronan's goals for internal control regarding financial reporting are to make it relevant and efficient, that is results in reliable reports, and that it ensures that relevant laws and regulations are observed. The report contains no statements on how well internal control functioned during the past financial year, and it has not been audited by the company's auditors.

### Control environment

The basis for internal control in Vasakronan consists of a control environment with a clear organisation, clear decision-making paths and a clear allocation of responsibilities. Vasakronan's Board of Directors has overall responsibility for internal control of financial reporting. The Board annually ratifies a number of steering documents such as the Rules of Procedure for the Board of Directors, instructions for the CEO, and financial policy in order to establish and clarify the allocation of responsibilities and authorisations in the organisation. The Board has also appointed an Audit Committee with particular responsibility for preparing quality assurance by the Board of the financial reporting as well as monitoring the work of company management on internal control. The control environment also encompasses the culture and values that both the Board and company management communicate and work from as conveyed by such documents as Vasakronan's Code of Conduct, which is ratified yearly by the Board of Directors. A whistle-blower function has been established to which the company's employees or other stakeholders can turn with suspicions of improper conduct or crime. A Compliance Officer (Vasakronan's General Counsel) is tasked with managing issues of improper conduct and deficient compliance with regulations in the company. Reporting to the Board of Directors takes place annually.

Based on the steering documents that concern accounting and financial reporting, the CEO is responsible for formulating internal processes and for establishing policies and instructions.

The CFO is responsible for guidelines for financial reporting and ensuring that they are prepared in accordance with applicable accounting standards, and the legal and listing requirements in force.

### Risk assessment

As part of business and operations planning, Vasakronan annually conducts an overall risk evaluation. Risks in all the company's key processes are then evaluated based on likelihood and impact. For more detailed information on the company's risk evaluation process, refer to page 98. In addition, risks are continually assessed based on the company's income statement and balance sheet, where every item is evaluated based on its existence, appraisal and completeness.

Risks linked to tax, legal issues or other non-current transactions are evaluated regularly for preventive purposes. These risks are described separately on pages 99–101 in the Annual Report. Risks are built on management's best assessment of impact and likelihood. The risks in the financial reporting are routinely discussed with the company's auditors.

### Control activities

Control activities are formulated based on the findings of risk assessments. At Vasakronan, there are controls built into all key processes through standardised system solutions, documented and well-established routines and a clear allocation of responsibilities in a centralised financial function. Control activities comprise a mix of preventive and monitoring functions, which can be both manual and automatic.

The financial reporting process is constantly reviewed. The finance function has a clear responsibility for adapting the process as needed to ensure quality in the reporting

and that laws and external requirements are observed.

### Information and communication

Employees' understanding of Vasakronan's risk situations is an important part of the work of internal control. Awareness of the risks in the financial reporting is created through discussion and dialogue with employees being a natural element both in annual business and operations planning and in routine work.

This communication is facilitated by a centralised finance function, with which employees are in close contact on a daily basis. Guidelines and instruction of essential importance for financial reporting are routinely updated and communicated to the employees concerned. All the routine descriptions and tools needed are available on Vasakronan's intranet together with Group-wide policies and instructions.

### Monitoring of internal control

The Board of Directors of Vasakronan has overall responsibility for monitoring internal control. The Audit Committee has particular responsibility for preparing quality assurance by the Board of the financial reporting. Monitoring of the financial reporting takes place continually through the controls and analyses performed by the Board of Directors, the Audit Committee, management and the finance function. These controls and analyses also capture the need for measures or proposals for improvements. Monitoring also takes place through the audit performed by the company's external auditors. The observations from this audit are reported to the Board of Directors, the Audit Committee and company management as well as to the employees concerned.

The company's external auditors regularly report back on the results of their audit to the CFO and to the Audit Committee.

# The Board of Directors and auditors



Ulrika Francke



Ann-Sofi Danielsson

## Ulrika Francke

Chairman, since 2018.

**Born:** 1956

**Education:** University studies

**Other assignments:** Board assignments at Knightech, Hexagon, SIS (Swedish Standards Institute), IVA Avd. III and Formas' research programme Sustainable Spatial Planning.

**Previous experience:** President and CEO of Tyréns AB, CEO SBC (Sveriges Bostadsrättscentrum AB), Director of Administration and City Commissioner City of Stockholm, President and CEO of Fastighets AB Brommastaden.

**Independent:** Independent in relation to the owners, the company and company management.

## Ann-Sofi Danielsson

Board member since 2017.

**Born:** 1959

**Education:** M.Sc. Economics

**Other assignments:** CFO Bonava. Board member of Pandox AB.

**Previous experience:** CFO and other executive positions at the NCC Group.

**Independent:** Independent in relation to the owners, the company and company management.

## Niklas Ekvall

Board member since 2016.

**Born:** 1963

**Education:** Ph.D. Financial Economics and M.Sc. Industrial Engineering

**Other assignments:** CEO, Fourth National Pension Fund. Board member of the Hans Dalborg Stiftelse för Bank- och Finansforskning, the KVA Investment Committee and Polhem Infra.

**Previous experience:** CEO of Nordea Investment Management; deputy CEO, Third National Pension Fund; executive positions in Nordea, Carnegie and Handelsbanken.

**Independent:** Not independent in relation to the owners.

## Eva Halvarsson

Board member since 2006 and member of the Audit Committee since 2008.

**Born:** 1962

**Education:** M.Sc. Economics

**Other assignments:** CEO, Second National Pension Fund. Board member of UN-PRI, the Swedish Royal Opera, IVF Sweden, Finans-KompetensCentrum and WINWIN Award.

**Previous experience:** Tax auditor and head of State ownership administration.

**Independent:** Not independent in relation to the owners.

## Kerstin Hessius

Board member since 2004.

**Born:** 1958

**Education:** M.Sc. Economics

**Other assignments:** CEO, Third National Pension Fund. Board member of Hemsö, Trenum, Handelsbanken, SVEDAB and Öresundsbro Konsortiet.

**Previous experience:** CEO of the Stockholm Stock Exchange, Deputy Governor of Swedish Central Bank, executive positions at Östgöta Enskilda Bank and Alfred Berg.

**Independent:** Not independent in relation to the owners.

## Christel Kinning

Board member since 2014.

**Born:** 1962

**Education:** Economics and marketing

**Other assignments:** Own operations. Board member of Stadium, Reima, Zoundindustries, Venue Retail Group, Björn Borg and Lagerhaus.

**Previous experience:** CEO of Polarn O. Pyret, CEO of RNB Retail and Brands and executive positions at Kellermann Scandinavia.

**Independent:** Independent in relation to the owners, the company and company management.

## Magnus Meyer

Board member since 2019.

**Born:** 1967

**Education:** Licentiate of Engineering in Real Estate Economics and M.Sc. in Civil Engineering.

**Other assignments:** CEO WSP Europe. Board member of Kinnarps and Slättö Förvaltning.

**Previous experience:** Technical attaché in Los Angeles, various management positions at the Ljungberg group and GE Real Estate and Tengbom.

**Independent:** Independent in relation to the owners, the company and company management.

## Kia Orback Petterson

Board member since 2019.

**Born:** 1959

**Education:** M.Sc. Economics

**Other assignments:** Board assignments at Friskis&Svettis, Knowit, Karolinska Sjukhuset and the Karl Adam Bonnier Stiftelse.

**Previous experience:** Marketing Director Dagens Nyheter, Deputy CEO Guldfynd and CEO Sturegallerian.

**Independent:** Independent in relation to the owners, the company and company management.

## Johan Temse

Board member since 2020.

**Born:** 1973

**Education:** M.Sc. Engineering

**Other assignments:** Head of Real Assets, First National Pension Fund. Board member of Willhem, Cityhold, Aros Bostadsutveckling, Secure, Agore, Urbanea, Ellevio, Polhem Infra and First Australia Farmland.

**Previous experience:** Aberdeen Asset Management, Standard & Poor's and DTZ.

**Independent:** Not independent in relation to the owners.

## AUDITORS

Öhrlings PricewaterhouseCoopers AB

## Helena Ehrenborg

Auditor in charge

**Born:** 1965

**Other important assignments:** Auditor at Pandox, Jernhusen, HSB and Akademiska Hus.

## Daniel Algotsson

Authorised Public Accountant

**Born:** 1982

**Other important assignments:** Auditor at Altor, FCG Fonder, Catella and Proventus.



Niklas Ekvall



Eva Halvarsson



Kerstin Hessius



Christel Kinning



Magnus Meyer



Kia Orback Petterson



Johan Temse

**Jan-Olof Backman** Stepped down from the Board of Directors, 7 May 2019  
**Rolf Lydahl** Stepped down from the Board of Directors, 7 May 2019  
**Johan Magnusson** Stepped down from the Board of Directors, 5 September 2019  
**Mikael Angberg** Stepped down from the Board of Directors, 10 February 2020



## Senior executives



Johanna Skogestig



Anders Ahlberg



Ronald Bäckrud

**Johanna Skogestig**  
CEO  
**Born:** 1974  
**Employed:** 2015  
**Joined Management Team:** 2015  
**Education:** M.Sc. Surveying  
**Previous experience:** AP Fastigheter, Sveafastigheter and Areim.  
**Other assignments:** Board member of CIBUS and Idun Real Estate Solutions.

**Anders Ahlberg**  
Acting SVP, Chief Investment Officer

**Born:** 1957  
**Employed:** 2000  
**Joined Management Team:** 2019  
**Education:** M.Sc. Surveying  
**Previous experience:** Länsstyrelsen i Stockholm, Hyresbostäder Eskilstuna, Byggnadsstyrelsen, Hifab, Jaeger & J:son, Catella and AP Fastigheter.

**Ronald Bäckrud**  
SVP, Stockholm Region and acting SVP Uppsala Region

**Born:** 1958  
**Employed:** 1995  
**Joined Management Team:** 2008  
**Education:** M.Sc. Civil Engineering  
**Previous experience:** J&W, Vattenbyggnadsbyrån, Skandia and Arne Johnson Förvaltning.  
**Other assignments:** Board member of Byggherrarna.

**Sheila Florell**  
SVP, General Counsel

**Born:** 1965  
**Employed:** 2005  
**Joined Management Team:** 2006  
**Education:** Law degree and Estate Agent exam  
**Previous experience:** If Skadeförsäkring and Association of Swedish Real Estate Agents.  
**Other assignments:** Board member at SSM Holding, Tmpl Work and Beyond Us.

**Jan-Erik Hellman**

SVP, Property development Stockholm  
**Born:** 1975  
**Employed:** 2010  
**Joined Management Team:** 2017  
**Education:** M.Sc. Surveying  
**Other assignments:** Board member of Citysamverkan AB.  
**Previous experience:** JLL and ICA Fastigheter.

**Christer Nerlich**

SVP, CFO  
**Born:** 1961  
**Employed:** 1995  
**Joined Management Team:** 1998  
**Education:** M.Sc. Economics  
**Previous experience:** Newsec and FastighetsRenting.  
**Other assignments:** Board member and Chairman of the Treasury and Audit Committee of Akademiska Hus.

**Kristina Pettersson Post**

SVP, Gothenburg Region  
**Born:** 1964  
**Employed:** 1993  
**Joined Management Team:** 2011  
**Education:** M.Sc. Civil Engineering  
**Previous experience:** Byggnadsstyrelsen.  
**Other assignments:** Board member of Nordstands Samfällighet, Trophi Fastighets AB, CMB Chalmers, Swedish Property Federation Gothenburg, the non-profit organisation Göteborg citysamverkan and Beyond Us.

**Anna Stenkil**

SVP, Malmö Region  
**Born:** 1968  
**Employed:** 2011  
**Joined Management Team:** 2016  
**Education:** Graduate studies in Economics  
**Previous experience:** Proffice, Newsec and Wihlborgs.  
**Other assignments:** Board member of Fastighetsägarna Syd.

**Cecilia Söderström**

SVP, Human Resources  
**Born:** 1962  
**Employed:** 2008  
**Joined Management Team:** 2008  
**Education:** Graduate studies in personnel and labour market  
**Previous experience:** Svenska Spel and Ericsson.  
**Other assignments:** Board member of Almega Fastighetsarbetsgivarna and Almega tjänsteförbundet.

**Nicklas Walldan**

SVP, Technology, Services and Development  
**Born:** 1971  
**Employed:** 2001  
**Joined Management Team:** 2008  
**Education:** M.Sc. Civil Engineering  
**Previous experience:** Tyréns.  
**Other assignments:** Board member of Svensk Byggtjänst and Samhällsbyggnadslänken at KTH Royal University of Technology.

**Peter Östman**

SVP, Corporate Communications  
**Born:** 1961  
**Employed:** 1998  
**Joined Management Team:** 1998  
**Education:** M.Sc. Economics  
**Previous experience:** Storstaden and Ecuvo Förvaltning.  
**Other assignments:** Board member of Idun Real Estate Solutions, Accessy and Tmpl Work.



Sheila Florell



Jan-Erik Hellman



Christer Nerlich



Kristina Pettersson Post



Anna Stenkil



Cecilia Söderström



Nicklas Walldan



Peter Östman

**Fredrik Wirdenius** Stepped down as CEO, 1 November 2019

**Anna Nyberg** Previously SVP Property Development, left the Management Team on 28 January 2020

**Per Thiberg** Previously SVP Business Development, left the Management Team on 28 January 2020

# Signing by the Board of Directors

The Board and CEO affirm that the annual accounts have been prepared in accordance with the Annual Accounts Act and RFR2, and provide a fair and accurate overview of the Parent Company's financial position and results. The consolidated accounts have been prepared in accordance with the International Financial Reporting standards (IFRS) as adopted by the EU and provide a fair and accurate overview of the Group's financial position and results. The Administration Report for the Group and Parent Company provides a fair and accurate overview of the Group and Parent Company's operations, position and results, and describes material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Stockholm, 23 March 2020

Ulrika Francke  
Chairman of the Board

Ann-Sofi Danielsson  
Board Member

Niklas Ekvall  
Board Member

Eva Halvarsson  
Board Member

Kerstin Hessius  
Board Member

Christel Kinning  
Board Member

Magnus Meyer  
Board Member

Kia Orback Pettersson  
Board Member

Johan Temse  
Board Member

Johanna Skogestig  
Chief Executive Officer

Our Auditors' Report was submitted on 23 March 2020  
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg  
Authorised Public Accountant  
Auditor in Charge

Daniel Algotsson  
Authorised Public Accountant

# Auditor's report

To the general meeting of the shareholders of Vasakronan AB (publ), corporate identity number 556061-4603

## Report on the annual accounts and consolidated accounts Opinions

We have audited the annual accounts and consolidated accounts of Vasakronan AB (publ) for the year 2019 except for the corporate governance statement on pages 102–109. The annual accounts and consolidated accounts of the company are included on pages 64–101 and 110 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 102–109. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

## Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants

in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of my (our) knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

## Audit scope

Vasakronan is the leading property company in Sweden with investment properties valued at SEK 156 billion. The company's strategy is to manage and develop commercial investment properties in Stockholm, Gothenburg, Uppsala and Malmö.

Our audit has a group approach which includes audits of all the significant investment properties within the group. This group approach means that the significant business processes for the financial reporting in the group, such as rental income, purchasing, payroll and valuation process is audited centrally from a group perspective even though the investment properties legally is in several legal entities. As 96% of the group assets consist of investment properties that are valued at fair value, the audit's main focus is to evaluate if the Annual report reflects the investment properties' book value according to the company's valuation principles and that these principles are according to IFRS.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of fair value of investment properties that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## Our audit approach



### Materiality

Overall group materiality: SEK 850 million, representing 0.5% of the group's total assets.

### Scope

Our audit has a group approach. In this approach, we focus on the central business processes and on the audit of the valuation of investment properties from a group perspective. The overall purpose of the audit is to evaluate that Vasakronan's financial statements have been prepared and presented according to IFRS.

### Key Audit Matter

Valuation of investment properties.



We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of Vasakronan, the accounting processes and controls, and the industry in which the group operates

**Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

**Overall group materiality** SEK 850 million

<b>How we determined this level</b>	A threshold representing 0.5% of the Group's total assets.
<b>Rational for the materiality benchmark applied</b>	We chose total assets as the benchmark due to the fact that, in our view, this is the benchmark against which the performance of a group, over time, is most commonly measured. We have chosen 0.5% of total assets and this is a generally accepted benchmark and is in our view an acceptable overall materiality level.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 50 MSEK as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Key audit matter**

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Valuation of investment properties</b></p> <p>We refer to the Administration Report and the description of the Vasakronan group's summary of important accounting and valuation principles in Note 1.2, as well as referring to Note 4.2, Changes in the values of investment properties.</p> <p>As at 31 December 2019, The value of the investment properties totaled SEK 156,1 billion. Investment properties comprise a significant portion of the balance sheet and the valuation of these properties is inherently subjective and is the object of company management's judgements as regards, for example, the location of the specific property, its condition and future rental income. Valuation objects incurring a major degree of uncertainty in terms of their market value assessment are comprised of ongoing development projects properties.</p> <p>The valuation of all of the investment properties is executed at the end of each year and every six months by external valuers, Cushman &amp; Wakefield and Forum Fastighetsekonomi. At the end of the other quarters, the properties are valued internally. The valuations are executed on the basis of The Royal Institute of Chartered Surveyors' ("RICS") valuation standards and processes which are based on an adopted, established valuation policy. In addition, Vasakronan has an internal process for the quality assurance of the external valuations as at year-end and after the first six months of the financial year. These internal quality assurance processes include an analysis and control of the data taken from the company's systems and registered in the valuation models as regards, for example, rental levels, surface area, vacancy levels and also includes an overall analysis of the value development of each property. These valuations are assessed both centrally and in consultation with the respective property managers.</p> <p>In determining the fair value of the properties, the valuers consider current information regarding the specific property, such as the rental agreements in place, rental income and operating costs. In order to achieve a final valuation, the valuers apply assumptions and undertake judgements on future yields, net operating expenses and estimated market rents, and these assumptions and judgments are impacted by the direct yield requirements in place and by comparable market transactions.</p> <p>The significance of the estimations and judgments applied in establishing the fair value of the investment properties, together with the fact that the amounts are significant, implies that the valuation of the investment properties comprises a Key Audit Matter in the audit.</p>	<p>Amongst other things, our audit has focused on the company's internal control and quality assurance as regards the externally executed valuations as at 31 December 2019. The audit team, including our valuation specialists, have obtained copies of and examined a selection of the valuation reports and have ensured that the valuations comply with Vasakronan's guidelines for valuations and with the correct valuation methods.</p> <p>The external valuers' work are based on the same calculation model as applied by Vasakronan, which implies that the company's quality assurance of the external valuations is facilitated. We have assessed the external valuers' competence and experience and have also studied the groups' valuation agreements with the external valuers to determine if there are any circumstances in the agreements which could impact the valuers' objectivity or if there are any limitations to their work.</p> <p>In addition, we have tested, on a sample basis, company management's input data registered in the valuation models and taken from the company's systems. This was done to ensure that the information for the investment property valuations applied in the external valuations is correct and fair.</p> <p>We have had meetings with the individuals responsible for the valuations in which important assumptions and judgments have been discussed. Our work has focused on the largest investment properties in the portfolio, development project properties and on the properties incurring the largest variations in value compared with previous quarters. We have assessed the applied yield requirements used by the external valuers by comparing the estimated intervals of the expected yield requirements and thresholds with the available market data for the current markets. We have also assessed the reasonableness of other assumptions which are not directly comparable based on available public data. In the case the assumptions and parameters have been outside our initial expectation, these deviations have been discussed with representatives of the company and additional audit evidence has been obtained as support for the applied assumptions.</p> <p>The valuations are based on assessments and incur, inherently, a degree of uncertainty. Based on our audit, it is our assessment that the assumptions applied by Vasakronan are within a reasonable interval. Based on our audit, we have not identified any significant observations to report to the Audit Committee.</p>

**Other information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–63, 102–109, 115–134, 136–140, 142–149. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditor's website [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

**Report on other legal and regulatory requirements**

**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Vasakronan AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

**Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements

which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### **Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors' website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

#### **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 102–109 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB was elected auditor of Vasakronan AB by the general meeting of the shareholders on the 7 May 2019 and has been the company's auditor since the 28 April 2016.

Stockholm 23 March 2020

Öhrlings PricewaterhouseCoopers AB

#### **Helena Ehrenborg**

Authorized Public Accountant  
Lead Partner

#### **Daniel Algotsson**

Authorized Public Accountant





**IN MAY 2019**, & Other Stories opened the doors to its first establishment in Gothenburg. The store encompasses 900 square metres in two storeys in the historic Meethshuset, a building dating back to the early 1900s and, even then, with a focus on exclusive ladies fashion.

# About Vasakronan's sustainability report 2019

The sustainability report follows the Global Reporting Initiative (GRI) guidelines and is prepared in accordance with the GRI Standards: Core option. In addition to GRI Standards, Vasakronan has chosen to recognise the sector-specific indicators that were previously recognised in accordance with GRI G4.

The goal is to run the entire business in a sustainable way. Consequently, reporting of our sustainability agenda has been integrated into the company's annual report. The GRI index on pages 118–119 contains references to where the information can be found in the annual report. In individual cases, all of the information the GRI framework requires could not be reported. These exceptions are presented in the GRI index.

Information on boundaries, responsibility, monitoring and governance for each material sustainability topic can be found in the sustainability notes on pages 123–134. The information is described in accordance with Standard 103, and all standards used were published in 2016.

The sustainability report has been prepared pursuant to the provisions in the Swedish Annual Accounts Act Chapter 6 Section 11. Part of the information submitted pursuant to these provisions is described in other sections of the annual report. A description of the company's business model can be found on pages 8–9, and information on risk management can be found on pages 98–101.

The sustainability report is produced once per year, and 2019 was its eleventh year of publication. The report is reviewed in summary by Öhrlings PricewaterhouseCoopers AB, and their limited assurance report can be found on page 135. The sustainability report covers the Parent Company and all wholly owned subsidiaries. Joint venture companies co-owned by Vasakronan are not covered, and are not considered to constitute a significant part of operations. Nor does the sustainability report cover operations controlled by individual tenants or suppliers.

Planning, governance and monitoring of sustainability efforts follow the organisational structure, with a clear delegation of responsibilities and authorisations via a management system consisting of policies, guidelines, general measurable targets and detailed action plans. There are also a number of external laws, guidelines and regulations including the UN's Sustainable Development Goals (SDGs).

## Stakeholder dialogue and prioritised areas

Surveying and analysing stakeholder expectations for the operations is a prerequisite for creating sustainable value. Ongoing discussions are therefore conducted with our most important stakeholders. The forms for the continual dialogue are illustrated in the image on page 117.

In addition to the continuing dialogue with our stakeholders, a workshop was conducted as recently as 2017, in which some 30 rep-

resentatives distributed among the various stakeholder categories took part. The aim was to identify which sustainability topics stakeholders expect Vasakronan to report on. Based on the stakeholders' expectation inventory and on external trends monitoring, an internal prioritisation of which sustainability topics were considered material was performed. When setting priorities, Vasakronan took into account the actual impact on people, the environment, economy and society, and consideration was also given to Vasakronan's vision and business strategy. Prioritised sustainability topics were then validated by Vasakronan's Management Team. The sustainability topics deemed material are as follows: economic performance, anti-corruption, materials, energy, water, climate impact through emissions, waste, safe work environments at suppliers, occupational health and safety, diversity, tenants' safety and security, public transport and local services, and customer satisfaction.

In 2019, the materiality analysis was evaluated to assess whether it was still relevant. The evaluation indicated that all the sustainability topics identified last year are still material and that the climate impact of emissions and economic performance are the areas deemed to have the highest materiality. At the same time, the evaluation showed that certain issues had increased in significance compared with previous years, including security and safety, safe work environments at suppliers and climate-adapting properties.

## Contribution to the UN Sustainable Development Goals

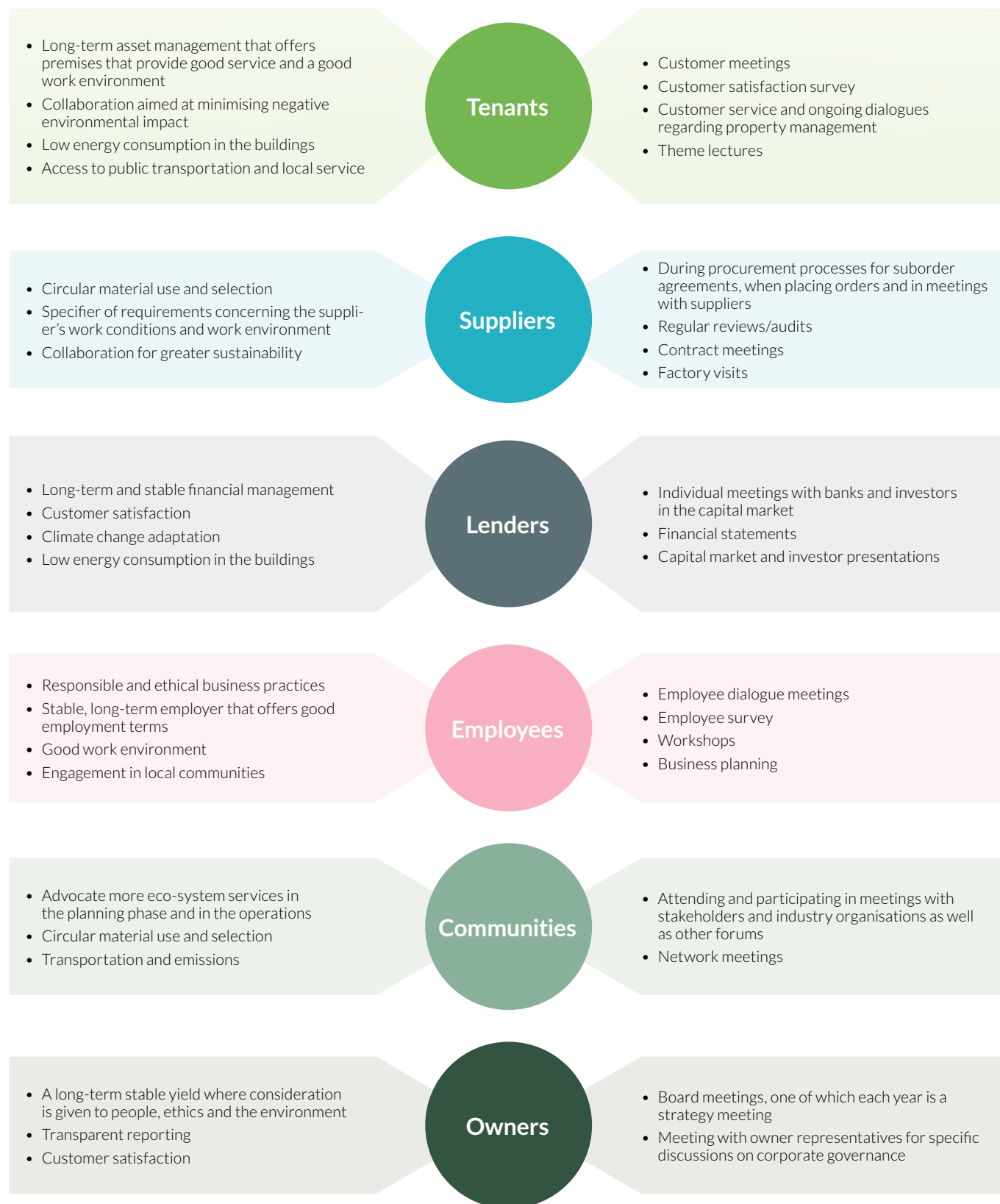
Sustainable development is defined by the UN as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." In September 2015, UN member countries adopted the 2030 Agenda for Sustainable Development, a universal agenda with 17 goals for economically, socially and environmentally sustainable development. The purpose of the goals is to address poverty, peace and justice as well as inequality, and to solve the climate crisis by 2030.

Even if the goals are set on an international level, it is important for us as a company to analyse whether and how we can contribute to the goals. Operations have the largest positive impact on Goal 7 "Affordable and clean energy," Goal 9 "Industry, innovation and infrastructure," Goal 11 "Sustainable cities and communities" and Goal 12 "Responsible consumption and production."

The challenges in operations connected to the 2030 Agenda goals include Goal 8 "Decent work and economic growth," primarily related to work environment accidents at our construction sites. For more information about our efforts and which goals are relevant to our operations, see pages 123–134.

## STAKEHOLDER EXPECTATIONS

## DIALOGUE OPPORTUNITIES





## SUSTAINABILITY

GRI Standard	Disclosure	Page	Comments
102-1	Name of the organisation.	Front cover of the Annual Report	
102-2	Activities, brands, products, and services.	Page 1	
102-3	Location of headquarters.	Page 79	
102-4	Location of operations		Vasakronan only conducts operations in Sweden.
102-5	Ownership and legal form	Inside front cover; page 79	
102-6	Markets served	Inside front cover	
102-7	Scale of the organisation	Pages 32–36, 41, 82	
102-8	Information on employees and other workers	Pages 131–132	
102-9	Supply chain	Page 130	
102-10	Significant changes to the organisation and its supply chain		No significant changes during the year.
102-11	Precautionary Principle or approach		The precautionary principle forms the basis of how environmental work is designed.
102-12	External initiatives	Page 102	
102-13	Membership of associations	Page 21	
102-14	Statement from senior decision-maker	Pages 5–7	
102-16	Values, principles, standards and norms of behaviour.	Pages 8, 20	
102-18	Governance structure	Pages 102–107	
102-40	List of stakeholder groups	Page 117	
102-41	Collective bargaining agreements	Page 131	
102-42	Identifying and selecting stakeholders	Pages 116–117	
102-43	Approach to stakeholder engagement	Page 117	
102-44	Key topics and concerns raised	Page 117	
102-45	Entities included in the consolidated financial statements	Pages 94–95, 105	
102-46	Defining report content and topic Boundaries	Page 116	
102-47	List of material topics	Page 116	
102-48	Restatements of information		No corrections have been made to previous reports.
102-49	Changes in reporting		No significant changes.
102-50	Reporting period	Cover	
102-51	Date of most recent report		The report for 2018 was published in March 2019.
102-52	Reporting cycle		Published annually in connection with the release of the Annual Report.
102-53	Contact point for questions regarding the report		Anna Denell, Head of Sustainability
102-54	Claims of reporting in accordance with the GRI Standards	Page 116	
102-55	GRI content index	Page 118	
102-56	External assurance	Page 116	
103-1	Explanation of the material topic and its Boundary	Pages 123–134	
103-2	The management approach and its components	Pages 123–134	
103-3	Evaluation of the management approach	Pages 123–134	

Material topic	Disclosure	Page	UNSDGs	Comments
<b>Economic topics</b>				
Economic performance	201-1 Direct economic value generated and distributed	Page 123	17	
Economic performance	201-2 Financial implications and other risks and opportunities due to climate change	Pages 120–122	13	
Fiscal management <sup>1)</sup>	–	Page 123	17	
Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	Page 123	16	
<b>Environment</b>				
Materials	301-1 Materials used by weight or volume	Pages 24, 124, 142	3, 8, 12	Information on the amount of material in improvement work on the premises is not available, and is therefore estimated. Work is in progress on being able to gather and report this information over the long term.
Energy	302-1 Energy consumption within the organisation CRE 1 Building energy intensity	Pages 18, 124, 142	7	
Water	303-1 Interactions with water as a shared resource CRE2 Building water intensity	Page 125	6	
Emissions	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions CRE 3 Greenhouse gas emissions intensity from buildings	Pages 18, 20, 126–127, 142	11, 12, 13	
Waste	306-2 Waste by type and disposal method	Pages 18, 24, 128, 142	11, 12	The amount is based partly on estimations owing to absence of data. Work is under way to be able to eventually gather this information.
Product labelling, environment <sup>1)</sup>	CRE8 Number of sustainability certified buildings	Pages 16, 129, 142		
Supplier environmental assessment	308-1 New suppliers that were screened using environmental criteria	Pages 20, 130, 142	3, 7, 8, 11, 12	
<b>Social</b>				
Occupational health and safety	403-2 Hazard identification, risk assessment and incident investigation	Pages 20, 24, 133–134, 143	3, 8	Reporting covers sick leave and accidents concerning Vasakronan's employees as well as accidents on major projects that were completed during the year.
Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	Pages 82–83, 108–109, 131–132, 143	5, 8, 10	
Supplier social assessment	414-1 New suppliers that were screened using social criteria	Pages 20, 133, 143	3, 5, 8	
Customer health and safety	416-A Measures taken to maintain a high level of safety and security in and around properties	Pages 20, 24, 134, 143	5, 10, 11, 16	
Public transportation and local services	Measures taken to create opportunities for public transportation to and from our properties and proximity to local services	Pages 18, 134	9, 11	
Customer satisfaction	Results of customer surveys	Pages 16, 134		

1) Areas that have not been prioritised in the materiality analysis but are still deemed important to report based on stakeholder expectations.

# Vasakronan's climate work in 2019

Vasakronan realised as early as ten years ago that the business needed to be reorganised and more consideration given to the environment and climate. Through enhancing energy efficiency in various ways, and the transition to renewable energy sources, since 2006 Vasakronan has reduced its Scope 1 and 2 greenhouse gas emissions and air travel by 99%. Climate responsibility has historically been a success factor, both driving and meeting demand from the market for climate-smart solutions. The reduction in energy consumption has also led to considerable improvements in net operating income, increased property values and an overall improvement in profitability.

## TCFD guidelines

The Task Force on Climate-related Financial Disclosures (TCFD) recommendations are directed both to companies and to investors. The aim is primarily to provide investors with information about the risks and possibilities that a transition to a society with lower carbon emissions and a changing climate entails. They are also intended to provide a description of the company's governance and strategy regarding climate issues. This is the second year that the climate agenda has been described based on the TCFD recommendations and the aim is to follow them to the greatest extent possible. The description helps stakeholders understand how the business will be affected by climate changes.

TCFD's recommendations are categorised into four areas: governance, strategy and risk management as well as metrics and targets. A description of efforts in these four areas is given below. For more information on TCFD, visit [www.fsb-tcfid.org/](http://www.fsb-tcfid.org/).

## Governance

The Board of Directors has overall responsibility for managing climate-related risks and establishes a strategic plan for the company every year. The strategic plan includes a description of the climate strategy that is expected to form the basis for the operations and the long- and short-term environmental targets. An annual review is also conducted of the Board of Directors' work to reduce the operational impact on the climate and to adapt operations to climate changes.

Vasakronan is owned in equal shares by the First, Second, Third and Fourth Swedish national pension funds. Stringent requirements from the owners mean that the return must be long-term stable and generated with consideration for people and the environment. They also expect climate issues to be an integrated part of operations. The progress report to owners is made by owner representatives on the Board of Directors as well as through ongoing dialogues with the sustainability departments at each Swedish national pension fund.

Responsibility for daily operations with climate issues such as planning, governance and monitoring follows the organisational structure, with a clear delegation of responsibilities and authorisations. Climate issues are included as part of the business plans developed for the underlying units as well as for the company as an entirety and include the targets set for both the short and long term. The targets are monitored on a quarterly basis by management and the Board of Directors.

## Strategies

Vasakronan is a long-term actor. It is therefore important that the company's strategy also monitors areas that have a significant effect in the long run, including the climate. A strategic plan is determined annually. It includes the operating environment factors that have the most impact on the company and the strategies assessed as appropriate for the new conditions. Vasakronan has long focused on the operations' climate impact. The company increased its focus during the year by supplementing the strategic plan with a climate strategy that will be part of Vasakronan's work going forward. This means that the company will continue to set ambitious climate targets that affect our own decisions as well as those of our tenants, suppliers and partners. Climate issues are also a central part of future investments. The existing portfolio will be continuously reviewed and adapted based on climate impact.

Vasakronan supports Sweden's national goal of becoming climate neutral by 2045. But to improve our competitive ability and to remain profitable over the long term, we need a more ambitious target, which is why we decided to be climate neutral by 2030. Vasakronan has been climate neutral for years when it comes to direct emissions and emissions related to energy consumption at properties. To reach climate neutrality across the entire value chain, emissions related to construction and tenant use of premises need to be drastically reduced.

Business plans and long- and short-term targets are set so we know what to focus on in the coming year. In 2020, the climate will be one of the company's focus areas. The aim is for the climate to be an integral part of every decision taken. For more information about climate targets, refer to page 142.

To ensure that efforts to reduce our climate impact are sufficient and in line with the requirements specified by the Paris climate agreement's goal to limit global warming to two degrees, we have engaged the Science Based Targets (SBT) initiative to evaluate our climate targets. The Science Based Targets initiative is a collaboration between the World Wide Fund for Nature, the United Nations Global Compact, the Carbon Disclosure Project and the World Resources Institute. The goal is to ensure that the climate goals set by companies have a scientific basis. Vasakronan's target was approved by SBT in December 2018, deeming it to be well under the two-degree target.

## Risks and opportunities

Efforts to identify, analyse, manage and follow up risks are prioritised at Vasakronan. The day-to-day risk efforts involve all employees and follow a structured process that starts with an inventory of existing and new risks. This includes conducting workshops and interviews with representatives from various parts of the organisation. The Management Team assesses the risks included in the inventory based on likelihood and impact. Material risks are then presented to the Audit Committee and the Board.



According to the TCFD's recommendations, climate-related financial risks can be divided in two primary categories: transition risks and physical risks. Transition risks refers to the political, regulatory and technological risks that a transition to a society with lower carbon emissions can entail. The physical risks can be acute or chronic and can include direct damage to assets or indirect damage such as interruptions to the supply chain. For information about Vasakronan's risk management and climate-related risks, see pages 98–101 as well as the "Transition risks" and "Physical risks" sections below.

**Scenario analysis**

Climate scenarios help us understand what our climate will look like in the future, depending on several global issues like politics, technology, the economic and changes in society. By analysing the possible effects different climate scenarios would have on operations, the strategy for the future can be adapted. This means preparing for financial, legislative and social development with low carbon emissions and for the physical effect of the changed climate on properties, tenants and suppliers' operations.

During the year, Vasakronan investigated the possible effects of climate changes on the portfolio up until 2100, with the help of various climate scenarios. These were based on RCP<sup>1)</sup> of 2.6, 4.5 and 8.5. An RCP of 2.6 represents a strong climate policy with reduced emissions, negative emissions by 2100 and a global temperature increase of 0.5–1.5 degrees. An RCP of 8.5 represents instead a weak climate policy, continued high emissions and a global temperature increase of 3.5–5.0 degrees. The investigation also included other factors, such as precipitation amounts and rising sea levels, in the analysis. Results of the study will be integrated into the different processes of operations and management, projects and portfolio planning.




**Transition risks**

Vasakronan identified climate change as an important operating environment factor as early as ten years ago, thus comprehensive efforts have already been made to reduce energy consumption and carbon dioxide emissions, primarily in management activities. Efforts to reduce emissions from project operations began a few years ago. This means that, to a great extent, operations have already been adapted to any transition risks that may arise.

**Physical risks**

Another part of the climate agenda includes being more resilient against physical climate risks, such as flooding, rising sea levels and heat waves. When the climate becomes warmer and damper, properties must still provide a comfortable indoor environment for tenants as well as avoiding flooding during extreme precipitation. Properties are therefore continuously evaluated in terms of technical performance and improvements are planned in conjunction with ordinary maintenance and renovations. Development projects ensure that the design and planning of properties takes into account the needs of today and of the coming decades.

**Climate targets 2020**

DEVELOPMENT/ACQUISITION	OPERATION	TENANTS
		
<ul style="list-style-type: none"> <li>• Waste generated from project development activities must decrease</li> <li>• Recycled material used in all projects</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease purchased energy by 5%</li> <li>• 65% of the buildings should have an energy intensity of less than 100 kWh/sq. m. and year</li> <li>• At least 75 solar photovoltaic systems in operation</li> <li>• We have completed at least three projects that have led to reduced power requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Food waste collection offered at all properties</li> </ul>
<p>The above image shows the short-term environmental targets set for 2020. Read more on page 142.</p>		

In the lower temperature intervals, the operations are not deemed at risk of any immediate risks that cannot be managed. However, we are convinced that our long-standing focus on reducing climate impact and the adaptation measures already planned or taken mean that the operations will continue to develop positively despite climate changes. In the scenario with the higher temperature intervals, however, there are risks that would have significant financial affects, primarily in the form of properties and areas that would be permanently flooded.

**Opportunities**

The transition to a low carbon dioxide society can also entail opportunities for operations. By only using renewable energy, increasing the share of own-produced electricity and improving energy efficiency, greenhouse gas emissions and operating expenses are reduced.

An increased focus on material use and on increasing material recycling, costs for materials in project development decrease. An increased focus on waste management will also have positive financial effects.

The measures that have been carried out so far to reduce climate impact have also had a clear contribution to profitability. The work has led to decreased energy costs and higher revenue due to increased demand in the rental market. This has also entailed higher property values due to lower requirements for yields for buildings with low climate impact and lower financing costs. For the long term, the assessment is that demand for resilient buildings with a low carbon footprint will continue to increase and that Vasakronan's portfolio can meet these expectations.

1) RCP = radiative forcing expressed in W/sq. m. High levels of greenhouse gasses lead to high levels of radiative forcing.

**Continued efforts**

During 2020, the theme for the operations will be the climate, further increasing the focus on efforts to reduce climate impact. Several activities are planned and a great deal of focus will continue to be on taking tangible measures to reduce emissions from construction projects and strengthening collaboration with tenants to reduce their climate impact.

When it comes to climate adaptation, the portfolio will be further surveyed and analysed based on potential physical risks. The goal is to have a concrete action plan by the end of the year.

**Goals and measurements**

A summary of Vasakronan's greenhouse gas emissions from 2015 to 2019 is in the sustainability disclosures 305-1 to 305-3 on page 126. A description of the environmental targets set for 2019 can be found on pages 121 and 142.

The table below reflects table 5 in the TCFD's recommendations and shows the climate-related financial impact on the income state and balance sheet. For more information about how we measure, steer and monitor environmental data, see pages 124–134.

Financial category	Climate-related category	Unit of measure	Outcome 2019	Reference
Income	Adaptation and mitigation	Income from sales of on-site produced renewable energy, SEK m/year	Possible income from the sale of on-site produced renewable energy from solar photovoltaics is estimated at approximately SEK 0.5 million for 2020.	Disclosure 302-1, pages 124–125
Income	Adaptation and mitigation	Rental revenue from environmentally certified properties, SEK m and percent	Rental revenue from environmentally certified properties amounted to SEK 6,350 million, representing 90% of the total rental revenue.	Disclosure CRE 8, page 129
Costs	Energy	Total energy consumption, GWh and SEK m/year	Total energy consumption (heating, cooling and landlord electricity) in the portfolio amounted to 249 GWh, equivalent to approximately SEK 277 million.	Disclosure 302-1, pages 124–125
Costs	Energy	Total fuel consumption, GWh and SEK m/year	Total fuel consumption amounted to 0.01 GWh (0.1), equivalent to approximately SEK 0.07 million.	Disclosure 302-1, pages 124–125
Costs	Energy	Energy intensity in the portfolio, kWh/sq. m.	Energy intensity in the portfolio averaged 92 kWh/sq. m. at the balance-sheet date.	Disclosure CRE 1, pages 124–125
Costs	Water	Water consumption in areas with declared water shortages <sup>1)</sup> , m <sup>3</sup> and SEK m/year	Total water consumption in Uppsala <sup>1</sup> amounted to 121,615 m <sup>3</sup> , equivalent to approximately SEK 3 million.	Disclosure 303-1, page 125
Costs	Emissions	Emissions intensity, Scope 1 and 2 after climate compensation, kg/sq. m.	Scope 1 and 2 emissions intensity after climate compensation amounted to 0 kg/sq. m.	Disclosure CRE 3 page 127
Costs	Emissions	Climate compensation paid, SEK/year	In 2019, a total of SEK 93,000 was paid in climate compensation for scope 1 and 2 emissions. The amount pertains to climate compensation for emissions from 2018.	Disclosure CRE 3 page 127
Assets	Adaptation and mitigation	Total area in environmentally certified properties in relation to the area for the entire property portfolio, at the balance-sheet date, per cent	At the end of 2019, 85% (85) of the property portfolio's total lettable area was environmentally certified.	Disclosure CRE 8, page 129
Assets	Adaptation and mitigation	Market value for environmentally certified properties in relation to market value for the entire property portfolio, at the balance-sheet date, per cent	At the end of 2019, properties with a total market value of SEK 132,841 million were environmentally certified. That represents 85% of the portfolio's total market value.	Disclosure CRE 8, page 129
Assets	Adaptation and mitigation	Investment in low-carbon alternatives, SEK/year	In 2019 a total of approximately SEK 60 million was invested in low-carbon alternatives to reduce energy consumption in the portfolio.	Pages 16, 18, 124–125
Assets	Adaptation and mitigation	Investments in new construction and redevelopment projects that meet the criteria for financing according to Vasakronan's green framework, SEK m/year	In 2019 a total of SEK 400 million was invested in new construction and redevelopment projects that meet the criteria in the green framework.	Impact Report for green financing, pages 136–141

1) Information from the Swedish Meteorological and Hydrological Institute was used to determine which areas had declared water shortages.

# Financial responsibility

## 201-1 Direct economic value generated and distributed

Taking financial responsibility for our operations and having stable, sound finances are fundamental to be able to deliver on the assignment of long-term, stable returns to our owners. This is also important to be able to act with a long-term horizon and meet the financial expectations of stakeholders.

### Boundaries

The reporting only covers the economic value created at Vasakronan. The value is impacted partly by factors that Vasakronan controls but also by external factors such as the state of the market and interest rates, as well as our owners' decisions about the distribution of the dividend.

### Responsibility and monitoring

Vasakronan's CEO and Management Team have overall responsibility for steering operations toward the financial targets. The outcome is monitored on a quarterly basis in connection with interim reports and through internal steering parameters established for the operations.

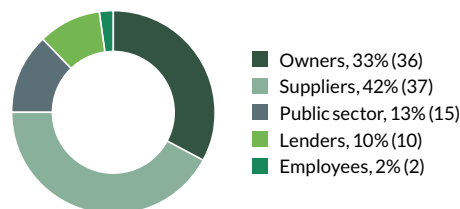
### Governance and objectives

The overall financial objective is a return that, in relation to risk, is greater than the return our owners could obtain from other comparable investment alternatives. The overall financial objective is a total yield of at least 6.5% per year. In addition, the total yield must be at least 0.5 percentage points higher than the outcome for the rest of the industry, measured as the average according to the MSCI Swedish Property Index (excluding Vasakronan). The average outcome is evaluated over rolling ten-year periods, together with monitoring and analysis of the outcome for each individual year. In addition, a number of key financial indicators are set for the coming year. These are monitored on a quarterly basis in connection with internal review and in the quarterly reports to the Board of Directors. For more information, refer to page 142.

### Outcome

Detailed information on Vasakronan's financial position can be found in the company's financial reports on pages 66–77. The economic value created totalled SEK 24.8 billion (20.7) in 2019 and comprises rental revenue, investments and changes in the values of properties. The value distributed to the owners pertains to the dividend presented to the owners, which is also to be regarded as a value to the public. The "Public sector" item includes property tax, ground rent and VAT. In 2019, property tax was an expense of SEK 655 million (expense: 527), of which SEK 588 million (491) was invoiced to tenants. The remaining value totalled SEK 12.5 billion (9.6).

## Economic value distributed



### Taxes

Tax is a statutory expense in our operations that affects the return, and at the same time it is also a responsibility issue that can impact the company's reputation and standing. Tax is defined as income tax, VAT, property tax, stamp duty, advertising tax, energy tax and withholding tax. The Board of Directors has overall responsibility for managing taxes. The Board of Directors has established a tax policy to ensure tax issues are managed in alignment with fulfilling the requirement of achieving a high return, and of the company meeting the requirements set for being a responsible social actor. For more information on the company's tax policy, visit [www.vasakronan.se](http://www.vasakronan.se).

Vasakronan's operations are conducted only in Sweden. Country-by-country reporting of taxes paid is therefore not applicable. Vasakronan is not currently the subject of any tax cases. More information about recorded taxes can be found on pages 85–86.

### Donations and sponsorship

During the year, voluntary contributions and investments in the community in the form of gifts and donations were presented to various organisations. The two largest contributions in 2019 were made to Löparakademin and Mitt Liv, totalling SEK 650,000 (350,000).

### Contribution to the UN Sustainable Development Goals

Through partnerships with different volunteer organisations and supporting their activities with donations, we are contributing to Goal 17 and its target 17.17, "Encourage and promote effective partnerships."

## 205-3 Confirmed incidents of corruption and actions taken

Corruption in the Swedish property and construction industries, in which a large amount of products and services is sold every year, is regarded as being widespread and extensive. We must therefore have a process that eliminates the risk of corruption in all situations.

### Boundaries

The anti-corruption work pertains firstly to our efforts to prevent corruption within the company, but we also set requirements on our suppliers having a systematic process to counteract corruption in their operations.

### Responsibility and monitoring

The efforts toward counteracting corruption and bribery are being led by the company's General Counsel in the capacity of Compliance Officer. Violations are not acceptable and may result in disciplinary measures, termination or legal proceedings. There is also a whistle-blower function to make it easier for employees and those outside the company to report suspicions of corruption or other impropriety.

### Governance and objectives

Internally, operating activities are governed by policies and guidelines for purchasing, communication, equal treatment and the environment, among other factors. Our policies, routines and training work together with our Code of Conduct to counteract all forms of corruption and improprieties. All of Vasakronan's employees and suppliers are expected to comply with the internal regulations as well as with the laws in force. All employee-related policies are available on the intranet, and the organisation is monitored continually to ensure compliance. The goal is zero tolerance for all forms of corruption.

### Outcome

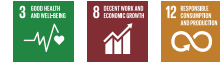
Three suspicions of corruption were reported in 2019 but none of them were confirmed. Measures were nonetheless taken during the year to minimise the risk of corruption.

### Contribution to the UN Sustainable Development Goals

By striving to keep all of our business relationships free from corruption, we are contributing to Goal 16 and its target 16.5, "Substantially reduce corruption and bribery in all their forms."



# Environmental responsibility



## 301-1 Materials by weight or volume

Large amounts of materials are used in new construction, redevelopment and leasehold improvements of properties. The materials used in projects give rise to major environmental impact when they are extracted and produced, and in addition they generate considerable transportation needs. That is why it is important to reduce the amount of material used and to use renewable raw materials, and recycled or reused material to much greater extents. In addition, we need to ensure that the materials used do not contain hazardous substances that are spread into indoor environments or into ecosystems outside our buildings. That is why all the construction material used in our buildings is always evaluated and documented. The Byggarbedömningen system is applied in this work.

### Boundaries

The reporting covers the material used in new construction and redevelopment projects, as well as leasehold improvements. The impact lies primarily with our suppliers, since they are the ones purchasing and using the materials when they perform services for us. The materials Vasakronan purchases and uses internally – office equipment and consumables, as well as construction material for operational and maintenance work, for example – have been deemed to be without significance.

### Responsibility and monitoring

The Regional SVPs are responsible for the materials used in project development. This responsibility covers how much, and what type, of material is used and for using the Byggarbedömningen system in all projects.

The amount of materials used is monitored during each project and is reported when the project is completed. Used material per square metre, the proportion of renewable and non-renewable raw materials, and the proportion of recycled material are then all compiled. The proportion of reused material is also monitored. This monitoring is performed on a quarterly basis.

### Governance and objectives

The environmental impact of the project is governed by the environmental certification scheme, and the "Miljöprogram för projekt" (Environmental Programme for Projects) an internal policy document, which is followed by all project designers and contractors. The programme states that we must use materials efficiently, only use materials that are possible to reuse or recycle, and to design proactively and as flexibly as possible to reduce the need for future redevelopment. Environmental certification of the project also steers towards reduced use of materials and a larger proportion of reused and recycled material. The Environmental Programme also prescribes using the Byggarbedömningen system for selecting and documenting

construction materials. That is checked both through internal audits and supplier audits. The requirement for using the Byggarbedömningen system is also found in the majority of lease agreements, which is important since tenants sometimes renovate under their own management.

Vasakronan's goal for a number of years has been for all new construction and redevelopment projects to report their material use upon completion. Another goal was set for 2019 for reused material to be used in at least ten leasehold improvements during the year. For information on objectives and target attainment, refer to page 142.

### Outcome

The new construction project Hilton was completed in Stockholm during the year. Material used in the project amounted to 18,202 tons, equivalent to 1,124 kg/sq.m. Of the material used, around 3% consisted of renewable raw material and the remaining 97% of non-renewable raw material. The use of materials in Hilton was based on actual measurements taken over the course of the entire project and in cooperation with the research institute RISE. The use, for example, of concrete, rebar, steel and wood is based on the actual amounts reported. No redevelopment projects were completed during the year.

Material use in leasehold improvements is based on an estimate, and during the year totalled SEK 249 million (299), corresponding to SEK 1,183/sq. m. (1,369). The year-on-year decline is the result of work conducted within the organisation to decrease costs for leasehold improvements, which also resulted in lower material costs.

The audits conducted during the year show that the Byggarbedömningen system was used in all major projects.

### Contribution to the UN Sustainable Development Goals

By reducing the risk of construction material containing substances that are hazardous to people's health or to the ecosystem, we are contributing to Goal 3 and its target 3.9, "Substantially reduce the number of deaths and illnesses from hazardous chemicals and contamination."

By reducing the amount of material, and using renewable, recycled or reused material to greater extents, we are contributing to Goal 8 and its target 8.4, "Improve global resource efficiency in consumption and production."

We are also contributing to Goal 12 and its targets 12.1, "Implement the 10-year framework of programmes on sustainable consumption and production," 12.2 "Sustainable management and efficient use of natural resources" and 12.4 "Environmentally sound management of chemicals and all wastes."

## 302-1 Energy consumption within the organisation CRE 1 Building energy intensity



The property sector accounts for just over 30% of society's energy consumption. Therefore, Vasakronan's efforts to decrease energy consumption and only use renewable energy is an important environmental issue. Low energy consumption is also a prerequisite for environmentally certifying buildings with high ratings, something that is in demand by many tenants and is a prerequisite for being able to issue green bonds.

### Boundaries

As a property owner, Vasakronan can impact the energy consumption in properties, for example through the investments made in HVAC-systems and in the building envelope of the properties. Another part of the impact comes from tenants, and is determined by the type of operation they conduct and their preferences as regards indoor climate, for example.

The reporting covers energy consumption from the whole portfolio of properties, and fuel used in vehicles owned by Vasakronan. Only landlord-related energy consumption is reported (i.e. energy consumption related to heating, air conditioning and the building's electrical needs). Tenants' own electricity consumption is not included, but an estimate of that is taken into account when reporting our Scope 3 emissions.

### Responsibility and monitoring

The technical organisation is responsible for the energy consumption of the existing buildings and type of energy source. The regions are responsible for designing for low energy consumption in the development projects.

Energy consumption is monitored on a monthly basis at the property, regional, and company level by an energy monitoring system in which all the values measured are recorded and processed. Energy consumption for new construction and major redevelopment projects is monitored against calculated values in connection with a project being finalised and occupied.

### Governance and objectives

The energy efforts are governed by the company's energy strategy and environmental policy. For major new construction projects, the goal is to come in at least 25% under the BBR requirements (National Board of Housing, Building and Planning's regulations for new construction). For major renovations not covered by the BBR requirements, the aim is to halve energy consumption compared with prior to the renovation.

Reducing energy consumption in existing buildings also requires close collaboration with our tenants. Since 2017, there is a clause in all rental agreements that entails, inter alia, collaboration with tenants around reduced energy consumption and mutual reporting of energy data. This also requires tenants to procure renewable energy if tenants have their own energy supply contracts.

Vasakronan only purchases electricity from renewable resources (hydro and wind power), and in all our agreements with suppliers of district heating and district cooling there are requirements for renewable and/or climate neutral energy.

Ahead of 2019, a target was set to reduce energy intensity by 3%, which cor-

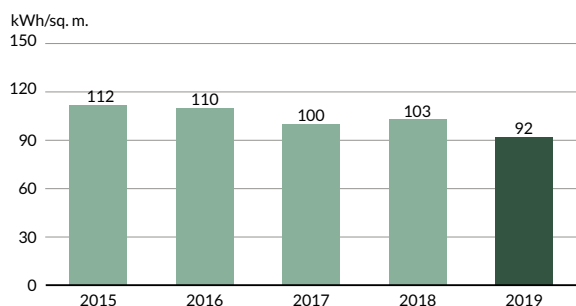
responds to an energy intensity of 100 kWh/sq. m. Moreover, a target was set to increase the number of solar photovoltaic systems to 70 by the end of the year. The outcome and comments on the targets are available under "outcome" on page 142.

**Outcome**

**Energy consumption**

GWh	2019	2018
Cooling	34.1	49.2
Landlord electricity	78.9	86.0
Heating	135.6	154.9
Vehicle fuel consumption	0.0	0.1
<b>Total</b>	<b>248.6</b>	<b>290.2</b>

**Energy intensity**

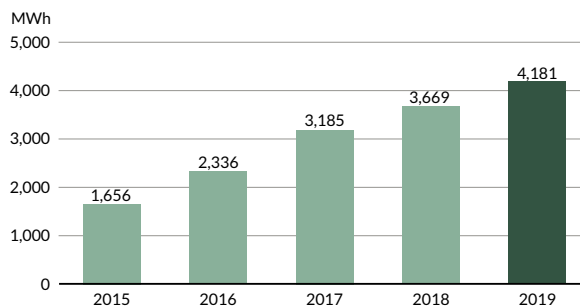


In 2019, energy intensity averaged 92 kWh/sq. m. (103), compared to the target of a maximum of 100 kWh/sq. m. The improvement over last year is due to favourable weather but also operating optimisations, power demand response efforts and energy investments.

The fuel used during the year consisted primarily of petrol and diesel in company-owned vehicles, and totalled 0.01 GWh (0.1). Fuel consumption is not included in energy intensity data, but in the climate calculations (Scope 1). Tenants' own energy consumption is not included in energy intensity, but is included in the climate impact reporting (Scope 3). For definitions of energy intensity and temperate area, refer to page 148.

In 2019, an additional 9 solar photovoltaic systems (6) were put into operation in the property portfolio; in total, 3,211 MWh (2,944) of electrical energy were produced from our solar photovoltaic systems. A total of 63 solar photovoltaic systems (55) were in operation at year end and these are estimated to generate a total of 4,181 MWh (3,700) per year. The installations are located throughout the entire property portfolio; Stockholm has the most with 28 installations followed by Uppsala with 19, Malmö with 9 and Gothenburg with 7.

**Energy from solar photovoltaic systems**



**Contribution to the UN Sustainable Development Goals**

By reducing energy consumption and transitioning to renewable energy sources we are contributing to Goal 7 and its target 7.2, "By 2030, increase substantially the share of renewable energy in the global energy mix" and 7.3, "By 2030, double the global rate of improvement in energy efficiency."

**303-1 Interactions with water as a shared resource**  
**CRE 2 Building water intensity**



Water consumption is an important issue from a global perspective. Over the last few years, even in Sweden, access to drinking water has been restricted in certain parts, including Uppsala where Vasakronan owns properties. Vasakronan uses water from municipal systems, and even though a shortage has only arisen in one of the locations where we operate, we are working continually on monitoring and on cost-efficient measures to reduce consumption. Low water use is a prerequisite for environmentally certifying buildings with high ratings.

**Boundaries**

As a property owner, we have a great opportunity to impact the amount of water used in our buildings, since we are the ones who decide and make investments in technical systems. This impact consists primarily of our tenants, the type of operations they conduct and how they choose to act.

The reporting covers water use in all properties. It does not cover any water use where tenants have their own water supply contracts.

**Responsibility and monitoring**

The technical organisation has primary responsibility for the water use of the existing properties. The regions are responsible for designing all new construction and redevelopment so that their water use is low. Water efficient equipment is selected

during planning – low flush lavatories and low flow fixtures, for example. Any landscaping adjacent to the buildings is planned to reduce the need for irrigation. Water use is monitored on a monthly basis at the property, regional, and company level via an operations monitoring system in which all the values measured are recorded and processed.

**Governance and objectives**

Water use is governed by the company's environmental policy, and is included as a requirement in environmental certification of buildings.

**Outcome**

The total amount of water consumed during 2019 amounted to 1,109,087 cubic metres (1,162,908), equivalent to a water intensity of 0.5 m<sup>3</sup>/sq. m. per year (0.5).

**Contribution to the UN Sustainable Development Goals**

By reducing the water consumption we are contributing to Goal 6 and its target 6.4, "By 2030, substantially increase water-use efficiency across all sectors"



## 305-1 – 305-3 and CRE 3 Direct and indirect emissions

Buildings use large amounts of energy in the operations phase, which may result in emissions of greenhouse gases. In addition, our operations generate emissions from own vehicles, business travel and commuting. Operations also generate large amounts of indirect emissions from the use of construction material, waste and construction-related transportation.

### Boundaries

Climate impact within our own organisation (Scope 1) is marginal, since we do not have central heating boilers in the buildings and since the majority of vehicles we own are electric cars. What we can largely impact is energy consumption in the properties as well as what type of energy source we choose. Owing to low average energy consumption and contracts on renewable and/or climate-neutral energy, the indirect emissions from energy consumption (Scope 2) have already been decreased drastically. We have therefore chosen to focus our work on emissions that occur outside our own organisation, indirect emissions (scope 3). We are primarily trying to reduce emissions from tenants' own electricity contracts and waste. We also strive to reduce emissions from our construction activities, where construction material, waste and transportation to and from construction sites are the greatest contributors.

Our greenhouse gas reporting covers the aspects identified as material based on scope of the emissions and our ability to influence.

### Responsibility and monitoring

The responsibility for the materials used, energy consumption and waste forms the basis for the responsibility for our emissions. In addition, the management team is responsible for creating the conditions and guidelines for reducing emissions from employees' business travel and commutes.

Annual monitoring of greenhouse gas emissions is conducted under the GHG protocol, and in 2019 the greenhouse gas report was prepared by the consultants 2050 AB.

### Governance and objectives

Efforts to reduce the company's emissions are mainly governed through systematic work to reduce our material and energy consumption, waste from our tenants and our own construction waste. A decision was taken ahead of 2019 to reduce climate impact from transportation by phasing out the remaining vehicles powered by fossil fuels in the operations. At the end of the year there was only one remaining, which will be phased out in early 2020. Vasakronan's internal steering documents have stipulated for some time that only renewable fuel be used for transportation in project development for Board-approved projects.

In 2018, we analysed our climate goals in accordance with Science Based Targets. The analysis showed that our goals are well below the level we need to reach by 2030, if our operations are to be deemed in line with the requirements of the Paris climate agreement.

### Outcome

Vasakronan has been reporting its greenhouse gas emissions since 2006, which is the base-line year for our reporting. Total greenhouse gas emissions from 2006 and 2015–2019 are given in the table on page 127. Since the base year, emissions have decreased approximately 99% (comparable emissions, i.e. Scope 1, Scope 2 and emissions from air travel). The tremendous decrease is due to reduced energy consumption and a transition to renewable or climate-neutral energy sources.

Over the past few years, a gradual improvement of data — as well as amended accounting principles — have led to an increase in the scope of which emissions are included in the reporting. Since 2012, the reports relate not only to emissions of carbon dioxide but to all greenhouse gases that impact the climate.

During the year, Scope 1 and Scope 2 emissions decreased 36%. The largest decreases took place in the categories of district heating and electricity. One reason is that all district heating suppliers have switched to climate neutral fuels, and that the proportion of property electricity not purchased via Vasakronan has decreased.

In Scope 3, part of the report is based on actual data and part on estimated values. The emissions from waste, transportation and material use in new construction and redevelopment projects includes construction projects that were completed during the year.

Emissions from the production and distribution of energy fuel decreased during the year. These emissions are based on actual data, and the decrease is explained by changes in the shares of wind and hydro power over the year.

Emissions from construction waste refers to waste from new construction and redevelopment projects that were completed during the year and from leasehold improvements. In 2019, emissions from construction waste totalled 1,104 tons, of which emissions from new construction and redevelopments amounted to 158 tons. Emissions from new construction and redevelopments refers to emissions from actual waste measured from the new construction on the Hilton block just outside Stockholm. Emissions from waste from tenants and from leasehold improvements is partially based on estimated values. For more information about how we measure waste, refer to page 128.

Emissions from transportation for construction projects includes transportation for new construction and redevelopment projects and leasehold improvements. Emissions from transportation to and from the new construction on Hilton are based on actual measurements and total 296 tons. The remaining transportation emissions are from transportation to and from leasehold improvements completed during the year. These are based on estimated values.

Emissions from the material used during the construction of the Hilton property totalled 8,399 tons. For more information about material use in the Hilton project, refer to page 124. Emissions from leasehold improvements are based on estimated values and were on a par with last year.

Vasakronan undertakes climate compensation for the remaining direct emissions – as well as certain indirect emissions – by purchasing shares in compensation projects.

All amounts in the table on the next page refer to tons, if not otherwise stated.

### Contribution to the UN Sustainable Development Goals

By reducing the climate impact of the entire value chain, we are contributing to Goal 11 and its target 11.6, "Reduce the adverse per capita environmental impact of cities." We are also contributing to Goal 12 and its targets 12.2, "Sustainable management and efficient use of natural resources" and 12.4 "Environmentally sound management of chemicals and all wastes."



All amounts in the table below refer to tons, if not otherwise stated.

	Base year 2006 <sup>1)</sup>	2015	2016	2017	2018	2019
<b>Scope 1</b>						
Oil	3,335	0	0	0	0	0
Own vehicles	67	11	21	20	22	11
Private vehicles used for business and service vehicles	236	2	16	11	10	4
Refrigerants	-	371	280	256	215	170
<b>Total Scope 1</b>	<b>3,638</b>	<b>384</b>	<b>317</b>	<b>287</b>	<b>246</b>	<b>185</b>
<b>Scope 2<sup>2)</sup></b>						
District heating	25,740	187	189	182	69	0
District cooling	606	179	121	4	6	0
Electricity <sup>3)</sup>	30	626	415	314	164	127
<b>Total Scope 2</b>	<b>26,376</b>	<b>992</b>	<b>725</b>	<b>500</b>	<b>239</b>	<b>127</b>
<b>Climate compensated Scope 3 emissions</b>						
Air travel	303	201	118	130	206	121
Rail travel	-	0	0	0	0	0
Taxis	-	0	6	6	3	3
Hotels	-	4	7	2	4	4
Commutes	-	181	157	159	118	90
Production and distribution of vehicle fuels (in Scope 1)	-	3	9	7	6	3
Production and distribution of energy fuels (in scopes 1 and 2) <sup>4)</sup>	-	1,131	1,451	862	922	874
<b>Total Climate compensated Scope 3 emissions</b>	<b>303</b>	<b>1,521</b>	<b>1,748</b>	<b>1,166</b>	<b>1,259</b>	<b>1,095</b>
<b>Other Scope 3 emissions<sup>5)</sup></b>						
Waste from tenants	-	2,523	1,727	1,840	1,649	1,288
Waste in construction projects <sup>6)</sup>	-	598	1,157	1,795	1,329	1,104
Transportation in construction projects <sup>6)</sup>	-	1,853	1,013	596	393	547
Materials in construction projects <sup>6, 7)</sup>	-	59,031	30,175	37,602	28,055	26,312
Electricity consumed by tenants <sup>8)</sup>	-	41,047	24,830	25,294	19,472	12,155
<b>Total Other Scope 3 emissions</b>	<b>-</b>	<b>105,052</b>	<b>58,901</b>	<b>67,127</b>	<b>50,898</b>	<b>41,406</b>
<b>Sum total of compensated emissions</b>	<b>-</b>	<b>2,896</b>	<b>2,791</b>	<b>1,954</b>	<b>1,744</b>	<b>1,407</b>
<b>Sum total of emissions (scopes 1, 2 and 3)</b>	<b>30,318</b>	<b>107,948</b>	<b>61,693</b>	<b>69,080</b>	<b>52,642</b>	<b>42,812</b>
Emissions intensity, scopes 1 and 2 (kg per lettable sq. m.)	8.14	0.55	0.38	0.32	0.2	0.1
Emissions intensity, scopes 1 and 2 (after climate compensation)	8.14	0	0	0	0	0

1) Including AP Fastigheter's emissions before the merger with Vasakronan. Only scopes 1 and 2 and air travel, and only CO<sub>2</sub>.

2) When calculating scope 2 emissions, the specific emissions factor was used, which pertains to the agreement Vasakronan has with each energy utility where consideration is given either to its origin, specific allocation or climate compensation made by the utility.

3) As of 2012, temporary agreements without certificate of origin are included.

4) This category includes emissions that occur upstream of production of hydro power, wind power, biopower, other power, district heating and district cooling and the extraction, refinement and distribution of oil.

5) New categories since 2014 for waste, construction material and transportation and since 2015 for tenants' electricity use.

6) Emissions for entire construction projects, for projects concluded during the reporting year.

7) As of 2016, new methods are applied for calculating emissions from leasehold improvements. The equivalent emissions for 2015 have been re-calculated using the same method. However, corrections further back in time have not been made.

8) Electricity procured by tenants themselves. For 2018, comparative figures were restated after taking into consideration the area of vacant projects when estimating tenant electricity consumption. In this year's report, the outcome for 2018 has been corrected since the number of leases with clauses regulating the purchase of renewable energy was miscalculated.



## 306-2 Waste by type and disposal method

Large amounts of waste arise in new construction and redevelopment projects, and a large portion of that waste currently goes to incineration or landfill. Moreover, there is a national target that by 2020, 70% of all construction and demolition waste should be reused or recycled.

In addition to construction waste, we also take care of large amounts of waste from our tenants' operations. Most of the time, we are the ones who determine how well the waste is sorted since we are responsible for the waste recycling facilities in the buildings.

### Boundaries

Our influence is mainly exercised outside the organisation at our construction contractors, who do the work in our construction projects, and at our tenants when they conduct operations at our properties. The waste that arises owing to our own administrative operations is not deemed to be material in relation to the waste from development projects and tenant waste. Since we are tenants at our own properties, the reporting also covers our own waste from operations, included in the tenant's waste.

Reporting covers the waste that we help our tenants take care of, but not any waste for which the tenant is responsible for removal. This could encompass hazardous waste and confidential papers, for example. Construction waste includes the waste that arises in direct connection with construction work at the construction site.

### Responsibility and monitoring

The technical organisation is responsible for meeting the tenant's waste target. The regional SVPs are responsible for meeting our construction waste target.

Tenant waste and construction waste are monitored annually in connection with preparing the sustainability and impact reports. The construction waste monitored pertains to new construction and redevelopment projects that were concluded during the current year as well as leasehold improvements.

### Governance and objectives

The EU waste hierarchy governs our waste policy. Vasakronan strives to minimise waste, to increase the proportion that is recycled or reused, and minimise the share that goes to landfill or incineration. Vasakronan's long-term goal is that neither our own nor our tenants' operations should generate waste that cannot be recycled or reused.

To reach this long-term goal, Vasakronan collaborates with tenants and suppliers to:

1. Reduce the total amount of waste by resource efficiency practises
2. Create conditions for reuse of waste
3. Manage waste so that it goes from being waste to being a new resource
4. Hazardous waste that arises will be properly taken care of

Reporting the amount of waste generated by us and our tenants is built partly on estimates. Part of the waste in the category of tenant waste ('household' waste or comparable thereto) may only be collected by contractors appointed by the respective municipalities. It is often difficult, and sometimes even impossible, to get data from the municipalities on how much waste is collected in each building. Portions of the waste have therefore been estimated, based on key metrics per square metre from the actual information that could be obtained.

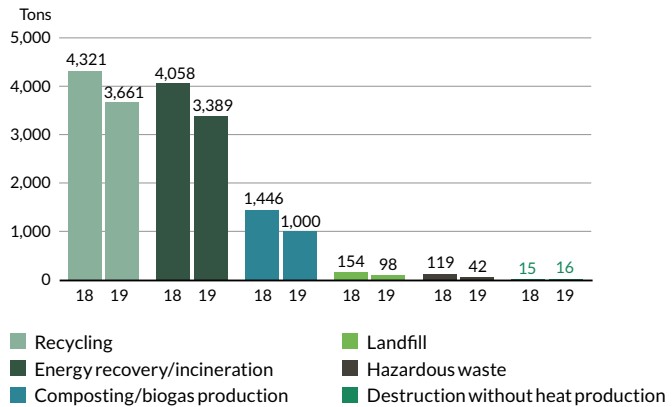
Waste from new construction and redevelopment projects is based on the actual measurements summarised in waste reports upon completion. Waste from leasehold improvements is estimated by calculating a key metric per krona invested, based on a smaller number of reference projects with actual data. Work is under way to be able to eventually conduct actual measurements in leasehold improvement projects.

All major new construction and redevelopment projects should conduct waste minimising workshops to decrease the amount of waste and setting tangible waste reduction targets for the project. Ahead of 2019, a goal was set for the company to reduce the amount of combustible tenant waste, reduce waste in project development and to use recycled material in at least ten leasehold improvement projects. The outcome and comments on the target are available on page 142.

### Outcome

In 2019, tenant waste totalled 8,206 tons (10,113), of which 45% (43) could be recycled. The breakdown into different fractions is set out in the following diagram.

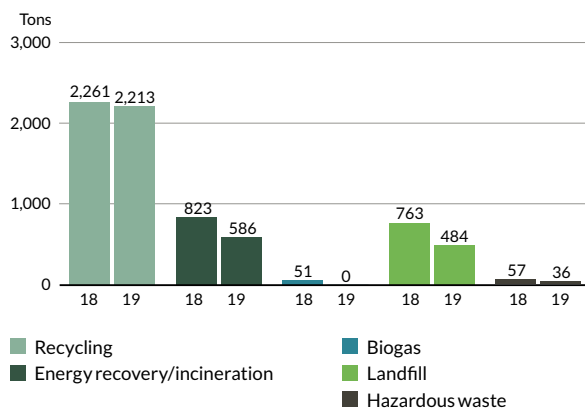
### Tenant waste, 2018–2019



Construction waste totalled 3,320 tons (3,955). Of the total construction waste, 524 tons, equivalent to 32 kg/sq. m., was from new construction on the Hilton block in Stockholm. There are no comparable figures for 2018, as no new construction projects were completed that year. The next comparable project is Hubben, which was completed in 2017 and resulted in 38 kg of waste per square metre. The remaining portion pertained to waste from completed leasehold improvements. The outcome for 2018 totals 2,143 tons, equivalent to 77 kg/sq. m., from the three redevelopment projects that were completed in 2018. The breakdown into different fractions is set out in the following diagram.

In 2019, the amount of reused materials was 62 tons (51). No redevelopment projects were completed during the year.

### Construction waste, 2018–2019



### Contribution to the UN Sustainable Development Goals

By reducing waste, we are contributing to Goal 11 and its target 11.6, "Reduce the adverse per capita environmental impact of cities." We are also contributing to Goal 12 and its target 12.5, "Substantially reduce waste generation."

## CRE 8 Type and number of sustainability certification, rating and labelling schemes for new construction, management, occupation and redevelopment

Environmental certification of both existing and new construction projects is important from several perspectives. It is proof from a third party that our properties have low environmental impact, which means we can meet our tenants' growing environmental requirements.

Environmental building certification is also a prerequisite for our green financing.

### Boundaries

Many aspects are assessed when environmentally certifying buildings, and we cannot always have full control over some of them. However, it is always the organisation that takes decisions on which buildings will be certified, which certification will be chosen and which rating we will have as an objective.

Reporting covers all properties.

### Responsibility and monitoring

Responsibility for environmentally certifying our new construction and major redevelopment projects lies with the regional SVPs; responsibility for existing buildings lies with the Technology, Services and Development Unit.

### Governance and objectives

The environmental intensity of the project is governed by the environmental certification scheme chosen and the "Miljöprogram för projekt" (Environmental Programme for Development Projects), an internal policy document. The environmental programme for the project indicates that all projects are to be certified under LEED, with the goal of reaching Platinum certification. Information on the choice of certification and the level set as a goal must also be indicated in the decision memoranda produced for the respective projects.

Almost all existing properties have been certified. In some cases we have chosen to wait with certification since the building was awaiting a major renovation or other extensive measures. Instead, the work now aims to recertify all existing buildings, since certification normally expires after five years. The technical organisation is responsible for certification work with the existing properties.

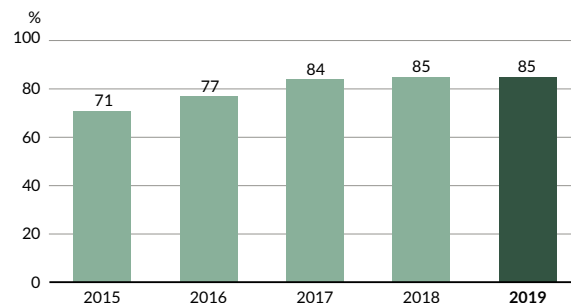
For 2019, the goal was to increase the proportion of environmental certifications rated LEED Gold or higher. The outcome and comments on the target are available under the heading "outcome" below.

### Outcome

At the end of 2019, 85% (85) of our property portfolio was environmentally certified. In 2019, the development property Hilton in Stockholm was certified and 31 properties were re-certified. The share of properties certified in accordance with LEED Gold or higher increased to 72% (69) and the share certified LEED Platinum increased to 21% (5).

Vasakronan counts only BREEAM, LEED and Miljöbyggnad as satisfactory certifications; GreenBuilding is excluded as it only encompasses the environmental topic energy.

### Environmental certifications



Share of total area.

	Area, thousand sq. m.	Share, %
BREEAM Excellent	28	1
LEED Platinum	492	21
LEED Gold	1,153	50
LEED Silver	253	11
LEED Certified	54	2
	<b>1,980</b>	<b>85</b>

To the extent the property is environmentally certified under several systems, it has been counted as LEED certified in the table above.



## 102-9 Supply chain

### 308-1 New suppliers that were screened using environmental criteria



In order to successfully conduct our operations, we need to engage suppliers of various types. Each purchase must be conducted with professional correctness, objectivity and honesty while observing good business practice. Additionally, purchasing must take place through competitive procurements where suppliers and tenders are assessed and prioritised based on how well they meet the requirements set, taking into consideration competence and efforts toward quality, sustainability, and health and safety as well as risk function, performance, design and price. Since a large part of our environmental impact arises in the supply chain, assessing suppliers based on how they conduct their environmental work is of great importance.

#### Boundaries

We ourselves are the ones who determine which requirements we will set for our suppliers. Whether the requirements are met is determined by our suppliers. Reporting covers the supplier agreements signed by the purchasing department.

#### Responsibility and monitoring

The work on signing agreements with our suppliers is managed by a central purchasing division. The Purchasing Director reports to the SVP for the technical organisation. The purchasing division is responsible for purchases meeting strict requirements for quality and sustainability and that they take place at the lowest possible cost, and for procurement of new suppliers. Prior to every tender, an evaluation of potential suppliers is conducted based on several criteria. The purchasing division continually monitors the proportion of new suppliers who have signed the Code of Conduct for suppliers. Vasakronan works continually to reduce the number of suppliers engaged and to have all supplier agreements managed directly by the purchasing division.

#### Governance and objectives

Environmental requirements for our suppliers – environmental programmes for development projects, for example – are placed in specific appendices to the agreement. General environmental requirements are summarised in our environmental policy and in our Code of Conduct for suppliers. The agreements with new suppliers always include the Code of Conduct for Vasakronan's suppliers; as of 2017, all new suppliers under framework and service agreements will be evaluated as regards the environment, working conditions and human rights. Ahead of 2019, a goal was set for the company to evaluate at least 50 of our suppliers with respect to compliance with our Code of Conduct. Refer below to the heading "Outcome" for more information on how the target was met.

Audits are conducted to check that our suppliers are living up to their commitments in the Code and additional specifications, if any. Selection for audit takes into consideration how much we buy from the supplier, as well as particular risks and focus areas.

#### Outcome

The total number of suppliers engaged directly by Vasakronan totals 2,568 (2,587). In turn, these suppliers often have subcontractors. The number of subcontractors is difficult to estimate, since the number per supplier varies drastically. The suppliers that are primarily engaged are contractors (mainly construction contractors), consultants (technical consultants and architects, for example), utility suppliers (electricity, district heating and district cooling), and service suppliers.

Since Vasakronan conducts operations exclusively in Sweden, our suppliers most often are also based in Sweden.

Vasakronan's Code of Conduct for suppliers is applied to all new supplier agreements, and is now included in all supplier agreements signed by the purchasing division.

In 2019, a total of ten (two) major supplier audits were conducted. Additionally, 27 (8) audits were conducted in conjunction with contract meetings with suppliers and 43 (-) suppliers were evaluated via questionnaires taken by Vasakronan project managers regarding their assessment of suppliers' efforts regarding environmental issues and work environments. The outcomes of these audits show that the audited suppliers met our environmental requirements in a satisfactory manner.

#### Contribution to the UN Sustainable Development Goals

Through its Code of Conduct for suppliers, Vasakronan sets requirements for its suppliers regarding knowledge of and control over their environmental impact in several areas. This includes requirements regarding the material used, how the supplier manages waste, improving energy consumption and actively working to reduce emissions. By setting these requirements, Vasakronan is contributing to the goals based on indicators for material, waste, energy and emissions.

# Social responsibility

## 102-8 Information on employees and other workers 405-1 Diversity of governance bodies and employees



We want to be a company that reflects the society we operate in. We believe we will be more successful if we avoid entirely overly homogeneous groups, since groups with a more heterogeneous composition are often more innovative, solving problems more efficiently.

### Boundaries

The impact within our own organisation occurs only in connection with recruitment of new employees. Reporting covers only individuals employed at Vasakronan, and not individuals who perform work under conditions similar to employment.

### Responsibility and monitoring

The work on diversity and equal treatment is managed by the company's SVP for Human Resources, but responsibility for creating groups marked by diversity and for no employees being discriminated against lies with the respective directors.

Any cases of discrimination are captured by one of the following channels: employee surveys, immediate supervisors, the HR division, union parties, the company's Compliance Officer or our external whistle-blower function.

To ensure that no unreasonable differences in pay occur at Vasakronan, wage surveys are conducted annually. The survey is performed by a third party to ensure the highest possible level of objectivity.

### Governance and objectives

All employees and job applicants will be treated equally, and no discrimination is permissible. Women and men must be given equal opportunities for development and advancement, as well as equal pay for equal work. The purpose and goal of efforts around equal treatment are summarised in an equal treatment policy that clearly explains that all the company's operations must be free from discrimination and harassment. In addition, there is an internal Code of Conduct for employees and Board members.

Prior to 2019, a target was set for the entire operation that all employees should know how to prevent discrimination and harassment. Targets for increasing the number of employees with non-Swedish backgrounds were also set. See more information on targets and fulfilment on page 143.

### Outcome

At 31 December 2019, the number of employees was 304 (309), of which 300 (308) were permanent employees and the remainder on time-limited contracts. Two employees in the organisation had part-time contracts. All employees are covered by collective agreements. All employees were salaried employees and none were employed under a collective agreement at year end.

At the end of the year, around 240 (230) consultants were employed in operations. Of these, about half were hired in as external project managers in new construction and redevelopment projects. Other consultants were hired primarily as replacements for existing personnel, for example in connection with parental leave or sick leave. In addition to the consultants hired in, contractors are engaged for project operations. As the extent of these contractors varies markedly over time, no estimates have been made of their proportions.

From the 2019 salary survey, it emerged that women earned 95% (90) of what men earned. Moving forward, efforts will increasingly focus on identifying unwaranted pay differences and taking actions.

### Contribution to the UN Sustainable Development Goals

By engaging with diversity and equal treatment, we are contributing to Goal 5 and its target 5.5, "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life." We are also contributing to Goal 8 and its target 8.5, "By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value" as well as Goal 10 and its target 10.2, "By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status."

### Age distribution



■ <29, 6% (7)  
 ■ 30-49, 53% (54)  
 ■ >50, 41% (39)

Age distribution among all employees.

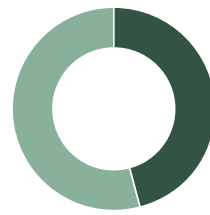
### Distribution, women and men, on balance-sheet day

All employees



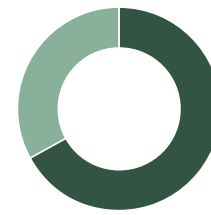
■ Women, 45% (46)  
 ■ Men, 55% (54)

Management Team



■ Women, 46% (46)  
 ■ Men, 54% (54)

Board



■ Women, 67% (56)  
 ■ Men, 33% (44)

### Distribution, women and men

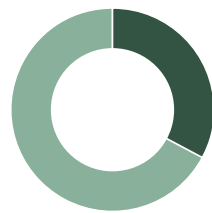
Stockholm



■ Women, 47% (47)  
 ■ Men, 53% (53)

At the end of the year, the number of employees in Stockholm was 196.

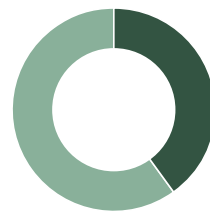
Gothenburg



■ Women, 33% (38)  
 ■ Men, 67% (62)

At the end of the year, the number of employees in Gothenburg was 45.

Malmö



■ Women, 40% (46)  
 ■ Men, 60% (54)

At the end of the year, the number of employees in Malmö was 30.

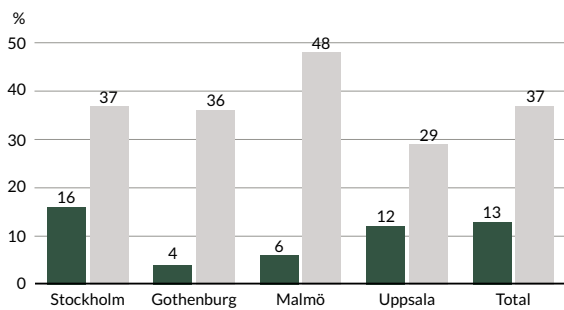
Uppsala



■ Women, 48% (53)  
 ■ Men, 52% (47)

At the end of the year, the number of employees in Uppsala was 33.

### Share of employees with a non-Swedish background, 2018

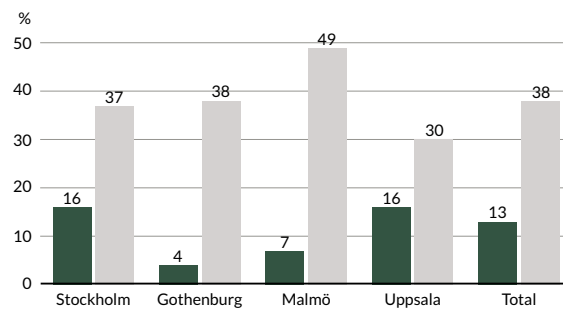


■ Vasakronan 2018 ■ Population, aged 20-67

Share of employees with a foreign background in Vasakronan 2018 compared with non-Swedish background in the population (20-67) in the same locations.

Source: Statistics Sweden

### Share of employees with a non-Swedish background, 2019



■ Vasakronan 2019 ■ Population, aged 20-67

Share of employees with a foreign background in Vasakronan 2019 compared with non-Swedish background in the population (20-67) in the same locations.

Source: Statistics Sweden





## 414-1 New suppliers that were screened using social criteria

In order to successfully conduct our operations, we need to engage suppliers of various types. Each purchase must be conducted with professional correctness, objectivity and honesty while observing good business practice. Additionally, purchasing must take place through competitive procurements where suppliers and tenders are assessed and prioritised based on how well they meet the requirements set, taking into consideration competence and efforts toward quality, sustainability, and health and safety as well as risk function, performance, design and price.

### Boundaries

We ourselves are the ones who determine which requirements we will set for our suppliers. Whether the requirements are met is determined by our suppliers. Reporting covers the supplier agreements signed by the purchasing department.

### Responsibility and monitoring

The work on signing agreements with our suppliers is managed by a central purchasing division. The Purchasing Director reports to the SVP for the technical organisation. The purchasing division is responsible for purchases meeting strict requirements for quality and sustainability and that they take place at the lowest possible cost, and for procurement of new suppliers. Prior to every tender, an evaluation of potential suppliers is conducted based on several criteria.

The purchasing division continually monitors the proportion of new suppliers who have signed the Code of Conduct for suppliers. A number of agreements are not signed by the purchasing division, however, which is why it is difficult to estimate how many agreements and suppliers have the relevant environmental requirements in their contracts. Vasakronan works continually to reduce the number of suppliers engaged and to have all supplier agreements managed directly by the purchasing division.

### Governance and objectives

Through its Code of Conduct for suppliers, Vasakronan sets requirements for its suppliers regarding such aspects as working conditions and human rights. The agreements with new suppliers always include the "Code of Conduct for Vasakronan's suppliers;" as of 2017, all new framework and service agreement suppliers will be evaluated as regards the environment, working conditions and human rights.

To reinforce the opportunity for employees or external parties to anonymously report suspicions of breaches of laws and regulations regarding working conditions or human rights, there is a whistle-blower function. Vasakronan's Compliance Officer (who is also the General Counsel) receives and investigates the reports that come in. Since 2015, there has also been an external whistle-blower function to provide the opportunity for reporting suspicions of any impropriety to an external party.

Audits are conducted to check that our suppliers are living up to their commitments in the Code and additional specifications, if any. Selection for audit takes into consideration how much we buy from the supplier, as well as particular risks and focus areas.

### Outcome

Vasakronan's Code of Conduct for suppliers is applied to all new supplier agreements, and is now included in all supplier agreements signed by the purchasing division.

In 2019, a total of ten (two) major supplier audits were conducted. Additionally, 27 (8) audits were conducted in conjunction with contract meetings with suppliers and 43 (-) suppliers were evaluated via questionnaires taken by Vasakronan project managers regarding their assessment of suppliers' efforts regarding work environments, inter alia. The outcomes of these audits show that the audited suppliers met our work environment and human rights requirements in a satisfactory manner.

No suspicions of deviations from laws or regulations regarding working conditions or human rights were reported in 2019.

### Contribution to the UN Sustainable Development Goals

By setting requirements for suppliers regarding decent work and human rights, we are contributing to Goal number 3 and target 3.4, "Reduce by one third premature mortality from non-communicable diseases and promote mental health and well-being." We are also contributing to Goal 5, primarily its target 5.5, "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making" and to Goal 8 and its target 8.8, "Protect labour rights and promote safe and secure working environments for all workers."



## 403-2 Hazard identification, risk assessment, and incident investigation

The health and safety of our employees is of the greatest importance, since sick leave leads both to direct costs in the form of sick pay and to indirect costs in the form of loss of output and unnecessary human suffering.

### Boundaries

It is the employers' responsibility to ensure a good physical and psychosocial work environment. Therefore, a lot of impact arises within the organisation. The greatest impact from the perspective of accidents occurs outside the organisation at the construction work sites in our project activities.

Reporting covers sick leave and accidents concerning persons employed at Vasakronan. Efforts have also begun on reporting accidents at our work sites and a uniform system for this reporting is being prepared.

### Responsibility and monitoring

The SVP for Human Resources is responsible for providing access to measures that promote health and the opportunity for rehabilitation. The respective directors are responsible for reviewing employees' work situations, since a portion of sick leave is related to burnout syndrome. The regional SVPs are responsible for the company's project development, and thereby also for the working environment for the contractors operating at our construction work sites. The equivalent responsibility for operation and maintenance contracts lies with the technical organisation.

Monitoring of sick leave and long term illness absence is conducted monthly, over a rolling twelve months. The number of workplace accidents is monitored on a yearly basis.

### Governance and objectives

Great emphasis is placed on activities that promote health, such as preventing workplace accidents and rehabilitating people on long-term sick leave. Vasakronan offers health insurance to all its employees.

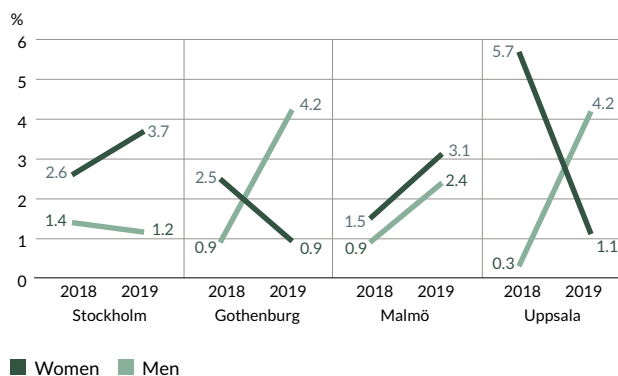
Incidents and accidents are reported in the "Kris och incidenter" (Crisis and incident) tool, which currently covers only Vasakronan's employees.

As regards the contractors operating on our construction work sites, requirements for work environment and safety are set in our contractor agreements. In addition, work is in progress on improving the routine for reporting accidents and in 2019, it was included as a company-wide goal. Refer to page 143 for more information.

### Outcome

Total sick leave in 2019 amounted to 2.1% (1.9); the distribution by region and gender is shown in the diagram below. In 2019, a total of four accidents were reported for Vasakronan's employees, of which two were near misses, which mean that no injury was sustained. None of the reported injuries resulted in any absentee days. A total of 16 accidents were reported for the entire Hilton project, which was completed during the year. In these cases, no information has been provided by the contractors regarding any absentee days the accidents may have led to.

### Sick leave 2019 and 2018



### Contribution to the UN Sustainable Development Goals

Through occupational health and safety efforts, we are contributing to Goal 3 and target 3.4, "Reduce by one third premature mortality from non-communicable diseases and promote mental health and well-being" and Goal 8 and its target 8.8, "Protect labour rights and promote safe and secure working environments for all workers."

## 416-A Measures taken to maintain a high level of safety and security in and around properties



It is important for everyone to feel safe and secure in their local surroundings. As employers, our tenants want to ensure that their employees have a safe workplace and a safe commute. This is becoming an increasingly important issue when selecting premises.

### Boundaries

Impact occurs within the organisation as a result of the fact that this indicator pertains to measures we ourselves have taken. Reporting covers only the measures Vasakronan takes.

### Responsibility and monitoring

The responsibility for ensuring that day-to-day safety routines in and around the properties is maintained lies with the technical organisation.

In connection with project development, responsibility lies with the respective regions for taking action at the start, during the planning of new construction and redevelopment projects.

### Governance and objectives

Vasakronan continually takes measures to create a safe, secure environment in and around our properties. An important part of this work is creating a mix of offices, commerce and leisure, thereby creating a more lively environment during the evenings as well. In addition, measures are taken in administration to increase lighting in darker areas such as parking, or in the area around our development properties. Other measures include reviewing security alarms, introducing safer entry systems and improving lighting.

Vasakronan's long-term objective is for the design of our properties to contrib-

ute to the safety, security and health of our tenants. Ahead of 2019, the goal was to carry out at least another 50 measures to create security in our properties and our development projects.

### Outcome

Over the year, 52 measures were implemented to increase security in and around the properties. Examples of measures taken in the existing portfolio include improved lighting, increased security patrols, evaluating access to the properties, increased safety inspections, music in garages and graffiti removal.

Purple Flag certification continued during the year of the areas Fredstan, Nordstan and Lilla Bommen in Gothenburg. Purple Flag is a collaboration with the Swedish Property Federation that aims to showcase sites that have successfully worked to improve safety and access, and that also offer a diverse selection at night. In Stockholm, awareness is being raised by the management organisation with the "Tryggare Sverige" (Safer Sweden) foundation to spread knowledge about how property owners like Vasakronan can make our premises more secure.

For information about how our ongoing safety and security are progressing in project operations, see page 24.

### Contribution to the UN Sustainable Development Goals

By maintaining a safe and secure environment in and around our properties, we are contributing to Goal 5 and its target 5.2, "Eliminate all forms of violence against all women and girls," Goal 10 and its target 10.2, "Empower and promote the social, economic and political inclusion of all," Goal 11 and its target 11.7, "Provide universal access to safe, inclusive and accessible, green and public spaces," and Goal 16 and its target 16.1, "Significantly reduce all forms of violence."



## Measures taken to increase accessibility to public transportation and local services

As a property owner, being able to offer premises with good connections to public transportation and proximity to various types of social services is important. It facilitates daily life for our tenants and contributes to a reduced climate impact, which will be increasingly important when choosing location.

### Boundaries

Impact occurs within the organisation as a result of the fact that this indicator pertains to measures we ourselves have taken.

Reporting covers only the measures Vasakronan takes.

### Responsibility and monitoring

The organisations for project development in the respective regions are responsible for ensuring during the planning phase that we choose to develop properties with good public transport links and create conditions for a mix of different operations in the property. The transaction division is responsible for including access to public transportation and local services when considering any potential acquisition. The regions are responsible for ongoing dialogue with municipalities and public transportation companies in terms of factors such as tour frequency and locations of stops.

Monitoring of the effect of the measures occurs in continual dialogue with our tenants and through the surveys of travel habits performed in conjunction with environmental certification of our properties.

### Governance and objectives

We work continually on ensuring that the properties we own are located so that public transportation is already good, or where there are plans to expand it. We are also working actively on trying to improve public transportation with regard to frequency and locations of stops.

Many of our properties are located in city centres where the level of local services is often already high. We also own properties in more peripheral locations, where we work actively on ensuring that there is a varied offering of restaurants and cafés, gyms, hairdressers and other types of services that our customers demand in proximity to their workplaces. We also offer access to dry cleaners and shoemakers in many of our properties.

### Outcome

In Stockholm, Vasakronan participated in planning and financing the redevelopment of portions of Kungsgatan. The project aims to streamline bus traffic on Kungsgatan and to improve safety for cyclists. In Frösunda, just outside Stockholm, Vasakronan offered tenants electric buses during rush hour in the autumn and winter.

In Gothenburg, Vasakronan had a dialogue with the City of Gothenburg about ensuring effective public transport to Lilla Bommen. New bicycle storage was implemented for Läppstiftet and Meethshuset.

### Contribution to the UN Sustainable Development Goals

By increasing access to public transport and proximity to local services, we are contributing to Goal 9 and its target 9.1, "Develop quality, reliable, sustainable and resilient infrastructure," and Goal 11 and its target 11.2, "Safe, affordable, accessible and sustainable transport systems for all."

## Customer satisfaction

To succeed at the task of a high level of return over the long term, a high level of customer satisfaction is a must. The more satisfied the customers, the greater their loyalty towards us.

### Boundaries

The results of customer surveys pertain to our own evaluation of our tenants' satisfaction.

### Responsibility and monitoring

Customer initiatives are managed by the company's four regions, and the regional SVPs have overall responsibility for customer satisfaction. Customer satisfaction surveys are carried out regularly to monitor how we are perceived and to identify

areas for improvement. This occurs primarily through Vasakronan's own customer survey, Tyck om Vasakronan, which is conducted at the beginning of every year, and also using event-governed customer surveys.

### Governance and objectives

To have satisfied customers, good customer relations are needed. This work includes routines for communication, meetings and surveys for monitoring.

### Outcome

The latest survey was conducted at the beginning of 2020, where the outcome was a score of 77 (76) for offices and 76 (73) for shops. The scale of the survey is from 1 to 100, where a score of at least 80 corresponds to a grade of Very good.

# Auditor's Limited Assurance Report on Vasakronan AB's Sustainability Report and Opinion on the Statutory Sustainability Report

This is a translation of the original report in Swedish

To the general meeting of the shareholders of Vasakronan AB (publ), corporate identity number 556061-4603

## Introduction

We have been engaged by Group Management of Vasakronan AB to undertake a limited assurance of Vasakronan AB's Sustainability Report for the year 2019. The company has defined the scope of the sustainability report on page 116 in this document which also constitutes the statutory sustainability report.

## Responsibilities of the Board of Directors and Group Management

The Board of Directors and Group Management are responsible for preparing the Sustainability Report, including the Statutory Sustainability Report, in accordance with applicable criteria and the Annual Accounts Act. The criteria are described on page 116 of the Sustainability Report, and consist of the parts of the framework for sustainability reports published by GRI (Global Reporting Initiative) that are applicable to the sustainability report, as well as the accounting and calculation principles that Vasakronan AB has developed. This responsibility also includes the internal control which is deemed necessary to establish a sustainability report that does not contain material misstatement, whether due to fraud or error.

## Responsibilities of the Auditor

Our responsibility is to express a conclusion on the sustainability report based on the limited assurance procedures we have performed and to provide an opinion on the statutory sustainability report. Our assignment is limited to the historical information that is presented and thus does not include future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We have conducted our review regarding the statutory sustainability report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and a review according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Vasakronan AB according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the security that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not, in all material respects, prepared in accordance with the criteria defined by the Board of Directors and Group Management. A Statutory Sustainability Report has been prepared.

Stockholm, March 23, 2020

Öhrlings PricewaterhouseCoopers AB

### Helena Ehrenborg

Authorised Public Accountant

### Fredrik Ljungdahl

Sustainability Expert member of FAR



# Impact Report – green financing

**Vasakronan issued the world's first green corporate bond in November 2013, and remains the largest issuer of green corporate bonds in Sweden. Since 2018, Vasakronan's framework has included all debt instruments, rather than just bonds. The framework has been reviewed by the Center for International Climate Research (CICERO) with the highest rating, Dark Green. Vasakronan issued the world's first green commercial paper in 2018.**

Properties account for just over 30% of energy consumption in Sweden. Continuing the work on reducing energy consumption in our properties is therefore self-evident to us. Through investments and close collaboration with our tenants, we have managed to halve our energy consumption since 2009 and moreover, by providing our properties with renewable or climate-neutral energy we have reduced our carbon dioxide emissions in scopes 1 and 2 and emissions from air travel by 99% since 2006.

Large amounts of construction materials are used in new construction, redevelopment and leasehold improvements of properties. The materials used in our construction projects cause a high degree of environmental and climate impact when they are extracted and produced, and the need for transportation is considerable. Therefore, it is essential to reduce the amount of materials and to opt for reused materials or materials produced from renewable or recycled products to a larger extent. In addition, we need to ensure that the materials used do not contain hazardous substances that are spread into indoor environments or into ecosystems outside our buildings. That is why all the materials used in our buildings are always evaluated and documented. The Byggarubedömningen system is used in this work.

New construction and redevelopment projects lead to considerable construction and demolition waste. A great deal of it is not recycled but goes straight to incineration or landfill. As property owners, we also take care of large amounts of waste from our tenants' operations. Frequently, we are the ones who determine how well the waste can be sorted since we are responsible for the waste recycling facilities in the buildings. The EU's waste hierarchy guides our work to reduce

environmental impact both from construction waste and our tenants' waste. The goal is to minimise landfill and incineration and to increase the proportion that is recycled or reused.

Reducing water consumption is an important issue from a global and a local perspective. Vasakronan uses municipal water. In Uppsala, one of our four operating areas, the municipality has indicated that there is a water shortage. That is why we are working continuously, in Uppsala as well as in our other areas, with monitoring and implementing cost-effective measures to reduce consumption. Low water consumption is also a prerequisite for environmentally certifying buildings with high ratings.

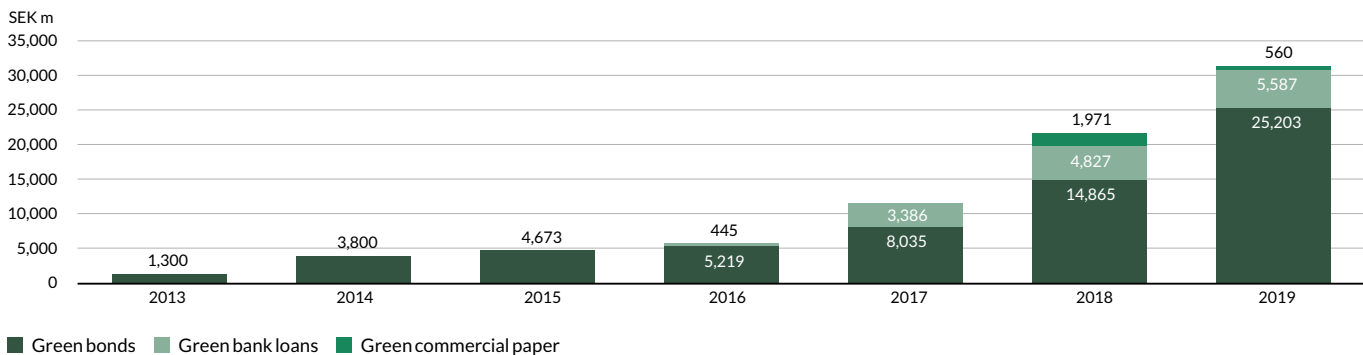
A company-wide business plan is developed every year, with financial, environmental and social targets. It also provides specific plans and goals for each unit and is followed up continuously during the year. For more information on our environmental targets for 2019 and how well we achieved them, refer to page 142 in the 2019 Annual Report.

## Green financing

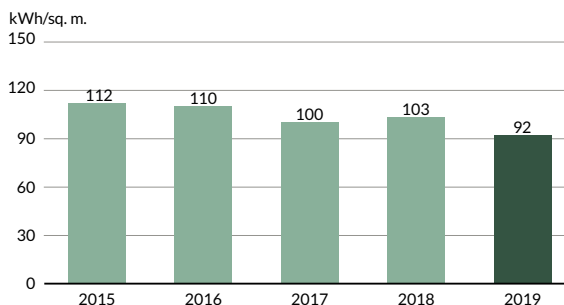
In 2019, Vasakronan issued SEK 13.4 billion in green bonds. The total volume of green bonds and commercial paper outstanding at year end was SEK 25.8 billion (16.8), equivalent to 39% (28) of the total interest-bearing liabilities. Green bonds are now issued in six currencies: SEK, NOK, EUR, JPY, AUD and USD. At year end, green assets amounted to SEK 33.3 billion, providing SEK 7.6 billion in remaining green borrowing capacity.

In addition to financing under the framework, Vasakronan had green unsecured loans with the Nordic Investment Bank and the European Investment Bank that totalled SEK 4.8 billion at the end of the year. In 2019, the first green secured bank loan was signed for SEK 0.8 billion. Green financing, including green bank loans that are financed outside the framework, represents 47% (35) of Vasakronan's total borrowings.

## Green financing growth

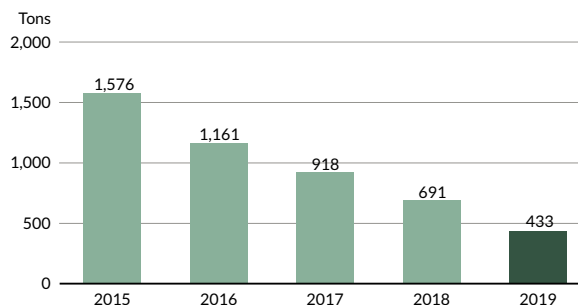


## Energy intensity



In 2019, energy intensity averaged 92 kWh/sq. m.

## Reduced CO<sub>2</sub>-emissions



Pertains to scopes 1 and 2 and emissions from air travel in Scope 3.

**Criteria under the framework**

What can be financed with the proceeds from Green Finance Instruments is described in a framework that has been reviewed by the Center for International Climate Research (CICERO), a Norwegian climate research institute. Since 2017, Vasakronan’s framework allows for investments in new construction and redevelopment projects as well as in existing properties.

The financing of new construction and redevelopment projects requires that they be certified according to LEED for new construction or redevelopment at Platinum level, or BREEAM-SE at Outstanding level, and have an energy intensity 25% below the National Board of Housing, Building and Planning’s requirements (BBR requirements).

The criteria to be met for financing an existing property is that the building must be certified according to LEED for existing buildings on a Gold level or higher and have an energy intensity below 100 kWh/sq. m. per year. The framework and CICERO’s report can be found at [www.vasakronan.se](http://www.vasakronan.se).

Vasakronan has a special account for transactions attributable to the issue of green debt instruments. If the approved investment amount is less than the volume of green debt instruments outstanding, Vasakronan has undertaken to place a corresponding amount in this special account. At year end, the approved investment amount exceeded the volume of green debt instruments outstanding, and the account balance was therefore zero.

**Emissions**  
**9,192**  
**tons**

Reduction of climate impact  
from existing properties (annual).

**Emissions**  
**692**  
**tons**

Avoided emissions from new builds and  
redevelopment projects (annual).

**Other information**

The Impact Report has been prepared in accordance with the criteria in the framework for Green Finance Instruments. The framework was produced in accordance with the Green Bond Principles, and has been reviewed by CICERO, the independent climate and environmental research institute. The framework is available at [www.vasakronan.se](http://www.vasakronan.se). The environmental data reported was produced in accordance with the same principles and methods as the Sustainability Report and is shown on page 116 in the 2019 Annual Report.

Investments in new construction and redevelopment projects corresponded to the amount that as of the balance-sheet date had been invested in the actual property. Existing properties are recognised at market value. The market value is updated mid-year and at the end of the year in connection with external evaluations being performed. Reporting of market value and amounts invested follows the accounting policies indicated on page 87.

The Existing properties category also includes properties that previously underwent new construction or renovation, and were financed over the course of the project in accordance with the criteria for new construction and redevelopment projects. In connection with the completion of new construction or redevelopment, an evaluation was conducted against the criteria set for investment in existing properties. Reclassifying a property from new construction and redevelopment projects to the category for existing properties requires that the new build or redevelopment is reported to the Board of Directors and that final certification has been obtained.

**Calculation approach**

The emissions reported for existing properties pertain to those attributable to energy consumption in buildings after taking into consideration the agreements contracted by Vasakronan with the respective energy utilities. Tenant electricity (energy for which the tenant has their own contract) is not included in energy consumption and the emission calculations.

When calculating reduced energy consumption in the existing properties be-

**Approved investment amount green bonds, 31 Dec 2019, SEK m**

Eligible investments in ongoing projects	977
Existing properties	32,341
– of which previously new construction and redevelopment projects	7,860
<b>Total approved investment amount</b>	<b>33,318</b>
Volume outstanding, green bonds	25,203
Volume outstanding, green commercial paper	560
<b>Total volume outstanding</b>	<b>25,763</b>
<b>Remaining approved investment amounts</b>	<b>7,555</b>

tween 2009 and 2019 (see the table on page 140), the property’s metered energy consumption at 31 December 2009 was compared with the metered energy consumption at 31 December 2019. For properties that have previously gone through redevelopment, the highest permitted energy consumption under the BBR requirements at the completion date has been applied.

Climate impact reduction reported for the existing properties pertains to the difference between the annual GHG emissions that the property would have had in 2019, without improvement to the energy intensity or contracts for renewable/climate neutral energy, and the property’s actual emissions in 2019 (based on measured energy consumption in 2019 and taking into account Vasakronan’s renewable/climate neutral energy agreements).

When calculating the estimated reduction in energy consumption in ongoing new construction and redevelopment projects (see the table on page 139), the forecast energy intensity is compared with the highest permitted energy intensity under the BBR requirements. The assessed emissions avoided from new construction and redevelopment projects pertain to the difference between the annual GHG emissions that the property would have had if it had been built in accordance with the BBR requirements and without renewable/climate neutral energy contracts, and emissions from the property’s forecast energy intensity and taking into account Vasakronan’s renewable/climate neutral energy contracts.

Some of the existing properties that are financed under the framework are also financed with green bank loans. To make sure that the calculated reduction in climate impact will only have an effect on green financing under Vasakronan’s framework, the portion pertaining to green bank loans has been deducted. To determine the size of that portion, the proportion of the green loan in relation to the property’s market value was used. In cases where the existing property is pledged for green secured loans outside the framework, the proportion of the mortgage deeds in relation to the property’s market value is used. For more information about which properties are partially financed through green loans, see the table “Existing properties forming basis for investment” on page 140.



NEW CONSTRUCTION

## Hilton

Construction on the Hilton block in Solna began in 2016 and was completed in 2019. The building is nearly 10,000 square metres, housing primarily offices but also a coffee shop. The top two storeys, out of nine total, are built in wood, reducing the climate impact from construction. The top floor has a large terrace and the rest of the roof has been planted with sedum, which retains storm water, contributes to biodiversity and insulates the building's roof.

- Environmental certification LEED, Platinum
- Energy intensity of 49 kWh/sq. m., which is 39% lower than the regulatory requirement
- Electric bus to and from Solna station
- Abundant bicycle parking and locker rooms for cyclists
- Electric vehicle charging stations



NEW CONSTRUCTION

## Magasin X

Magasin X, next to Uppsala central station, will be Sweden's largest office property with a frame made entirely of wood. Using wood as a construction material significantly reduces carbon dioxide emissions per produced square metre. Trees also capture carbon dioxide through photosynthesis which means that the building, as long as it stands, is a carbon dioxide sink. The building, which will encompass 11,300 square metres, is expected to be ready for occupancy in 2021.

- Environmental certification LEED, target Platinum
- Energy intensity of 27 kWh/sq. m., which is 67% lower than the regulatory requirement
- Solar photovoltaics on the roof and integrated into the facade
- Borehole heat exchangers for heating and cooling
- Fuel cell facilities for long-term storage of solar electricity
- Abundant bicycle parking and locker rooms for cyclists



EXISTING PROPERTY

## Tre Vapen 2

Tre Vapen 2 is an approximately 38,000 square metre office property in the Östermalm neighbourhood of Stockholm. It was originally built for the University of Arts, Crafts and Design and was completed in September 1959. The City of Stockholm has deemed the building culturally significant, meaning it cannot be drastically changed. Thanks to investments in new technology and systematic energy savings efforts, together with tenants we have reduced energy consumption 33% since 2009. The first solar photovoltaics were installed as early as 2007. The PV installation was expanded in 2015, becoming nearly eight times as large.

- Environmental certification LEED, Platinum
- Energy intensity 77 kWh/sq. m.
- Solar photovoltaics on the roofs
- Abundant bicycle parking and locker rooms for cyclists
- Electric vehicle charging stations

## EXISTING PROPERTY

## Dragarbrunn 31:1

Dragarbrunn 31:1, Svava is an entire block in Uppsala with buildings from the nineteenth and twentieth centuries. It houses residences, hotels, offices and stores. Thanks to investments in new technology and systematic energy savings efforts, together with tenants we have reduced energy consumption 33% since 2009. Solar photovoltaics were installed on the roof in 2016.

- Environmental certification LEED, Gold
- Energy intensity 83 kWh/sq. m.
- Solar photovoltaics on the roof
- Electric vehicle charging stations
- Car pool for tenants



SANDRA JONSSON, TECHNOLOGY & DEVELOPMENT MANAGER, STOCKHOLM AND UPPSALA

## Power demand

Reducing our power demand has been an important task for Sandra Jonsson, Technology & Development Manager in Stockholm and Uppsala. Power demand is a measure of how much energy is needed to do something at a given point in time, for example to run a ventilation system at full capacity. By not running all of the installations at their highest setting at the same time, the power demand can be lowered. Many energy suppliers try to help their customers reduce their peak loads and have therefore tied their fees to the highest load. Reducing power demand thus provides both a reduced cost and a reduced environmental impact. For more information, refer to page 21 in the 2019 Annual Report.



### Ongoing new construction and redevelopment projects forming basis for investment, with an eligible investment of SEK 977 million

Property	Location	Certification	Energy intensity (F), kWh/sq. m.	Energy intensity BBR <sup>2)</sup> , kWh/sq. m.	Estimated reduction in energy consumption, %	Estimated emissions avoided (annual), tons	Waste, kg/sq. m.	Materials, kg/sq. m.
Abbedissan 2 (previously Priorn 5)	Malmö	LEED Platinum (F)	32	45	28	107	-	-
Hilton 7 <sup>1)</sup>	Stockholm	LEED Platinum	49	80	39	91	32	1,124
Kungsängen 14:5 (Magasin X)	Uppsala	LEED Platinum (F)	27	80	67	238	-	-
Kronåsen 1:1 (Celsius)	Uppsala	LEED Platinum (F)	33	96	66	255	-	-
<b>Total</b>			-	-	-	<b>692</b>	-	-

1) The project is financed in part by green bank loans with the NIB.

2) Maximum permitted energy intensity under National Board of Housing, Building and Planning guidelines.

(F) = Forecast

Waste and materials are not reported for the Abbedissan 2, Kronåsen 1:1 (Celsius) and Kungsängen 14:5 (Magasin X) projects, as these were not completed as of 31 Dec 2019.



**Existing properties forming basis for investment, with an approved investment amount of SEK 32,341 million**

Property	Location	Certification	Energy intensity, kWh/sq. m. at 31 Dec 2009	Energy intensity, kWh/sq. m. at 31 Dec 2019	Reduction in energy consumption 2009–2019, %	Reduction in climate impact (annual), tons	Water intensity, m <sup>3</sup> /sq. m. at 31 Dec 2019
Lorensberg 45:16	Gothenburg	LEED Platinum	126	77	39	95	0.25
Gullbergsvass 16:1	Gothenburg	LEED Gold	113	86	24	286	0.30
Gullbergsvass 1:16	Gothenburg	LEED Platinum	81	57	30	481	0.31
Heden 42:4	Gothenburg	LEED Gold	125	82	34	320	0.88
Heden 46:1	Gothenburg	LEED Gold	100	87	14	151	0.13
Inom Vallgraven 20:14	Gothenburg	LEED Gold	135	73	46	108	0.46
Heden 22:19	Gothenburg	LEED Gold	102	54	47	472	0.25
Inom Vallgraven 11:6	Gothenburg	LEED Gold	114	77	32	296	0.63
Inom Vallgraven 33:10	Gothenburg	LEED Gold	102	69	33	51	0.37
Inom Vallgraven 59:14	Gothenburg	LEED Gold	104	94	10	150	0.43
Inom Vallgraven 61:11	Gothenburg	LEED Gold	108	85	22	153	0.48
Gasklockan 3	Malmö	LEED Gold	98	84	14	415	0.57
Kaninen 32	Malmö	LEED Gold	124	53	58	131	0.37
Magnus Stenbock 4	Malmö	LEED Platinum	119	79	34	129	0.20
Björnen 1	Malmö	LEED Gold	122	81	34	103	0.29
Bylgia 1	Malmö	LEED Platinum	125	59	53	189	0.12
Abbedissan 1 (previously Priorn 2) <sup>2)</sup>	Malmö	LEED Gold	124	92	26	94	0.61
Jungmannen 1	Malmö	LEED Gold	133	54	59	79	0.17
Nereus 1	Malmö	LEED Platinum	124	68	45	354	0.21
Sejen 3 <sup>4)</sup>	Malmö	LEED Platinum	–	– <sup>4)</sup>	–	–	–
Kurland 11	Stockholm	LEED Gold	127	85	33	42	0.48
Uggleborg 12 <sup>1)</sup>	Stockholm	LEED Platinum	127	60	53	633	0.57
Tre Vapen 2 <sup>2)</sup>	Stockholm	LEED Platinum	115	77	33	303	0.27
Rosenborg 1	Stockholm	LEED Gold	179	93	48	120	0.20
Rosenborg 3 <sup>1)</sup>	Stockholm	LEED Platinum	105	50	52	344	0.33
Hekla 1	Stockholm	LEED Gold	62	39	37	198	0.29
Riga 2	Stockholm	LEED Gold	104	43	59	412	0.54
Modemet 1, Bldg. 8 <sup>1)</sup>	Stockholm	LEED Platinum	105	34	68	587	0.35
Hammarby Gård 12	Stockholm	LEED Platinum	94	70	26	70	0.38
Albydal 3	Stockholm	LEED Gold	89	71	21	109	0.20
Skjutsossen 8	Stockholm	LEED Gold	111	67	40	102	0.41
Kvarngärdet 1:19	Uppsala	LEED Gold	189	67	64	260	0.22
Dragarbrunn 28:5	Uppsala	LEED Platinum	80	58	28	412	0.42
Dragarbrunn 31:1 <sup>2)</sup>	Uppsala	LEED Gold	125	83	34	443	1.03
Dragarbrunn 18:9	Uppsala	LEED Gold	168	78	54	292	0.26
Fälhagen 1:39 <sup>4)</sup>	Uppsala	LEED Platinum	–	– <sup>4)</sup>	–	–	–
Hubben <sup>1)3)</sup>	Uppsala	LEED Platinum	115	48	59	271	0.62
Dragarbrunn 24:5	Uppsala	LEED Gold	145	88	39	537	0.46
<b>Total</b>			<b>117</b>	<b>70</b>	<b>37</b>	<b>9,192</b>	<b>0.39</b>

1) Properties that underwent new construction or renovation, and were financed over the course of the project in accordance with the criteria for new construction and redevelopment projects. After the project was completed, the property was reclassified to the existing properties category.

As of 31 December 2019, these properties comprised SEK 7.9 billion out of a total SEK 33.3 billion. For further information, see Other information and methods.

2) The property is financed in part by a green bank loan. For further information, see Other information and methods.

3) The property is financed in part by a green bank loan with the NIB. For further information, see Other information and methods.

4) The property was acquired in December 2019 and therefore twelve months of data is missing. Included in the green pool based on forecast energy intensity. For Sejen 3 the forecast energy intensity was 70 kWh/sq. m. and for Fägelhagen 1:39 it was 42 kWh/sq. m.

# Auditor's Limited Assurance Report

This is a translation of the original report in Swedish

To the general meeting of the shareholders of Vasakronan AB (publ), corporate identity number 556061-4603

## Introduction

We have been engaged by the Group Management of Vasakronan AB ("Vasakronan") to undertake a limited assurance engagement of Vasakronan's Impact Report – green financing ("the Report") for the year 2019. The Report consists of the pages 136–140 in the Annual Report.

## Responsibilities of the Board of Directors and Group Management

The Board of Directors and Group Management are responsible for the preparation of the Report in accordance with the applicable criteria, as explained on page 136 of the Annual Report and consists of the parts of Vasakronan's Green Finance Framework which are applicable to the Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of an impact report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the selected information specified above based on the procedures we have performed and the evidence we have obtained.

We have conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the selected information in the Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (*International Standard on Quality Control*) and accordingly maintains a comprehensive system of quality control

including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent towards Vasakronan in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and Group Management as described above. We consider these criteria suitable for the preparation of the Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the selected information disclosed in the Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Stockholm, March 23, 2020

Öhrlings PricewaterhouseCoopers AB

### Helena Ehrenborg

Authorised Public  
Accountant


### Fredrik Ljungdahl

Sustainability Expert  
member of FAR

### Financial targets 2019

### Target fulfilment 2019

### Targets 2020


	A total yield of at least 6.5% per year and on average over a rolling ten-year period.	The total yield was 13.4% for 2019, and 11.5% on average over the latest ten-year period. <i>Read more on page 39.</i>	<ul style="list-style-type: none"> <li>• A total yield of at least 6.5% per year and on average over a rolling ten-year period</li> <li>• A total yield of at least 0.5 percentage points higher than the industry per year and on average over a rolling ten-year period</li> <li>• An increase in net operating income for comparable property holdings of 6% compared with 2018.</li> <li>• An occupancy rate of at least 95% at the end of 2020</li> <li>• A 10% decrease in the percentage of premises with long-term vacancies</li> <li>• The cost of leasehold improvements in conjunction with new office lettings should average less than SEK 2,900 per square metre</li> <li>• Price changes in conjunction with renegotiations should exceed 9.5%</li> </ul>
	A total yield of at least 0.5 percentage points higher than the industry per year and on average over a rolling ten-year period.	The total yield for the industry was 9.9% for 2019, and 9.9% on average over the latest ten-year period. <i>Read more on page 39.</i>	
	An increase in net operating income for comparable property holdings of 6% compared with 2018.	Net operating income for comparable property holdings was 6.3%. <i>Read more on page 68.</i>	
	An occupancy rate of at least 94.0% at the end of 2019.	The occupancy rate was 94.1% at the end of the year. <i>Read more on page 67.</i>	
	A 10% decrease in the percentage of premises with long-term vacancies.	The percentage of premises with long-term vacancies was on par with last year.	
	The cost of leasehold improvements in conjunction with new office lettings should average less than SEK 2,900 per square metre.	The cost of leasehold improvements in conjunction with new office lettings declined to less than SEK 2,872 per square metre.	
	Price changes in conjunction with renegotiations should exceed 9.5%.	Price changes in conjunction with renegotiations totalled 11.8% (12.4).	

### Environmental targets 2019

### Target fulfilment 2019

### Targets 2020

	Energy intensity to be improved 3% compared with the results for 2018.	In 2019, average energy intensity improved to 92 kWh/sq. m. (103). <i>Read more on page 18 and pages 124-125.</i>	<ul style="list-style-type: none"> <li>• Decrease purchased energy by 5%</li> <li>• 65% of the buildings should consume less than 100 kWh/sq. m.</li> <li>• Over 75 solar photovoltaic systems by the end of the year</li> <li>• Reduce water consumption at properties by 2%</li> <li>• We have completed at least three projects that have led to a reduction in energy consumption</li> <li>• Waste generated from project development decreased</li> <li>• We offer food waste collection to all of our tenants</li> <li>• We used recycled material in all projects</li> <li>• We developed a new green debt instrument tied to climate neutrality by 2030</li> <li>• Better ranking in the global sustainability survey, GRESB</li> </ul>
	60% of the buildings should have an energy intensity of less than 100 kWh/sq. m. and year.	At the end of the year 63% (47) of the buildings had an energy intensity below 100 kWh/sq. m.	
	At the end of the year, at least 70 solar photovoltaic systems should be in operation.	At the end of the year, 63 (55) solar photovoltaic systems were in operation. <i>Read more on page 125.</i>	
	We have completed at least eight projects that have led to a reduction in energy consumption.	Ten projects were completed during the year that led to reduced power requirements. <i>Read more on page 139.</i>	
	The share of tenant waste sent for incineration has decreased.	The share of tenant waste sent for incineration decreased 15% compared to 2018. <i>Read more on page 128.</i>	
	Decrease the amount of project development waste generated.	Project waste totalled 3,320 tons (3,955) and pertained to the construction projects concluded during the year as well as to waste from leasehold improvements.	
	We have used recycled material in at least 10 leasehold improvement projects.	Recycled material was used in some 15 leasehold improvement projects. <i>Read more on page 24.</i>	
	We have set requirements for the reporting of the share of renewable fuel used for transportation in all new Board-approved projects.	Requirements for the reporting of the share of renewable fuel used for transportation for all new Board-approved projects during the year.	
	All Board-approved new construction and redevelopment projects report their use of building materials.	All new construction and redevelopment projects that started in 2019 have begun to report on their use of materials in the project.	
	At least half of financing should be green.	The share of green financing increased to 47% (35). <i>Read more on page 32.</i>	
	The share of properties certified in accordance with LEED Gold or higher should have increased.	The share of properties certified in accordance with LEED Gold or higher increased to 72% (69).	
	Better ranking in the global sustainability survey, GRESB.	Vasakronan had a better ranking in the global sustainability survey, GRESB.	

	Social targets 2019	Target fulfilment 2019	Targets 2020
	All employees act in accordance with our values and comply with our internal Code of Conduct.	The year's employee survey showed that 97% of the employees can identify with the company's values.	<ul style="list-style-type: none"> <li>• All employees identify with our values and comply with our internal Code of Conduct</li> <li>• Our employees feel that stress levels at work are reasonable and that they have an opportunity to recover between workdays</li> <li>• All employees perceive that our workplaces are free from discrimination and harassment</li> <li>• We have completed another 50 security measures in our properties and projects</li> <li>• We have assessed at least 100 of our suppliers with respect to compliance with our Code of Conduct</li> <li>• The percentage of employees with foreign backgrounds has increased</li> <li>• Reduced number of worksite accidents on projects</li> </ul>
	Our employees feel that stress levels at work are reasonable and that they have an opportunity to recover between workdays.	The year's employee survey showed that 78% of the employees would say that they have a reasonable work load and 79% would say that they have enough time to recover between workdays.	
	All employees perceive that our workplaces are free from discrimination.	This year's employee survey shows that 94% of employees perceive that our workplaces are free from discrimination.	
	We have completed another 50 security measures in our properties and projects.	Some 52 security and safety measures were carried out at our properties and projects during the year. Measures implemented included improved lighting, removing recesses in garages, more frequent security patrols and increased camera surveillance. <i>Read more on page 134.</i>	
	We have assessed at least 50 of our suppliers with respect to compliance with our Code of Conduct.	In 2019, a total of ten (two) major supplier audits were conducted. Additionally, 27 (8) audits were conducted in conjunction with contract meetings with suppliers and 43 (-) suppliers were evaluated via internal questionnaires.	
	Uniform accident reporting at our major projects.	Efforts continued in 2019 with the implementation of an accident reporting methodology and will continue in 2020.	
	Increase the percentage of employees with foreign backgrounds.	The percentage of employees with a foreign background was 13% (13) at the end of the year. <i>Read more on page 132.</i>	



# Quarterly overview

Amounts in SEK million	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>INCOME STATEMENTS</b>				
<b>Rental revenue</b>	<b>1,808</b>	<b>1,793</b>	<b>1,715</b>	<b>1,724</b>
Operating expenses and property administration	-280	-244	-254	-281
Maintenance costs	-31	-24	-31	-33
Property tax	-165	-229	-130	-131
<b>Operating surplus</b>	<b>1,332</b>	<b>1,296</b>	<b>1,300</b>	<b>1,279</b>
Central administration	-36	-22	-29	-26
Result from participations in joint ventures	218	-4	892	-1
Financial income	1	1	1	1
Financial expenses	-271	-299	-316	-249
Interest expenses, ground rents and land leases	-39	-37	-35	-36
<b>Profit before value changes and tax</b>	<b>1,205</b>	<b>935</b>	<b>1,813</b>	<b>968</b>
Change in value of investment properties	6,501	2,143	3,908	718
Depreciation of land lease agreements	-2	-1	-2	-2
Change in value of financial instruments	832	-445	-641	-627
Divested/impaired goodwill	-	-	-	-74
<b>Profit before tax</b>	<b>8,536</b>	<b>2,632</b>	<b>5,078</b>	<b>983</b>
Tax	-1,842	-447	-864	-167
<b>Profit for the period</b>	<b>6,694</b>	<b>2,185</b>	<b>4,214</b>	<b>816</b>
Of which, attributable to non-controlling interests	-2	-	-	-
<b>Total profit attributable to the Parent Company shareholders</b>	<b>6,696</b>	<b>2,185</b>	<b>4,214</b>	<b>816</b>
<b>BALANCE SHEETS</b>				
Investment properties	156,071	147,385	144,215	139,381
Equity	70,156	63,487	61,302	61,088
Interest-bearing liabilities	66,638	64,971	65,423	64,090
Total assets	170,179	162,068	158,266	154,832
<b>KEY METRICS</b>				
<b>Property-related information</b>				
Closing area, thousand sq. m.	2,322	2,328	2,318	2,324
Closing number of properties	174	173	173	174
Closing market value of property, SEK m	156,071	147,385	144,215	139,381
Net investments, SEK m	3,867	1,682	926	-274
Closing economic occupancy rate, %	94.1	93.1	93.1	93.5
Surplus ratio, %	74	74	76	74
<b>Financial metrics</b>				
Closing average interest rate, %	1.7	1.8	1.8	1.8
Average fixed-interest tenor, years	5.8	6.2	5.7	5.1
Interest coverage ratio for the period, multiple	5.6	4.4	3.9	4.9
Closing equity/assets ratio, %	41	39	39	39
<b>Other metrics</b>				
Closing number of employees	304	309	309	314

# Five-year overview

Amounts in SEK million	2019	2018 <sup>1)</sup>	2017 <sup>1)</sup>	2016 <sup>1)</sup>	2015 <sup>1)</sup>
<b>INCOME STATEMENT</b>					
<b>Rental revenue</b>	<b>7,040</b>	<b>6,718</b>	<b>6,490</b>	<b>6,251</b>	<b>6,009</b>
Operating expenses and property administration	-1,059	-1,068	-993	-981	-998
Maintenance costs	-119	-108	-110	-105	-106
Property tax	-655	-527	-544	-544	-474
Ground rents and land leases	-	-146	-165	-162	-157
<b>Operating surplus</b>	<b>5,207</b>	<b>4,869</b>	<b>4,678</b>	<b>4,459</b>	<b>4,274</b>
Central administration	-113	-101	-97	-87	-88
Result from participations in joint ventures	1,105	159	-3	-3	-1
Financial income and expenses, net	-1,131	-1,043	-1,165	-1,152	-1,121
Interest expenses, ground rents and land leases	-147	-	-	-	-
<b>Profit before value changes and tax</b>	<b>4,921</b>	<b>3,884</b>	<b>3,413</b>	<b>3,217</b>	<b>3,064</b>
Change in value of investment properties	13,270	10,651	7,973	12,056	10,212
Depreciation of land lease agreements	-7	-	-	-	-
Change in value of financial instruments	-881	13	468	-764	598
Divested/impaired goodwill	-74	-62	-26	-18	-71
<b>Profit before tax</b>	<b>17,229</b>	<b>14,486</b>	<b>11,828</b>	<b>14,491</b>	<b>13,803</b>
Tax	-3,320	-1,584	-2,559	-3,019	-2,859
<b>Profit for the year</b>	<b>13,909</b>	<b>12,902</b>	<b>9,269</b>	<b>11,472</b>	<b>10,944</b>
Of which, attributable to non-controlling interests	-2	-	-	-	-
<b>Total profit attributable to the Parent Company shareholders</b>	<b>13,911</b>	<b>12,902</b>	<b>9,269</b>	<b>11,472</b>	<b>10,944</b>
<b>BALANCE SHEETS</b>					
Investment properties	156,071	138,934	126,875	115,922	103,894
Equity	70,156	60,271	51,377	46,117	41,245
Interest-bearing liabilities	66,638	61,087	58,421	55,240	50,750
Total assets	170,179	145,201	132,283	122,056	109,786
<b>KEY METRICS</b>					
<b>Property-related information</b>					
Closing area, thousand sq. m.	2,322	2,372	2,430	2,426	2,509
Closing number of properties	174	174	179	179	180
Closing number of apartments	1,175	1,169	1,168	1,161	1,164
Closing market value of property, SEK m	156,071	138,934	126,875	115,922	103,894
Closing market value, SEK/sq. m		58,573	52,212	47,783	41,409
Net investments, SEK m	3,867	1,407	-2,980	-28	1,753
Property acquisitions, SEK m	977	594	1,049	58	916
Property divestments, SEK m	-1,550	-2,521	-612	-2,121	-1,387
Investments in existing projects, SEK m	4,440	3,335	2,543	2,035	2,224
Closing rental value, SEK m		7,403	7,190	6,949	6,783
Closing economic occupancy rate, %	94.1	93.1	93.1	94.2	92.6
Closing surplus ratio, %	74	73	72	71	71
Environmental certification at closing date, %	85	85	84	77	71
Energy intensity on closing date, kWh/sq. m.	92	103	100	110	112
Yield, total holdings, %	3.5	3.8	3.9	4.1	4.5
Value change in the total portfolio, % <sup>2)</sup>	9.6	8.5	6.9	11.7	11.1
Total yield, total holdings, %	13.4	12.5	11.0	16.3	16.0

1) Comparison figures have not been restated according to IFRS 16.

2) Outcome in accordance with MSCI Swedish Property Index.

## five-year overview (cont.)

Amounts in SEK million	2019	2018 <sup>1)</sup>	2017 <sup>1)</sup>	2016 <sup>1)</sup>	2015 <sup>1)</sup>
<b>Financial metrics</b>					
Closing average interest rate, %	1.7	1.6	1.7	2.0	2.1
Average fixed-interest tenor, years	5.8	4.7	4.5	4.3	4.3
Interest coverage ratio <sup>2)</sup> , multiple	4.6	4.7	3.9	3.8	3.7
Closing equity/assets ratio, %	41	42	39	38	38
Closing NAV, SEK m, 1. NAV, SEK m	91,742	78,542	68,581	61,333	53,416
Closing NNNAV, SEK m, 2. NNNAV, SEK m <sup>2)</sup>	82,363	70,823	60,872	55,083	47,927
Closing debt/equity ratio <sup>2)</sup> , multiple	0.9	1.0	1.1	1.2	1.2
Return on equity, %	21.3	23.1	19.0	26.3	28.7
<b>Cash flow metrics</b>					
Cash flow from operating activities before changes in working capital, SEK m	3,755	3,567	3,383	3,137	2,855
Cash flow from operating activities, SEK m	3,829	3,635	3,468	3,439	3,210
Cash flow from investing activities, SEK m	-3,573	-1,297	-2,985	23	-1,775
Cash flow from financing activities, SEK m	1,044	-1,546	-1,207	-3,616	-891
Cash flow for the year, SEK m	1,300	792	-724	-154	544
<b>Other metrics</b>					
Average number of employees	308	313	345	338	348
Closing number of employees	304	309	349	339	346
<b>Basis for key metrics</b>					
<b>1. NAV, SEK m</b>					
Equity	70,156	60,271	51,377	46,117	41,245
Add back goodwill	-1,908	-1,982	-2,045	-2,071	-2,088
Add back derivatives	2,126	1,967	2,426	2,925	2,903
Add back recognised deferred tax	21,368	18,286	16,824	14,362	11,356
	<b>91,742</b>	<b>78,542</b>	<b>68,581</b>	<b>61,333</b>	<b>53,416</b>
<b>2. NNNAV, SEK m</b>					
Equity	70,156	60,271	51,377	46,117	41,245
Add back goodwill	-1,908	-1,982	-2,045	-2,071	-2,088
Add back recognised deferred tax	21,368	18,286	16,824	14,362	11,356
Deferred tax at fair value	-6,421 <sup>5)</sup>	-5,465 <sup>4)</sup>	-4,933 <sup>4)</sup>	-3,219 <sup>3)</sup>	-2,533 <sup>3)</sup>
Adjustment of interest-bearing liabilities to fair value	-832	-287	-351	-106	-53
	<b>82,363</b>	<b>70,823</b>	<b>60,872</b>	<b>55,083</b>	<b>47,927</b>
<b>3. EBITDA, SEK m</b>					
Operating surplus	5,207	4,869	4,678	4,459	4,274
Central administration	-113	-101	-97	-87	-88
Cash flow from dividends from joint ventures	309	162	-	-	-
Ground rents and land leases	-154	-	-	-	-
	<b>5,249</b>	<b>4,930</b>	<b>4,581</b>	<b>4,372</b>	<b>4,186</b>
<b>4. EBITDA margin, %</b>					
Rental revenue	7,040	6,718	6,490	6,251	6,009
EBITDA	5,249	4,930	4,581	4,372	4,186
	<b>75</b>	<b>73</b>	<b>71</b>	<b>70</b>	<b>70</b>

1) Comparison figures have not been restated according to IFRS 16.

2) Calculations for the current year have been adjusted for IFRS 16.

3) Calculated on the basis of a 25% current tax rate, i.e. 5.5%.

4) Calculated on the basis of a 30% current tax rate, i.e. 6.6%.

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

Amounts in SEK million	2019	2018 <sup>1)</sup>	2017 <sup>1)</sup>	2016 <sup>1)</sup>	2015 <sup>1)</sup>
<b>5. Interest coverage ratio, multiple</b>					
EBITDA	5,249	4,930	4,581	4,372	4,186
Net financial items	-1,131	-1,043	-1,165	-1,152	-1,121
	<b>4.6</b>	<b>4.7</b>	<b>3.9</b>	<b>3.8</b>	<b>3.7</b>
<b>6. Closing debt/equity ratio, multiple</b>					
Non-current interest-bearing liabilities	53,682	45,956	44,711	39,334	34,984
Current interest-bearing liabilities	12,956	15,131	16,824	15,906	15,766
Equity	70,156	60,271	51,377	46,117	41,245
	<b>0.9</b>	<b>1.0</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
<b>7. Net interest-bearing liabilities, SEK m</b>					
Non-current interest-bearing liabilities	53,682	45,956	44,711	39,334	34,984
Current interest-bearing liabilities	12,956	15,131	16,824	15,906	15,766
Total assets excl. leaseholds and land leases	-3,515	-2,215	-1,423	-2,147	-2,301
	<b>63,123</b>	<b>58,872</b>	<b>60,112</b>	<b>55,093</b>	<b>48,449</b>

1) Comparison figures have not been restated according to IFRS 16.



# Definitions

## Area, sq. m.

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

## Return on equity, %

Earnings after tax divided by the average of opening and closing equity. Intended as an indication of the return on equity.

## LTV, %

Net interest-bearing liabilities divided by total assets. Intended as an indication of the company's financial risk.

## 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 team, property investments, financing and central marketing.

## Yield, total holdings, %

Net operating income as a percentage of the sum of the properties' opening market value, plus half of the year's investments and less half of net operating income during the year. Calculated according to the same method as the MCSI Swedish Property Index and pertains to the entire property portfolio including projects and transactions. Intended as an indication of the return on current earnings from the properties.

## Net operating income, SEK m

Rental revenue less operating expenses, repairs and maintenance, property administration, property tax and ground rent. Intended as an indication of the current earnings in property management activities.

## Energy intensity kWh/sq. m.

The annual total for 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). Reported energy intensity also includes some tenant electricity and process cooling which, for technical reasons, is not possible to remove from the property electricity calculation.

## Property category

The primary use of the property based on rental revenue.

## 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.

## FFO/net debt, %

Cash flow from operating activities before change in working capital for the last 12 months divided by average interest-bearing liabilities, net. It measures the portion of the company's net liabilities that can be paid by its cash flow from operating activities.

## Average loan-to-maturity, years

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

## 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 cost of capital.

## Average fixed-interest tenor, 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 interest-rate risk.

## Average remaining term to maturity, years

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

## Rental value, SEK m

Contracted rent plus the assessed market rent for vacant premises.

## Investments in existing projects, SEK m

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

## Comparable property holdings

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

## Contracted rent, SEK m

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

## Financial Calendar

### REPORTS

Interim report Jan–Mar 2020	4 May 2020
Mid-year report Jan–Jun 2020	10 July 2020
Interim report Jan–Sep 2020	4 November 2020
Year-end report 2020	4 February 2021
Annual Report 2020	March 2021

### ANNUAL GENERAL MEETING

Annual General Meeting	4 May 2020
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## Addresses and websites

### VASAKRONAN AB

Box 30074, SE-104 25 Stockholm  
**Street address:** Mäster Samuelsgatan 56  
**Tel:** +46 8 566 20 500

### REGION STOCKHOLM

Box 30074, SE-104 25 Stockholm  
**Street address:** Mäster Samuelsgatan 56  
**Tel:** +46 8 566 20 500

### REGION GOTHENBURG

Box 11264, SE-404 26 Gothenburg  
**Street address:** Götgatan 15  
**Tel:** +46 31 743 42 00

### REGION UPPSALA

Box 1050, SE-751 40 Uppsala  
**Street address:** Dragarbrunnsgatan 38  
**Tel:** +46 18 489 20 00

### REGION MALMÖ

Box 334, SE-201 23 Malmö  
**Street address:** Rådmansgatan 16  
**Tel:** +46 40 691 71 00

**WEBSITE** [www.vasakronan.se](http://www.vasakronan.se)

**CORP. REG. NO.** 556061-4603

**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.

**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.

**Environmental certification, %**

Total area of properties that have obtained certification in accordance with BREEAM, LEED or Miljöbyggnad, divided by the area for the entire property portfolio, on the closing date.

**NAV (Net asset 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 146.

**NNNAV (Triple net asset value), SEK m**

Recognised equity adding back goodwill and the fair value of loans, and adjusted for estimated actual deferred tax. Calculated on the basis of a 30% current tax rate. The metric shows the company's actual NAV, refer to the calculation on page 146.

**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 notice of termination for move-out was received during the period.

**Profit before value changes and tax, SEK m**

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

**Net interest-bearing liabilities, SEK m**

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

**Net interest, SEK m**

Interest income less interest expenses.

**Interest coverage ratio, multiple**

Net operating income plus central administration and profit (loss) from participations in joint ventures divided by net interest. Intended as an indication of the company's sensitivity to fluctuations in interest rates.

**Debt/equity ratio, multiple**

Interest-bearing liabilities divided by equity. Intended as an indication of the company's financial risk.

**Equity/assets ratio, %**

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

**Capital employed, SEK m**

Total assets less non-interest-bearing liabilities.

**Temperate area, sq. m.**

Indoor area for all floors of a building that are heated to more than 10°C.

**Total yield, total holdings, %**

Sum total of yield and change in value, including projects and transactions. Calculated according to the same method as the MSCI Swedish Property Index. Intended as an indication of the return on total assets.

**Total contract value, SEK m**

Contracted rent multiplied by the period of maturity of the leases.

**Economic occupancy rate, %**

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

**Value change in the total portfolio, %**

Value change in SEK, divided by market value for the entire property portfolio (i.e. including projects and transactions at the start of the period). In the five-year overview, the value change is reported according to the same method as the MSCI Swedish Property Index. Intended as an indication of the value change in the property portfolio.

**Annual rent, SEK m**

Base annual rent plus indexation and supplements.

**Surplus ratio, %**

Net operating income divided by rental revenue. Intended as an indication of the current earnings in property management activities.

**Production**

Vasakronan and Springtime-Intellecta.

**Photography:** Gustav Kaiser, Martin Olson, Gonzalo Irigoyen, Karin Taawo Bektasevic, Alen Cordic, Elite Studio, Johannes Berner, Pär Söderman and Shutterstock.

**Vision images:** Reflex Arkitekter, Tomorrow, Walk the room, White Arkitekter, BSK Arkitekter, Alma Arkitekter, EGA Erik Giudice Architects Tomorrow, Equator and Vasakronan/Sweco.

**Printing:** Åtta45 2020.

**Cover**

Juvelen, a shimmering and gem-like triangular building is the first thing visitors see when the train rolls into Uppsala. 8,600 square metres of lettable area in Uppsala's best location. Acquired by Vasakronan from Skanska in 2019 for SEK 563 million.

**Environmental certification**



# VASAKRONAN

Address: Box 30074, SE-104 25 Stockholm  
Street address: Mäster Samuelsgatan 56  
Tel: +46 8 566 20 500, Fax +46 8 566 20 501  
[www.vasakronan.se](http://www.vasakronan.se)  
Corp. Reg. No. 556061-4603